



**Sanlam Kenya Plc**

**Audit, Actuarial, Risk & Compliance Committee Charter**



<b>Governance Area Addressed:</b>	Board & Committee Governance
<b>Approving Authorities:</b>	Sanlam Kenya Plc Board of Directors Sanlam Kenya Plc Audit, Actuarial, Risk & Compliance Committee
<b>Responsible Functionary:</b>	Group Company Secretary
<b>Date of First Approval:</b>	
<b>Frequency of Review or Update:</b>	Annually
<b>Date of Last Review:</b>	19 <sup>th</sup> February 2020
<b>Date of this Review:</b>	25 <sup>th</sup> March 2021
<b>Date of Next Review:</b>	February 2022
<b>Related Charters &amp; Policies</b>	



## 1. DEFINITIONS

### 1.1 “Sanlam Kenya PLC” / “the Group

Sanlam Kenya PLC (registration number: C.10/46)

### 1.2 “The Committee”

The Audit Committee of Sanlam Kenya PLC, a Committee of the Sanlam Kenya PLC Board of Directors.

### 1.4 “Financial literacy”

The ability to read and fundamentally understand financial statements, as exhibited by the following qualities:

- An understanding of financial statements in general;
- An understanding of the Group’s financial statements including the actuarial reporting which is included in the financial statements; and
- A knowledge of the industry and general accounting, auditing and actuarial developments that can affect the Group’s operations, management reporting and financial statements.

### 1.5 “Accounting, actuarial and financial management expertise”

Past employment experience in either finance or 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.



## 2. CONSTITUTION & PURPOSE

The Committee is a Committee of the Board of Directors of Sanlam Kenya PLC. Its purpose is to assist the Board in fulfilling its oversight responsibilities by:

- Setting and overseeing the overall standard for financial and actuarial reporting, risk management and internal controls within the Group
- Monitoring the effectiveness of business risk management processes in the Group
- Reviewing and assessing the quality of the work done by the professionals responsible for financial and actuarial reporting, risk management and internal control; and
- Engaging in discussions with external and internal auditors on the quality and acceptability of the control environment and reporting structures.

The Committee will fulfil these responsibilities primarily by carrying out the activities described in section 6 of this Charter. These responsibilities contained in this charter, may be amended as required, subject to the approval of the Board.

The Board of Sanlam Kenya PLC has authorised the Committee to investigate any activity within its terms of reference. The Committee is authorised to seek any information it requires from any employee in the Group, and all employees are expected to co-operate with any request made by the Committee.

The Committee may in consultation with the Chairperson of the Board, and in cooperation with the Board's company secretary obtain outside legal or other independent professional advice.

## 3. COMPOSITION

The Board of Sanlam Kenya PLC shall elect the members of the Committee with assistance from the Human Resources Committee of Sanlam Kenya PLC.

The Committee shall comprise a minimum of two non-executive directors who must be members of Sanlam Kenya PLC Board of Directors. The chairperson must be an independent director. Unless the Board elects a chairperson, the members of the Committee may designate a chairperson by majority vote of the full Committee membership. The Chairperson of the Sanlam Kenya PLC Board shall not be eligible to be appointed as chairperson of the Committee and should preferably not be a member of the Committee. The Company Secretary of Sanlam Kenya PLC will act as secretary for Committee meetings.

All members of the Committee must be financially literate and within the membership, accounting, actuarial and related financial management expertise should be present. It is desirable that one or more members have an appreciation of the information systems environment and associated risks. Committee members may enhance their familiarity with finance, information systems, actuarial science and accounting by participating in educational programmes arranged by the Group

The Committee may request members of management or other persons to attend Committee meetings. Permanent invitees include:

- CEO's /Executive directors
- Statutory Actuary
- Group Chief Finance Officer



- Head of Finance
- Internal Auditor
- Head of Compliance
- Enterprise Risk Manager; and
- Lead partners of the appointed external audit firms.

All Sanlam Kenya PLC Board members may attend the Committee meetings.

#### 4. ADMINISTRATION / MEETINGS

##### 4.1 Frequency and format of meetings

The Committee shall meet as often as circumstances dictate, but at least four times a year. Meetings should be organised so that attendance is maximised. The Agenda and discussion papers will other than under exceptional circumstances be forwarded to each member of the Committee not less than seven working days prior to the date of the meeting.

The Committee has the prerogative to and should meet with management, the internal auditors and the external auditors on a regular basis at separate executive sessions.

The Chairperson of the Committee may, if so required, or at the request of any Committee member, external or internal auditors, call a special meeting of the Committee.

##### 4.2 Quorum

Two members will constitute a quorum, provided that one of the members is an independent director.

##### 4.3 Reporting to the Board

The Committee secretary shall take minutes of meetings. Minutes of all meetings shall be circulated to all members of the Committee, and may also, if the Chairperson of the Committee so decides, be circulated to other members of the Board. Any director may, provided that there is no conflict of interest and with agreement of the Chairperson, obtain copies of the Committee's minutes.

The Chairperson of the Committee will report to each Board meeting of the Group on any matters of importance, the Committee's findings and recommended actions.

Minutes of all Committee meetings must be tabled at the subsequent Board meeting. Significant risks and internal control breakdowns shall be reported to the Sanlam Kenya PLC Audit Committee.

##### 4.4 Remuneration

Having regard to the functions performed by the members of the Committee in addition to their functions as directors, and pursuant to the specific power conferred upon the Board by the respective Company's Articles of Association, non-executive members of the Committee may be paid such additional remuneration in respect of their appointment as will be determined by the Board.

Such additional remuneration will be in addition to the annual fees payable to directors.

#### 5. RELATIONSHIP WITH SUBSIDIARY COMPANIES



The Sanlam Kenya PLC Board requires that the Audit Committee provides assurance regarding the quality of financial and actuarial reporting, the control environment and the effective management of all material risks and exposures in the total Group. Taking into account the appropriate Sanlam Kenya PLC policies, the Committee will, from time to time, provide guidance or set the Group's policy through the Sanlam Kenya PLC Board in respect of, inter alia:

- Accounting, risk management or actuarial policy or practice for the Group
- Minimum standards on risk management or internal control measurement and compliance practices; and Dividend policy.

The Board of directors has a fiduciary duty towards the Group, which compels them to manage the business in a manner that will ensure an effective control environment, appropriate management of risks and exposures and accurate financial reporting. In exercising their duties the directors must take due cognisance of the policies and guidelines set by Sanlam Kenya PLC. Any decision to deviate from these must be justified to the Committee. To discharge their responsibility the board will delegate certain functions to its audit committee. The primary obligation of the committee is to provide assurance to the board of directors.

Sanlam Kenya PLC interest in is managed primarily through its representatives on the boards of directors of the subsidiaries or associated companies. It is the responsibility of these directors to ensure that the Group practises proper governance and adheres to the policies and standards. They are required to inform and report to the Committee any material deviations from policies and standards or the existence of any significant internal control breakdowns and areas of significant risk within these businesses. (They can report directly or institute appropriate reporting mechanisms to the Board and Audit Committee of Sanlam Kenya Plc such as the tabling of audit committee minutes, formal reports by the audit committee chairperson, etc.)

## 6. RESPONSIBILITIES AND DUTIES

In discharging its responsibility to provide assurance to the Sanlam Kenya PLC 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 will conduct its meetings in accordance with an annual approved plan to ensure that it fulfils all of its responsibilities.

The Committee must report at least quarterly to the Sanlam Kenya PLC Board on its function, responsibilities and activities. It will include an evaluation of the effectiveness of the Committee and propose amendments (if any) to its charter.

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

### 6.1 Financial and Actuarial reporting

- Review the Group's accounting and actuarial policies on an annual basis, prior to the finalisation of annual results:



- Review its quality and acceptability in terms of local and internationally accepted best practice, the appropriate Sanlam Kenya PLC accounting and actuarial policies, alternative policies applied by peer-group companies and the appropriate accounting and legal framework;
- Where necessary, consider and recommend for approval to the Board changes in accounting or actuarial policy or material changes in presentation; and
- Take note of significant new or proposed accounting, actuarial and auditing issues that may affect the Group, and consider appropriate action.
- Review the Group's Consolidated Balance Sheet, Income Statement and Subsidiary's Review and the financial statements of the Group before submission to the Sanlam Kenya PLC Board, focusing in particular on:
  - Correct and consistent application of accounting and actuarial practices and policies and appropriate and complete disclosure in respect of policy amendments;
  - The valuation of assets and liabilities on the balance sheet, including the value placed on unlisted investments and the control thereof (assets & the process);
  - Major claims and liabilities, including pending taxation and legal cases. Consider the disclosure in the financial statements and approve the appropriate level, creation and release of accounting provisions at corporate level;
  - The reasonableness of the tax calculation and corresponding provisions;
  - The financial strength of the Group, including its adherence to statutory solvency requirements, contractual commitments and loan covenants;
  - The impact and accounting treatment of significant transactions or transactions that are not normally part of the Group's business;
  - Significant and complex adjustments and transactions processed at year-end, including those adjustments resulting from the external audit;
  - The quality of earnings (Considering major variances compared to budget, recent forecasts and prior year results and the effect of significant internal control breakdowns on the financial statements);
  - Significant balance sheet changes or changes in trends or important financial statement ratios;
  - The dividend declaration;
  - The disclosure of significant off-balance sheet transactions; and
  - The effect of significant post-balance sheet events.
- Review the half-year results and recommend for approval to the Board, focusing in particular on:
  - The extent to which the external auditors have reviewed such information, the extent of internal audit involvement as well as the future need for an independent review by the external auditors;
  - Consistent application of accounting policies and results presentation and the reasons and impact of deviations;
  - Obtaining assurance from management on the quality of and the process followed to compile the results;
  - Any significant or unusual events or transactions;
  - The quality of earnings (Considering major variances compared to budget, recent forecasts and prior year results); and
  - Those year-end processes that the Committee may regard to be appropriate.
- Review and recommend for approval to the Board, transactions that involve non-consolidated related parties and special purpose vehicles (SPVs), focussing in particular on:



- The complexity and need for the relationship;
  - The accounting treatment of the transactions and / or SPV; and
  - The risks involved in transactions as well as possible contractual or other commitments that can have financial impacts.
- Review-related party transactions.
  - Review cash flow budgets for the next financial year and document the facts and assumptions used to reach a conclusion on the going-concern status of the Group.
  - Review and where applicable recommend for approval to the Board the actuarial valuation report and the Statement of Actuarial Value of Assets and Liabilities of the Group and the appropriate sections of the embedded value report of Sanlam Kenya PLC, focussing in particular on the Group's policies and compliance in respect of:
    - Shareholder profit entitlement rules and demutualisation safeguards;
    - The minimum requirements for policy liabilities in terms of actuarial guidance;
    - Assumptions made in respect of best estimates of future experience;
    - Second tier margins included in policy liabilities;
    - Capital adequacy requirements in terms of the actuarial guidance and assumed management actions;
    - The statement of actuarial values of assets and liabilities, and the corresponding explanatory notes;
    - Bonus declarations and the Group's policy in respect of negative bonus stabilisation reserves;
    - Policy for reserving for minimum guarantees and HIV;
    - The practices of the Asset/Liability Committee and the results achieved relative to benchmarks and targets;
    - The practices of the Capital Discretionary Portfolio Committee;
    - Significant new or proposed actuarial issues affecting the Group; and
    - The embedded value analysis and sensitivities.
  - Review the general pricing, fee changes and actuarial base for life business annually.
  - Review and approve the re-insurance strategy.

## 6.2 Corporate Governance

- Review the Group's compliance with mandatory and best practice corporate governance principles and disclosures.
- Assist the Sanlam Kenya PLC Board in its evaluation and monitoring, of the appropriateness and effectiveness of the best practice corporate governance structures, processes, practices and instruments.
- Review and discuss changes to the Sanlam Kenya PLC Approval Framework.
- Review the representation letters and other forms of assurances provided by other audit committees of SEM and discuss and sign-off the representation letter.

## 6.3 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.
- Formulate a recommendation to the Board annually on the effectiveness of internal control in the Group by:





- Discussing the process followed by the audit committee to review the internal control systems of its operations.
- Reviewing information on significant internal control breakdowns.
- Confirming that the system of internal control has been in operation during the year under review.
- Reviewing the procedures for identifying business risks and controlling the impact on the Group.
- Review and discuss the annual Group's 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.
- Review the extent to which internal control recommendations made by internal and external auditors have been implemented by management.
- Review the reports by management and the auditors on the internal controls over the financial and actuarial reporting process. Consider the risk of material misstatements because of fraud.
- Review reports on the internal controls over outsourced operations, where appropriate given the nature of the outsource agreement.

#### 6.4 Risk management

- Establish the extent to which management has established effective risk management in the Group by:
  - Defining the nature, role, responsibility and authority of the risk management function within the Group, and outlining the scope of risk management work.
  - Reviewing the risk policy and strategies for the Group
  - Reviewing the adequacy and overall effectiveness of the ongoing process for identifying, evaluating and managing the significant risks faced by the Group, ensuring that it was in place for the year under review and up to the date of the approval of the annual financial statements.
  - Considering reports by the auditors on the overall risk management process.
- Discuss the management of particular Group risks and whether management is responding appropriately. Ensure that the Group's portfolio of risks and the risk management actions taken is in line with the defined risk appetite of the Board of Sanlam Kenya PLC.
- Review and discuss with internal and external audit the alignment of their audits with the risks of the Group
- Review Disaster Recovery and Business Continuity plans for the Group
- Monitor external developments including legal and regulatory matters, which may have a significant impact on risk management, and management reporting of emerging risks.
- Review and discuss business risks that can influence the financial statements and ensure that they are dealt with correctly in the financial statements.
- Review the appropriateness and adequacy of insurance coverage in the Group
- Review the quantum and circumstances of write-offs (defined as extraordinary compensation offered to clients or third parties) as described in the Sanlam Kenya PLC Approval Framework.

#### 6.5 Compliance, Forensics & Ethics

- Review the adequacy of the ongoing process of compliance within the Group including the number and nature of policyholder



- Review the report by the Company Secretary on statutory compliance, including compliance with the requirements of the articles of association.
- Review reports to regulatory authorities as considered necessary.
- Monitor the process of regulatory examinations and address all deficiencies in the final reports with management.
- Consider the quarterly Forensic Investigation report.
- Establish procedures for the receipt, treatment and retention of complaints related to corporate governance, accounting and auditing matters.
- Review the results of the confidential reporting process (“whistle blowing”) covering fraud and other risks if the Human Resources Committee of the Board does not already review this.
- The Committee will be responsible for monitoring the ethical conduct of the Group, its executives and senior officials, and based on its review of reports received from management and internal audit.
- The Committee shall review any statement on ethical standards or requirements for the Group and assist in developing such standards and requirements.
- The Committee will give recommendations on any potential conflict of interest or questionable situations of a material nature.

## 6.6 Audit and Actuarial relationships

### 6.6.1 External auditor

- Make a recommendation to the Sanlam Kenya PLC Board and the Audit Committee regarding the appointment of external auditor(s) at appropriate intervals.
- Consider the rotation of audit firms and/or the rotation of partners, taking into account the appropriate Sanlam Kenya PLC policy, Kenyan and international best practice and statutory requirements. Consider the plans that the external audit firm has in place for succession planning of key audit staff.
- Discuss and review the engagement letter of the Group’s auditor(s), the terms, nature and scope of the engagement.
- Request and review an annual statement from the auditors regarding relationships and services rendered to the Group that can influence their objectivity and independence. Pre-approval should be obtained for significant non-audit services in accordance with the relevant Sanlam Limited policy.
- Discuss and approve the annual audit plan and fee budget for the Group. Understand the auditor’s approach in respect of materiality. Ensure that a balance is maintained between value for money and a comprehensive audit without any limitations in respect of scope. Approve the payment of audit fees.
- Review the scope of the external audit particularly in respect of the actuarial liabilities and the earnings of the life insurance business.
- Ensure that all significant ventures, investments, off-balance transactions, special purposes entities or operations were considered in the compilation of the external audit plan.
- Review the auditor’s relationship with internal audit and other assurance providers, including the reliance placed on one another’s work and the co-ordination among the various parties.



- Review the overall level of Group's audit fees assessed against appropriate benchmarks. Investigate areas of potential saving, if required.
- Review and discuss the auditor's report to the Committee on significant audit findings. Enquire into any difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information.
- Review and discuss the summary of unadjusted audit differences after the annual statutory audit.
- Review any significant matters, illegal acts or material irregularities reported, or to be reported by the external auditor to the terms of any legal or statutory requirements applicable to any local or foreign operations.
- Review any written representations made by management to the auditor.
- Discuss matters related to the conduct of the audit, which are to be communicated to the Committee
- Review the external auditor opinion on the Annual Financial Statements and discuss with the external auditor the appropriateness and disclosure of the accounting policies applied and whether their application are considered as aggressive, balanced or conservative.
- Review of the external auditor opinion on the Group Embedded Value Report.

#### 6.6.2 Internal auditor

- Review and approve the Internal Audit Charter and ensure that the objectives of the internal audit functions support the Group's overall needs and requirements.
- Review and approve the annual risk assessment and coverage plan of internal audit for the Group
- Note the audit staffing, budgets and quality assurance of the internal audit function of the Group
- Evaluate the independence of the internal auditors.
- Evaluate the internal auditor's compliance with the Institute of Internal Auditors (IIA) standards.
- Evaluate the results of independent reviews of the internal audit functions (where applicable).
- If applicable, approve the appointment or dismissal of the Sanlam Kenya PLC Head of internal Audit
- Approve any internal audit direct involvement in assisting business (when applicable).
- Enquire into any difficulties encountered in the course of auditing work, including any restrictions on the scope of activities or access to required information.
  
- Annually the Committee shall evaluate the performance of the internal auditors and report thereon to the Board.
- The Committee shall review significant differences of opinion between management and the internal audit function.

#### 6.6.3 Statutory Actuary



- The Committee shall discuss with the Statutory Actuary his independence from management and the Group and shall consider the compatibility of non-statutory services with the Statutory Actuary's independence.
- Annually the Committee shall evaluate the performance of the Statutory Actuary and make recommendations to the Board on the appointment and retention of the Statutory Actuary.

#### 6.7 Other

- Consider the adequacy of management information given to the Board.
- Consider any other matters that the Board of Directors may refer to the Committee from time to time.



## Audit and Risk Committee annual plan

	<u>Feb</u>	<u>May</u>	<u>Aug</u>	<u>Nov</u>
<b><u>Chief Finance Officer</u></b>				
• Review the accounting policies on an annual basis prior to the finalisation of the annual results.	√			
• Review financial statements for the year.	√			
• Review half-yearly results.			√	
• Review valuation of unlisted assets.	√		√	
• Review status of reserves and provisions (incl. actuarial reserves, etc).	√		√	
• Review related party and off-balance sheet transactions.	√		√	
• Review going concern facts and assumptions.	√		√	
<b><u>Head Actuary</u></b>				
• Review annual and six months actuarial valuation	√		√	
• Review annual and six months embedded value	√		√	
• Review Quarterly Actuarial Report	√	√	√	√
<b><u>Statutory Actuary</u></b>				
• Review annual actuarial sign off on financials	√		√	
<b><u>External auditors</u></b>				
• External Audit Report	√		√	
• Management Letter	√		√	
• External Audit Plan & Fees			√	
• Review disclosure of consulting assignments (previous year) and potential loss of external audit independence	√		√	
• Review reconciliation of actual audit fee with budgeted audit fee and consider		√		



industry benchmarks				
	<b>Feb</b>	<b>May</b>	<b>August</b>	<b>Nov</b>
<b><u>Internal auditor</u></b>				
• Internal Audit Report	√	√	√	√
• Internal Audit Plan	√			
• Review annual statements on internal control and the possible effect on the financial statements of control breakdowns.	√			
<b><u>Risk Management &amp; Compliance</u></b>				
• Annual Review of the Enterprise Risk Management Policy				√
• Key Risks Report	√	√	√	√
• Review effectiveness of risk management process				√
• Business Continuity/DRP Update	√	√	√	√
• Statutory Compliance	√	√	√	√
<b><u>Company Secretary</u></b>				
• Corporate Governance Audit	√			
• Review of the Audit Committee Charter	√			
• Self-assessment of the Committee		√		
<b><u>Executive Sessions</u></b>				
• Management	√	√	√	√
• Internal Auditors				
• External Auditors				
• Statutory Actuary				

