

Comprising:

CONDUIT CAPITAL LIMITED AND ITS SUBSIDIARIES; AND
ENTITIES ASSOCIATED WITH AND/OR CONDROLLED BY A DIRECTOR OF CONDUIT CAPITAL LIMITED

HEREINAFTER REFERRED TO AS THE “CONDUIT GROUP” OR “THE COMPANY”

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The Conduit Capital Limited group of companies recognise the importance of operating in an open and transparent manner in all aspects of its business, be it with clients, suppliers, service providers or members of the greater business community, be they directly a part of the financial services industry or not. Whilst legislative requirements may be the foundation of this policy, this statement is more practical in its application and utilises basic business ethics and practices as its overall primary standard. This policy statement has been approved by the board of directors of the above listed insurers and the Financial Service Providers.

Approved by the Board of Directors

Date: 5 October 2018

INTRODUCTION AND CONSTITUTION

The Audit and Risk Committee (“Committee”) is constituted as a statutory committee of the Group in respect of the statutory duties in terms of section 94(7) of the Companies Act, no. 71 of 2008 (“the Companies Act”) and is a committee of the Board in respect of all other duties assigned to it by the Board. These terms of reference are subject to the provisions of the Companies Act, the Company’s Memorandum of Incorporation (“MOI”) and any other applicable law or regulatory provision.

The Committee was established to assist the Board in discharging its duties in terms of the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards. In addition, the qualification and independence of the external auditors as well as the scope and effectiveness of the external audit function. Furthermore, to review and assess the integrity of the risk management processes, including the effective management of sustainability matters.

The Committee should not perform any management functions or assume any management responsibilities. It provides a forum for discussing business risk and control issues and for developing relevant recommendations for consideration by the Board. The Committee should mainly make recommendations to the Board for its approval or final decision. The membership, resources, responsibilities and authority (composition, functions and operation) of the Committee to perform its role effectively, is stipulated in these terms of reference, which may be amended by the Board as and when required. The Committee is constituted in terms of the requirements of sound corporate governance practice and operates within that framework.

MEMBERSHIP

- The Committee will comprise of at least three (3) members to be elected annually by the shareholders on recommendation by the Board. All members of the Committee must be suitably skilled and experienced independent non-executive directors and meet the fit and proper requirements as required by relevant legislation and regulations.
- The Board shall appoint a chairperson from the non-executive members of the Committee and determine the period for which he/she shall hold office. It is recommended that the Chairperson of the Board should not be appointed as Chairperson of the Committee.
- The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties, including an understanding of the following: financial and sustainability reporting, internal financial controls, external audit process, internal audit process, risk management and governance structures and processes within the Company.
- Committee members should enhance and maintain their finance, actuarial, IT, and accounting knowledge by participating in training programmes arranged by the Company or as identified by the directors.
- The members of the Audit Committee must satisfy the requirements of the JSE Listings Requirements and section 94(4) and (5) of the Companies Act, as amended.
- The Board shall have the power at any time to remove any members from the Committee and to fill any vacancies created by such removal.

RESPONSIBILITIES

In discharging its responsibility to provide assurance to the Board, and to ensure the optimal functioning of the Committee, the Committee will from time to time prepare a list of its specific duties and areas of focus. These may not be comprehensive and will be amended as and when required.

The Committee's specific duties and main areas of focus are the following:

FINANCIAL REPORTING

The Committee must examine and review the annual financial statements, prior to submission and approval by the Board, focusing particularly on:

- the implementation of new systems;
- tax and litigation matters involving uncertainty;
- any changes in accounting policies and practices;
- major judgmental areas;
- significant adjustments resulting from the audit;
- the basis on which the Company has been determined a going concern;
- capital adequacy;
- internal controls;
- compliance with accounting standards, compliance with the JSE Listings Requirements, all relevant statutory, regulatory and legal requirements;
- the efficiency of major adjustments processed at year end;
- compliance with the financial conditions of loan covenants;
- Integrated Report (including any summary thereof) and related SENS and press release(s);
- the interim (half-year) results (including any summary thereof) and related SENS and press release(s); and
- reviewing special documents (such as prospectus, circulars) when applicable.

INTEGRATED REPORTING

In addition to the financial reporting responsibilities, the Committee also oversees integrated and sustainability reporting (the process for conveying adequate information about the social, economic and environmental impact of the company on the community in which it operates).

In particular, the Board has tasked the Committee to:

- Have regard to all factors and risks that may impact on the integrity of the integrated and sustainability report, including factors that may predispose management to present a misleading picture, significant judgements and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward-looking statements or information.
- Assist the Board in improving the disclosure of sustainability issues by ensuring that information in the integrated report is reliable and that no conflicts or differences arise when compared to the financial results or the integrated report.
- Recommend to the Board to engage an external assurance provider to provide assurance over material elements (as defined by the Social and, Ethics Committee) of the Integrated and Sustainability reports. The Committee should also evaluate the independence and credentials of the external assurance provider.

- This responsibility also applies to any summarised information made available to stakeholders.
- The Committee needs to coordinate its activities in this regard with other Board Committees such as the Social and Ethics Committee.

CORPORATE GOVERNANCE

- Review the Company's compliance with mandatory corporate governance principles and disclosures;
- Assist the Board in its evaluation and monitoring of the appropriateness and effectiveness of the best practice corporate governance structures, processes, practices and instruments;
- Review and recommend for approval to the Board, the annual JSE Compliance Certificate; and
- Review representation letters and other forms of assurances provided by other audit committees in the Group.

INTERNAL CONTROL

- Ensure accountability of management for internal control and the appropriate "control culture" within the Group by communicating the importance of internal control and management of risk.
- Consider and approve the approach followed by financial management for formally designing, implementing, documenting and reviewing the internal financial controls within the Group.
- Annually consider if combined assurance from management, the internal audit and external audit plans provide enough assurance around the significant areas of financial reporting and more specifically the internal financial controls in these areas. If required, the Committee shall instruct assurance providers to perform additional work. The Committee shall disclose the arrangements in place for combined assurance and the Committee's views on its effectiveness.
- Review the summarised annual Group internal and external audit plans and scope with management and the auditors to ensure that adequate audit coverage will be obtained for the Group, which will address the significant risks for the Group.
- Review the reports by management and the auditors on the internal controls over the financial reporting process.
- Review the extent to which internal control recommendations made by internal and external auditors have been implemented by management.
- Consider the risk of material misstatements because of fraud.
- Consider the potential effect of IT risks on financial reporting and ensure that appropriate assurances are obtained from management, Internal or External Audit.
- Review reports around the effectiveness of these financial controls. The Committee must annually conclude and report to stakeholders and the Board on the effectiveness of the Company's internal financial controls. Before the Committee concludes and report to the Board, it should holistically consider all information brought to its attention from all sources.

- Make a recommendation to the Board annually on the effectiveness of internal control in the Group by:
 - Discussing the process followed by the Audit Committees of the different subsidiaries in the Group to review the internal control systems of their operations;
 - Reviewing information on significant internal control breakdowns provided by the other Audit Committees via their boards of directors;
 - Consider feedback from the Risk Committee on the effectiveness of the risk management processes of the Group.

RISK MANAGEMENT AND INSURANCE

A crucial role of the Committee is the overall responsibility for the integrity, reliability and efficiency of the Company's risk management strategy / policy and insurance portfolio.

FUNCTIONS AND MANDATE

FINANCIAL STATEMENTS

- Review the quality of financial information, financial statements and any required public and regulatory reporting;
- Review the accounts and financial statements taken as a whole to ensure that they present a balanced and comprehensive assessment of the position, performance and prospects of the company;
- Review the external auditor's proposed audit opinion;
- Discuss problems and reservations arising from the audit, and any matters the auditor may wish to discuss (in the absence, where requested by the Committee, of executive directors and any other person that is not a member of the Committee);
- Review the external auditor's management letter and management's response;
- Review the credibility, independence and objectivity of the auditor, taking into account their audit and non-audit fees. Where the auditors also supply a substantial volume of non-audit services to the company, the Committee should keep the nature and the extent of such services under review, seeking to balance the maintenance of objectivity with value for money.

RELATIONSHIP WITH THE EXTERNAL AUDITORS AND FUNCTIONS

In the context of making recommendations to the Board regarding the appointment of one or more firms of external auditors, the Committee should consider factors such as:

- effectiveness;
- independence, having regard to any non-audit and other services provided by the external auditors; and

- value for money of services provided.

The Committee may be requested to recommend to the Board which firm(s) should be appointed as external auditor. Several firms should be screened (which process may include written or verbal proposals).

The Committee will:

- evaluate the independence and effectiveness of the external auditor and consider whether any non-audit services rendered by such auditors is likely to substantively impair their independence;
- evaluate the performance of the external auditor;
- assess the tenure of the external auditor;
- consider and make recommendations on the appointment and retention of the external auditor, and any questions of resignation or dismissal of the auditor;
- oversee the rotation of the audit partner;
- discuss and review, with the external auditor before the audit commences, the auditor engagement letter, the terms, nature and scope of the audit function, procedure and engagement, the audit fee, and to ensure co-ordination (where more than one audit firm is involved) and maintenance of a professional relationship between them;
- negotiate procedures, subject to agreement, beyond minimum statutory and professional duties – there are certain minimum non-negotiable procedures required from the external auditors;
- agree to the timing and nature of reports from the external auditor;
- consider any problems identified in going concern or internal control statements;
- make suggestions as to problem areas that the audit should address;
- consider any accounting treatments, significant unusual transactions, or accounting judgements, that could be contentious;
- identify key matters arising in the current year's management letter and satisfy itself that these are being properly followed up and addressed;
- consider whether any significant ventures, investments or operations are not subject to external audit;
- review the overall audit role, to explore objectives, minimise duplication, discuss implications of new auditing standards and ensure that the external audit fee will sustain a proper audit and provide value for money;
- obtain assurance from the external auditor that adequate accounting records are being maintained; and
- review arrangements in place for combined assurance and effectiveness thereof.

RELATIONSHIP WITH THE INTERNAL AUDITORS AND FUNCTIONS

An important role of the Committee will be to monitor and exercise oversight in terms of the effective function of internal audit, ensuring that the roles and functions of external audit with internal audit are sufficiently clarified and coordinated to provide an objective overview of the operational effectiveness and adequacy of the Company's systems of internal control and reporting. The objective is for internal audit to provide management with insight, advice and assurances that systems and controls are in place and are functioning effectively. The process / activities will include, but not necessarily limited to:

- identifying areas of the business where significant risks are in existence and require focused attention;
- evaluating the performance of internal audit;
- reviewing the internal audit function's compliance with its mandate as approved by the Committee;
- reviewing the effectiveness of the company's systems of internal control, including internal financial control and business risk management and the maintenance of effective internal control systems;
- considering the performance and/or the appointment, dismissal or re-assignment of the head of the internal audit function;
- reviewing and approving the internal audit charter, internal audit plans and internal audit's conclusions regarding internal control;
- reviewing the adequacy of corrective action taken in response to significant internal audit findings;
- reviewing significant matters reported by the internal audit function;
- reviewing the objectives and the operations of the internal audit functions;
- assessing the adequacy of performance of the internal audit function, and the adequacy of available internal audit resources;
- reviewing the co-operation and co-ordination between the internal and external audit functions and coordinating the formal internal audit work plan with external auditors to avoid duplication of work;
- reviewing significant differences of opinion between management and the internal audit function;
- maintaining proper and adequate accounting records;
- evaluating the independence and effectiveness of the internal auditors;
- evaluating the operational and financial reporting environment;
- safeguarding company's assets against unauthorised use or disposal; and
- directing and supervising investigations into matters within its scope, for example, evaluations of the effectiveness of the Company's internal control, cases of employee fraud, misconduct or conflicts of interest.

RISK MANAGEMENT

Review the activities relating to control over significant risks and the implementation of risk management strategies and policies, which will include but not be limited to:

- the review of any legal matters that could have a significant impact on the Company's business;
- assessment of risk in the widest sense which includes market risk, credit risk, liquidity risk, operational risk and commercial risk, which together cover detailed combined risks such as:
 - interest rate risk;
 - country risk;
 - counterparty risk, including provisioning risks;
 - currency and foreign exchange risk;
 - technology risk;
 - price risk;
 - disaster recovery risk;
 - operational risk;
 - prudential risk;
 - reputational risk;
 - competitive risk;
 - legal risk;
 - compliance and control risks;
 - sensitivity risks, e.g. environmental, health and safety;
 - concentration of risks across several portfolio dimensions;
 - investment risk;
 - asset valuation risk; and
 - other risks appropriate to the business, which may be identified from time to time.
- a review of risk aspects related to investment policies, practices and procedures of the company which may be in place or carried out from time to time.
- the Committee will ensure compliance with risk management policies implemented throughout the Company.
- the Committee will review the adequacy of insurance coverage.

Activities and Output / Deliverables:

- In identifying risks which could impact on the Company's business, input should be sought from all areas of the business to identify all possible risks whether they be of a general nature, industry specific or specific to the Company, and will include risks of a financial as well as non-financial nature.
- Regard should be had to external and / or objective input and criteria during assessment of risks in an endeavour to formulate risk management strategy / procedures / policies based on materiality and order of importance.
- Appropriate risk management strategies and policies should be formulated and implemented throughout the company (including where necessary, activities, timetables and cost estimates relating to specific areas of risk requiring attention on a project basis) with the overall aim of managing material risks.

NON-AUDIT SERVICES

- Satisfying itself that the Company and the Group companies are governed effectively in accordance with corporate governance best practices, appropriate and relevant non-binding industry rules, codes and standards as well as internal control systems to:
 - maximise returns sustainably;
 - safeguard the people, assets and reputation of the Group; and
 - ensure an effective control environment and compliance with applicable laws and regulations;

This section sets out guidance for the determination of instances where it is appropriate for the Auditors to provide non-audit services and the process by which non-audit service provision should be governed.

Non-audit services are classified as follows:

- prohibited non-audit services;
- prohibited non-audit services that may be permissible (for which specific pre-approval is required); and
- pre-approved permitted non-audit services (for which general approval is applicable).

Non-audit services are prohibited under any circumstances and the Auditors should not be engaged to perform any services, where to do so:

- would create a mutual or conflicting interest between the Auditor and the Group;
- would create a situation whereby as part of their audit engagements, the Auditors may need to re-evaluate or rely on work performed as part of a non-audit services;
- would involve the Auditors in decision making that is properly the preserve of Management;
- would involve the Auditors acting in a management capacity or as employee of the Group; and
- would require the Auditors to act as an advocate or negotiate on behalf of the Group.

Prohibited non-audit services that may be provided in certain circumstances are listed as follows. In such cases specific pre-approval for the provision of such services should be sought on an engagement-by-engagement basis in accordance with the approval guidelines detailed in the Group Levels of Authority:

- bookkeeping or other services related to the accounting records or financial statements;
- design and implementation of internal controls or risk management controls;
- financial information systems design and/or implementation including operation and supervision of operation of information systems;
- appraisal or valuation services, fairness opinions or contribution-in-kind reports;
- actuarial services;
- expert services for the purpose of advocacy in litigation or in regulatory or administrative investigations of proceedings;
- tax assistance or process, reporting and implementation; and
- regulatory assistance and support, including review of conduct of business processes and controls.

Generally pre-approved permitted non-audit services have been identified by the Group, which services are deemed appropriate for the Auditor to provide. In this regard, specific case-by-case approval of each engagement is not required, however, details and the quantum of such work should still be reported to the Group Audit Committee. The generally pre-approved services include, but are not necessarily limited to:

- accounting advice;
- accounting advice and audit/review work in connection with acquisitions or disposals;
- acquisition and disposal due diligence advisory services;
- other attestation services;
- general training in accounting and financial reporting standards; and
- tax compliance, including gathering of information for preparation of filings of corporate income tax, VAT, property tax, etc.

Non-audit service fee approval process:

- non-audit service fees up to 15% of the total audit fee to be pre-approved by the Committee; and
- non-audit service fees exceeding 15% of the total audit fee requires specific approval by the Committee.

The Audit Committee, in carrying out its duties under these terms of reference, will have due regard to the principles of governance and code of best practice as contained in the King Report on Corporate Governance for South Africa 2002.

ETHICS

There are several statutory, common law and other requirements that cover the ethical behaviour of directors, managers and officers of the company. In addition, the Company should have a clearly defined and documented Code of Ethics and the directors must declare the nature and extent of their interest in contracts.

The Committee will be responsible for:

- compliance with the requirements of the MOI; and
- compliance with the legislation and regulation of the JSE Listings Requirements, the Companies Act, King IV, etc.

MEETING PROCEDURES

FREQUENCY

- Meetings of the Committee will be held as frequently as the Committee considers appropriate, but it will normally meet not less than three (3) times a year (pre-annual audit for planning purposes, post audit to review audit activities and annual financial results, as well as at interim stage to review interim results). The Board or any member thereof, including members of the Committee, the external auditors, and the internal auditors may call further meetings.
- The Committee must hold sufficient scheduled meetings to discharge all its duties as set out in this Terms of Reference.

AGENDAS, MEETING PAPERS AND MINUTES

- A detailed agenda, together with supporting documentation must be circulated approximately seven (7) days prior to each meeting to the members of the Committee and other invitees.

- The Chairman, with the assistance of the Company, must ensure that the agenda, as prepared, raises all relevant issues requiring attention in such a way and sequence that effective proceedings are facilitated.
- The minutes must be completed, by the Company Secretary, within two (2) weeks of the meeting. The draft minutes must be circulated to the Company for review, where after the minutes shall be circulated to the Chairperson for review.
- The directors must treat the meeting papers with the strictest of confidence and to manage their electronic access to their meeting packs with due care and vigilance.

ATTENDANCE

- Directors shall attend all Committee meetings and prepare adequately.
- Directors who are unable to attend a meeting should advise the Chairperson or the Company Secretary at least one (1) week prior to the intended meeting date.
- Directors may invite any person to attend specific meetings or part of a meeting, with the prior approval of the Chairperson.
- Directors are expected to provide appropriate and constructive input on matters for discussion and also to participate fully, frankly and constructively in order to bring the benefit of their particular knowledge, experience, skills and abilities to bear in discharging their duties as directors.
- Executive management, assurance providers and advisors may be in attendance at meetings, but by invitation only.
- The Chief Financial Officer, senior audit partner in charge of the external audit and head of internal audit shall attend meetings of the Committee and shall have unrestricted access to the Chairperson or any other member of the Committee as is required in relation to any matter falling within the remit of the Committee.
- Invitees shall not have a right to vote at the meetings of the Committee.

QUORUM

- The Committee shall not have a quorum to proceed with a meeting if more than one of its members is not present.
- Invitees and a representative of the Company Secretary shall not be taken into account when determining a quorum.

WRITTEN RESOLUTIONS

- A resolution in writing, signed by all the members of the Committee shall be as valid and effectual as if it has been passed at a duly constituted meeting of the Committee, provided that each member of the Committee was afforded reasonable opportunity to express an opinion on the matter to which such resolution relates.

COMPANY SECRETARY

- The Company Secretary provides a central source of guidance and support to the Board and its committees and within the Company on matters of good governance and changes in legislation.
- The Committee is aware of the duties of the Company Secretary and empowers them to fulfil those duties.
- The Company Secretary maintains an arms' length relationship with the Board and its directors as far as is reasonably possible.
- The Company Secretary is not a director of the Company and has a direct channel of communication to the Chairperson.
- The Company Secretary is accountable to the Board.
- The Company Secretary shall be the secretary of the Committee.

ENFORCEMENT

These terms of reference shall be recommended to the Board by the Committee, following a review by its members and ultimately approved by the Board.

REMUNERATION

- The Board will determine the level of remuneration for non-executive directors and remuneration to be approved at the Annual General Meeting of shareholders, as set out in the Companies Act.
- Executive directors shall not receive any fees but will be paid as employees of the Company in accordance with their contracts of employment with the Company.

GENERAL

- Unless varied by these Terms of Reference, meetings and proceedings of the Committee will be governed by the Company's MOI, regulating the proceedings of the meetings of the Committee.
- The Committee, in carrying out its responsibilities under these Terms of Reference is authorised to investigate any matter within its terms of reference, may at its discretion, require other employees of the Company to attend meetings or parts of meetings and may consult with and seek any information it requires from any employees. All employees shall be required to cooperate with any request made by the Committee in the course of its duties.
- The Committee shall at least once a year meet with the external auditors as well as the internal auditors without any executive member of the Board in attendance.
- The Committee may obtain such outside or other independent professional advice as it considers necessary to carry out its duties, in terms of the approval process determined by the Board.

- The Board will ensure that the Committee will have access to professional advice both inside and outside the Company for it to perform its duties.

CLOSING

The Group may amend this Terms of Reference from time to time and shall be reviewed no less than once within each calendar year cycle. Reasonable efforts will be made to inform all members of any amendments to the policy. Non-compliance with this Terms of Reference will be dealt with in accordance with the Code of Conduct.

REVISION HISTORY

Version	Date	Author	Organisation	Revision
1.0	May 2015	R. Kok	Ops Manager	Created charter
2.0	Feb 2018	R. Kok	Ops Manager	Amendments made for review by CoSec
3.0	Aug 2018	R. Kok	Ops Manager	Amendments made for review by Board