

**SANLAM LTD AND SANLAM LIFE INSURANCE  
LTD (“Sanlam”)**

**AUDIT, ACTUARIAL & FINANCE COMMITTEE  
CHARTER  
(Terms of Reference)**

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## **1. CONSTITUTION**

The Audit, Actuarial & Finance Committee (“the Committee”) is a Committee of the Board of Directors of Sanlam. This document sets out the duties assigned to it by the Board over and above its statutory duties. The Committee is constituted as a statutory committee and performs its statutory duties in terms of section 94 (7) of the Companies Act, 71 of 2008 (the “Act”), Principle 8 Recommended Practice 51 of King IV. The duties and responsibilities of the Committee as set out in this document are in addition to those duties and responsibilities that they have as members of the Board. The deliberations of the Committee do not reduce their individual and collective responsibilities as members of the Board in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their legal obligations. These terms of reference are subject to the provisions of the Companies Act, Sanlam’s Memorandum of Incorporation, JSE Listing Requirements and any other applicable law or regulatory provision.

## **2. PURPOSE OF THE TERMS OF REFERENCE**

- 2.1. The purpose of these terms of reference is to document the Committee’s duty delegated to it by the Board, the duty of advising and assisting the Board in respect of its oversight responsibility to ensure effectiveness of Sanlam’s assurance function and services.
- 2.2. The terms of reference seeks to outline:
  - 2.2.1. The Committee’s role and responsibilities;
  - 2.2.2. The requirements for its composition;
  - 2.2.3. Process and, criteria for appointment of any committee members who are not board members;
  - 2.2.4. Meeting procedures;
  - 2.2.5. The Committees delegation of authority to management to promote the Board to exercise independent judgement;
  - 2.2.6. The Committees role in assisting the Board in ensuring the balance of power to effectively discharge its duties; and
  - 2.2.7. The Committees oversight role in the internal audit function and well as external audit.

## **3. ROLE OF THE COMMITTEE**

- 3.1. The Committee role shall be to provide independent oversight, of among others:
  - 3.1.1. The effectiveness of Sanlam’s assurance functions and services, with particular focus on combined assurance arrangements, including external assurance service providers, internal audit and the finance function;

- 3.1.2. The integrity of the annual financial statements and, to the extent delegated other external reports issued by Sanlam;

#### **4. RESPONSIBILITIES OF THE COMMITTEE**

- 4.1. The Committee shall ensure appropriateness and effectiveness of internal controls in general and internal financial controls specifically within Sanlam;
- 4.2. Express its views on the quality of the external audit, with reference to audit quality indicators such as those that maybe included in inspection reports issued by external audit regulators.
- 4.3. Except as otherwise indicated, the Committee will make recommendations to the Board for the Board's consideration and final approval.
- 4.4. The Committee shall perform any of the following statutory duty as prescribed in terms of Section 94 (7) of the Act, for Sanlam and if so mandated, for any Sanlam subsidiary:
  - 4.4.1. Nominate, for appointment as auditor of the company under section 90, a registered auditor who, in the opinion of the audit committee, is independent to the Sanlam group;
  - 4.4.2. Determine the fees to be paid to the auditors and the auditors' terms of engagement;
  - 4.4.3. Ensure that the appointment of the auditors complies with the Act and any other legislation relating to the appointment of auditors;
  - 4.4.4. Pre-approve any proposed agreement with the Auditor for the provision within an approved policy of non-audit services to Sanlam;
  - 4.4.5. Receive and deal appropriately with any complaints (whether from within or outside the company) relating either to the accounting practices and internal audit of the company or to the content or auditing of its financial statements, or to any related matter;
  - 4.4.6. The Committee shall comment in anyway and satisfy itself with the quality of the work done by the professionals responsible for financial and actuarial reporting and internal control;
  - 4.4.7. The Committee shall ensure that the external auditor possess qualification, and is independent from Sanlam.
  - 4.4.8. Approve the audit fees of the external auditors of Sanlam and the group companies;
  - 4.4.9. Conduct annual assessment of the external auditing firm and auditing individual as well as the audit process.

- 4.5. Reporting oversight responsibility
  - 4.5.1. Design and make recommendations to the Sanlam Board by setting the direction on how Sanlam reporting would be approached and conducted.
  - 4.5.2. The Committee shall ensure management of financial and other risks that affect the integrity of external reports issued by Sanlam.
  - 4.5.3. Approve Sanlam's reporting frameworks (including reporting standards) to be used, taking into account legal requirements and the intended audience and purpose of each report as formulated by management.
  - 4.5.4. Ensure that reports such as the annual financial statements, sustainability reports, resilience report, or other online or printed information or reports are issued, as is necessary, to comply with legal requirements, and/or to meet the legitimate and reasonable information needs of material stakeholders.
  - 4.5.5. Ensure that the Sanlam integrated report addresses, at a high level and in a complete, concise way, the matters that could significantly affect Sanlam's ability to create value;
  - 4.5.6. Ensure that the Sanlam integrated report is made available and is accessible to all Sanlam stakeholder.
  - 4.5.7. Consider and recommend for approval by the Board, managements' bases for materiality.
- 4.6. Ensure that the following is disclosed in the integrated report to be issued in respect of that financial year:
  - 4.6.1. A statement describing how the Committee carried out its functions;
  - 4.6.2. A statement stating whether the Committee is satisfied that the external auditor was independent of Sanlam.
- 4.7. Ensure that the statement specifically discloses the following matters:
  - 4.7.1. 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 financial year;
  - 4.7.2. The tenure of the external audit firm and, in the event of the firm having been involved in a merger or acquisition, including the tenure of the predecessor firm;
  - 4.7.3. The rotation of the designated external audit partner;

- 4.7.4. Significant changes in the management of the organisation during the external audit firm's tenure which may mitigate the attendant risk of familiarity between the external auditor and management.

#### 4.8. Actuarial Matters

- 4.8.1. With reference to their effect on the financial position of the company as reported upon in the Integrated Report:
  - 4.8.1.1. Review Actuarial Valuation Reports including the Actuarial Valuation Assumptions as well as the supporting statistical analyses.
  - 4.8.1.2. Review bonus declarations to policyholders.
  - 4.8.1.3. Review reports on other actuarial related matters.

#### 4.9. Governance

- 4.9.1. Review Sanlam's compliance with mandatory corporate governance principles and disclosures in terms of the Act, JSE Listing Requirements and King IV and all applicable laws and adopted, non-binding rules, codes and standards.
- 4.9.2. Ensure disclosure of information in relation to its:
  - 4.9.2.1. Overall role and associated responsibilities and functions.
  - 4.9.2.2. Composition, including each member's qualifications and experience.
  - 4.9.2.3. A statement on whether the Committee is satisfied that it has fulfilled its responsibilities in accordance with these terms of reference for the reporting period.
  - 4.9.2.4. Any external advisors or invitees who regularly attend its meetings.
  - 4.9.2.5. Key areas of focus.
  - 4.9.2.6. Number of meeting held during the year.
- 4.9.3. Assist the Sanlam Board in its evaluation and monitoring of the appropriateness and effectiveness of the best practice corporate governance structures, processes, practices and instruments.
- 4.9.4. Review and recommend for approval to the Board, the annual JSE Compliance Certificate.
- 4.9.5. Review, discuss and recommend to the Board, changes to the Sanlam Group Approval Framework.

- 4.9.6. Review, discuss and recommend to the Board changes to the Sanlam Group Governance policy.
- 4.9.7. Review representation letters and other forms of assurances provided by other audit committees in the Sanlam Group.

## **5. COMBINED ASSURANCE**

- 5.1. The Committee shall provide assistance to the Board in setting the direction concerning the arrangements for assurance services and functions by overseeing that those arrangements as delegated to it by the Board are effective in achieving the following objectives:
  - 5.1.1. Enabling an effective internal control environment in the Sanlam Group.
  - 5.1.2. Supporting the integrity of information used for internal decision-making by management, the Board and its committees.
  - 5.1.3. Supporting the integrity of external reports.
  - 5.1.4. The Committee shall satisfy itself that a combined assurance model is applied which incorporates and optimises the various assurance services and functions so that, taken as a whole, these support the objectives for assurance.
  - 5.1.5. The Committee should ensure that the combined assurance model is designed and implemented to cover effectively Sanlam's significant risks and material matters.

## **6. INTERNAL AUDIT FUNCTION**

- 6.1. Set the direction for the internal audit arrangements needed to provide objective and relevant assurance that contributes to the effectiveness of governance, risk management and control processes.
- 6.2. Review and approve an internal audit charter that defines the role and associated responsibilities and authority of internal audit, including addressing its role within combined assurance and the internal audit standards to be adopted.
- 6.3. Ensure that the arrangements for internal audit provide for the necessary skills and resources to address the complexity and volume of risk faced by Sanlam, and that internal audit is supplemented as required by specialist services such as those provided by forensic fraud examiners and auditors, safety and process assessors, and statutory actuaries.
- 6.4. Evaluate and ensure that the Chief Audit Executive (CAE) function independently from management who designs and implements the controls that are in place, and that the position carries the necessary authority and has access to the Committee.

- 6.5. Recommend for approval by the Sanlam Board, the appointment and removal of the CAE.
- 6.6. Monitor on an ongoing basis that internal audit follows an approved risk-based internal audit plan and reviews Sanlam's risk profile regularly, and proposes adaptations to the internal audit plan accordingly.
- 6.7. Evaluate the performance of Sanlam Internal Audit Services taking due cognizance of the appraisals done on a Cluster level.
- 6.8. Enquire into any difficulties encountered in the course of auditing work, including any restrictions on the scope of activities or access to required information.
- 6.9. Undertake independent quality review of the internal audit function at least every 5 years.

## **7. EXTERNAL ASSURANCE REPORTS**

- 7.1. The Committee should ensure the integrity of external reports issued by Sanlam by setting the direction for how assurance of these should be approached and addressed.
- 7.2. The Committee should take into account legal requirements in relation to assurance when considering the underlying data used to prepare a report, or to the process for preparing and presenting a report, or both and whether the nature, scope and extent of assurance are suited to the intended audience and purpose of a report as well as the specification of applicable criteria for the measurement or evaluation of the underlying subject matter of the report.
- 7.3. The Committee should satisfy itself that the combined assurance model is effective and sufficiently robust for the Sanlam Board to be able to place reliance on the combined assurance underlying the statements that the Sanlam Group makes concerning the integrity of Sanlam's external reports.
- 7.4. The Committee should ensure that external reports disclose information about the type of assurance processes applied to each report, in addition to the independent, external audit opinions provided in terms of legal requirements, including a brief description of the nature, scope and extent of the assurance functions, services and processes underlying the preparation and presentation of the report and a statement of the Sanlam Board on the integrity of the report as well as the basis for this statement, with reference to the assurance applied.

## **8. RELATIONSHIP WITH SANLAM GROUP COMPANIES**

- 8.1. The Sanlam Board has developed and accepted a Group Governance Policy which proposes certain principles to be applied throughout the Sanlam Group in respect of subsidiary and associate companies, partnerships, joint ventures as well as business divisions across statutory entities. This also covers the broader ‘tight’ governance aspects such as branding, people management, risk management, culture and ethics.
- 8.2. Sanlam’s interest in Group companies is managed through its representatives on the boards of directors of these companies.
- 8.3. The board of directors of each Sanlam Group company has a fiduciary duty towards that specific company, which compels them to manage the business in a manner that will ensure an effective control environment and accurate financial reporting. It is the responsibility of these directors to ensure that the different companies practice proper governance and adhere to the Group’s policies and standards. They are required to annually inform and report to the Committee any material deviations from Group policies and standards or the existence of any significant internal control breakdowns within these businesses. They may report directly or institute appropriate reporting mechanisms such as the tabling of financial, audit and risk committee’s minutes, formal written reports by the financial and risk committee chair, or by personal attendance at the meeting.
- 8.4. The Sanlam Board requires that the Committee provides assurance regarding the quality of financial reporting and disclosures, as well as the internal control environment in the Sanlam Group. In addition, the independence and relationship with the external and internal auditors are also managed by the Audit Committee. These aspects are all considered “tight” in terms of the Group Governance Policy and the Committee will therefore from time to time provide guidance or set Group policy through the Sanlam Board in respect of, inter alia:
  - 8.4.1. Accounting or actuarial policy or practice;
  - 8.4.2. Internal control frameworks;
  - 8.4.3. Group Governance; and
  - 8.4.4. The use of Auditors for non-audit services.

## **9. RELATIONSHIP WITH OTHER COMMITTEES**

The Committee will also provide input to other Board committees in such matters that are relevant to those committees to enable it to perform its responsibilities, in circumstances where aspects of those same matters fall within the scope of responsibility of other Board committees.

## **10. COMMITTEE AUTHORITY**

- 10.1. The Committee takes primary responsibility for and has the ultimate decision-making ability regarding its statutory duties. If differences of opinion should arise between the Board and the Committee where the Audit Committee's statutory functions are concerned, the Audit Committee's decision will prevail. However, as the Committee also serves as a committee of the Board for duties assigned to it by the Board over and above its statutory duties, the Board retains ultimate decision making ability on these non-statutory matters.
- 10.2. The Committee will have the power to delegate its authority and duties to subcommittees or individual members of the Committee as it deems appropriate, provided it is not precluded by legal or regulatory requirements from doing so.
- 10.3. The Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee is authorised to seek any information it requires from any employee in the Sanlam Group, and all employees are expected to co-operate with any request made by the Audit Committee.
- 10.4. The Audit Committee, in carrying out its tasks under these terms of reference, may after consultation with the Chair of the Board, and in cooperation with the Company Secretary, obtain such independent professional advice (from both inside and outside Sanlam) as it considers necessary to carry out its duties.

## **11. DELEGATION**

- 11.1. The Board has delegated to the Committee the responsibility to oversee that the combined assurance model is implemented to cover effectively Sanlam's significant risks and material matters through a combination of the following assurance service providers and functions as is appropriate to Sanlam:
  - 11.1.1. Line functions that own and manage risks.
  - 11.1.2. Specialist functions that facilitate and oversee risk management and compliance.
  - 11.1.3. Internal auditors, internal forensic fraud examiners and auditors, safety and process assessors, and statutory actuaries.
  - 11.1.4. Independent external assurance service providers such as external auditors.
  - 11.1.5. Other external assurance providers such as sustainability and environmental auditors, external actuaries, and external forensic fraud examiners and auditors.

- 11.2. Any delegation by the governing body of its responsibilities to a committee or a member of the governing body member will not by or of itself constitute a discharge of the governing body's accountability. The governing body should apply its collective mind to the information, opinions, recommendations, reports and statements presented by the committee or the member.

## **12. COMMITTEE COMPOSITION**

- 12.1. The shareholders of Sanlam must elect the members of the Committee at each annual general meeting. The Nominations Committee will assist the Sanlam Limited Board to present to shareholders suitable candidates for election or re-election as Committee members.
- 12.2. The Chair of the Sanlam Board shall not be eligible to serve as a member of the Committee.
- 12.3. The Committee will consist of not less than three directors appointed by the shareholders, all of whom will be independent non-executive directors, acting independently.
- 12.4. A member of the Committee is considered independent when the Board assess other indicators and on a substance over form that the member that the Member is and or does not:
  - 12.4.1. a significant provider of financial capital, or ongoing funding to Sanlam; or is an officer, employee or a representative of such provider of financial capital or funding.
  - 12.4.2. participate in a share-based incentive scheme offered by Sanlam.
  - 12.4.3. own securities in Sanlam, the value of which is material to the personal wealth of the Director.
  - 12.4.4. in the employ of Sanlam as an executive manager during the preceding three financial years, or is a related party to such executive manager.
  - 12.4.5. a designated external auditor responsible for performing the statutory audit for Sanlam, or a key member of the audit team of the external audit firm, during the preceding three financial years.
  - 12.4.6. a significant or ongoing professional adviser to Sanlam, other than as a member of the Board.
  - 12.4.7. a member of the Board or the executive management of another organisation which is a related party to Sanlam.
  - 12.4.8. entitled to remuneration contingent on the performance of Sanlam.

- 12.5. The Board must appoint a person to fill a vacancy on the Committee within 40 business days should such a vacancy arise. Such an appointment must be ratified by the shareholders at the subsequent annual general meeting.
- 12.6. The Board will appoint the Committee Chair who shall be independent and determine the period for which s/he will hold office.
- 12.7. The Chair of the Committee may invite members of management or other persons (as invitees) to attend and to be heard at Committee meetings. A standing invitation shall be issued to the:
  - 12.7.1. Chair of the Sanlam Board.
  - 12.7.2. Chief Executive Officer (CEO), Financial Director, Chief Actuary of Sanlam, Chief Risk Officer and Chief Audit Executive.
  - 12.7.3. CEOs of the Business Clusters and other Sanlam Group Exco members.
  - 12.7.4. Engagement partners of the external audit firm.
- 12.8. All Sanlam Board members may attend the Committee meetings as observers.
- 12.9. The Company Secretary of Sanlam will act as the Secretary to the Audit Committee.
- 12.10. The members of the Committee should as a whole, have the necessary financial literacy, skills and experience to execute their duties effectively. Members of the Committee are encouraged to participate in educational programmes arranged by Sanlam.
- 12.11. Financial literacy is defined as the ability to read and fundamentally understand financial statements, as exhibited by the following qualities:
  - 12.11.1. An understanding of financial statements in general.
  - 12.11.2. An understanding of Sanlam Group financial statements including the actuarial reporting which is included in the financial statements.
  - 12.11.3. A knowledge of the industry and general accounting, auditing and actuarial developments that can affect Sanlam's operations and financial statements.
  - 12.11.4. A knowledge of integrated and sustainability reporting.

12.11.5. Accounting, actuarial and financial management expertise is defined as past employment experience in either finance, actuarial or accounting, requisite professional certification in accounting or actuarial science, or any other comparable experience or background that results in the person's financial sophistication, including being or having been a chief executive officer, chief financial officer, chief actuary or other senior officer with financial or actuarial oversight responsibilities.

### **13. MEETINGS**

- 13.1. Meetings of the Committee will be held as often as the Chair of the Committee deems to be appropriate; however, the Committee will meet at least four times each year. Further meetings may be called by the Chair of the Committee as well as by any committee member, the external auditors or the Chief Audit Executive (via the Chair of the Board). Meetings should be organised so that attendance is maximised.
- 13.2. The notice of each meeting of the Audit Committee, confirming the venue, time and date and enclosing an agenda of items to be discussed, will other than under exceptional circumstances be forwarded to each member of the Committee not less than five working days prior to the date of the meeting.
- 13.3. The quorum for the Committee to transact business will be more than one half of the members of the Audit Committee.
- 13.4. The Committee will conduct its meetings in accordance with an annual Board-approved plan to ensure that it fulfils all of its responsibilities.
- 13.5. Members of the Committee are encouraged to raise and debate alternative viewpoints.
- 13.6. The Committee has the prerogative to, and shall meet separately with management, the CAE and the external auditors on a regular basis at executive sessions.
- 13.7. No attendee/invitee shall have a vote at meetings of the Audit Committee.

### **14. PROCEEDINGS**

- 14.1. Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by Sanlam's Memorandum of Incorporation ("Sanlam's MOI") regulating the meetings and proceedings of directors and Committees.

- 14.2. The Committee secretary will take minutes of meetings. Minutes of all meetings, after preliminary approval thereof by the Chair, the minutes will be circulated to all the members of the Audit Committee, and may also, if the Chair so decides, be circulated to other members of the Board. Any director may, provided that there is no conflict of interest and with the agreement of the Chair, obtain copies of the Audit Committee's minutes.
- 14.3. The Chair of the Committee will regularly provide summarised feedback to the Board on the Audit Committee's activities and deliberations.
- 14.4. The Committee must report at least annually to the Sanlam Board on its function, responsibilities and activities. It will include the evaluation of the effectiveness of the Committee and propose amendments (if any) to its Charter.

## **15. REMUNERATION**

- 15.1. Having regard to the functions performed by the members of the Committee (in addition to their functions as directors) in relation to the activities of the Committee, and pursuant to the specific powers conferred upon the Board by the Sanlam's MOI, non-executive members of the Committee may, on the recommendation of the Board, be paid special Committee fees as permitted under the Sanlam Board's approved remuneration policy. Such special Committee fees will be in addition to the annual fees payable to directors.
- 15.2. The remuneration of the Committee members will annually be set for the next year by the shareholders of Sanlam Ltd at the AGM on the recommendation of the Sanlam Ltd Board.

## **16. PERFORMANCE, EVALUATION AND TRAINING**

- 16.1. The Committee must assess its performance each year, to ensure that its own performance, its chair and its individual members support the Committee to improve its performance and effectiveness. The Chair of the Committee shall ensure that the results of the assessment of its effectiveness and any proposed changes to its terms of reference are reported to the Board.
- 16.2. The Committee shall ensure that its members undergo regular training in order to ensure that it effectively perform its responsibilities.

## **17. REVIEW OF THE CHARTER**

These terms of reference may from time to time be amended as required, subject to the approval of the Board.

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