



LIBERTY

LIFE INVESTMENTS HEALTH CORPORATE PROPERTIES ADVICE

GROUP AUDIT AND ACTUARIAL COMMITTEE MANDATE

Mandate submitted for approval by the Committee

Level	Liberty Holdings Limited
Approving committee	Group Audit and Actuarial Committee
Date	21 November 2017
Final approval	Directors' Affairs Committee
Date	February 2018

1 Constitution

- 1.1 The Committee is constituted as a committee of the boards of Liberty Holdings Limited (LHL) and Liberty Group Limited (LGL). Specifically, the Committee is constituted as:
 - 1.1.1 A statutory committee of LHL and LGL in respect of its statutory duties under S94 (7) of the Companies Act; and
 - 1.1.2 A committee of the combined boards of LHL and LGL in respect of all other duties assigned to it by these boards.
- 1.2 In addition, as permitted by S94(2) of the Companies Act, the Committee performs the audit committee functions required of STANLIB Limited (STANLIB) on behalf of the board of this subsidiary company.
- 1.3 The Committee has delegated its actuarial and certain related responsibilities to the Group Actuarial Committee (GAC). The specific responsibilities are described in the GAC mandate, which should be read in conjunction with this document. A summary of the key responsibilities delegated to the GAC is provided in the Appendix to this document.
- 1.4 The Committee has oversight of the audit function of STANLIB REIT Fund Managers (Pty) Limited/Liberty Two Degrees, a listed REIT which is a subsidiary of LHL.

2 Purpose and accountability

- 2.1 The primary purpose of the Committee is to provide oversight of the financial and regulatory reporting processes, the combined assurance process and its effectiveness, the system of internal controls and compliance with laws and regulations.
- 2.2 The Committee has an independent role with dual accountability to both the shareholders and the boards of LHL and LGL. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management of LHL and its subsidiaries.
- 2.3 The duties and responsibilities of the members of the Committee as set out in this document are in addition to those duties and responsibilities that they have as members of the LHL, LGL or STANLIB boards.
- 2.4 Neither the appointment nor the duties of the Committee reduce the functions and duties of the LHL, LGL and STANLIB boards or the directors of these companies, except with respect to the appointment, fees and terms of engagement of the external auditor(s) of these companies and their subsidiaries.

3 Membership

- 3.1 The Committee shall comprise of at least three LHL Board members to be elected by the LHL shareholders on recommendation by the LHL Board and shall consist only of independent non-executive directors of the company all of whom are fit and proper and have the necessary financial literacy skills and experience to execute their committee duties. The chairman of the LHL Board may not be a member.
- 3.2 The GAAC chairman will be an independent non-executive director, appointed by the LHL Board.
- 3.3 A minimum of one member must be a member of the Group Risk Committee (GRC).
- 3.4 The secretary shall be the group secretary.

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- 3.5 Attendance at meetings:
- 3.5.1 External Auditors;
 - 3.5.2 Chief Executive Officer;
 - 3.5.3 Group Financial Director;
 - 3.5.4 Group Financial Manager;
 - 3.5.5 Group Heads of Control Functions;
 - 3.5.6 Statutory Actuary (if not the same person as the Group Head of Actuarial Control Function).
- 3.6 By invitation:
- 3.6.1 LHL Board chairman;
 - 3.6.2 Chief Information Officer;
 - 3.6.3 Head of Taxation;
 - 3.6.4 Chief Audit Executive;
 - 3.6.5 Engagement Partner – External Audit
 - 3.6.6 Executive Directors as required;
 - 3.6.7 Executive management as required;
 - 3.6.8 Chairman of the GRC, if not a member; and
 - 3.6.9 Representatives of LHL’s controlling shareholder.
- 3.7 If necessary, and in accordance with group policy, specialists may be co-opted to the Committee as consultants.
- 3.8 The remuneration (which refers to attendance fees, board fees and any additional remuneration) of the GAAC chairman and the Committee members will be recommended by the Group Remuneration Committee and endorsed by the LHL Board for the ultimate approval of shareholders.
- 3.9 Committee members shall attend all scheduled meetings of the Committee including meetings called on an ad hoc basis unless prior apologies, with absentia reasons, have been submitted to the GAAC chairman or company secretary.
- 3.10 Conflicts of interest of any member of the Committee shall be disclosed at the commencement of each meeting and recorded in the minutes of that meeting.

4 Term

- 4.1 The Board shall on an annual basis recommend the members of the Committee for approval by shareholders at the annual general meeting of LHL.
- 4.2 The Board shall have the power at all times to remove any members from the Committee.
- 4.3 The Board will fill any vacancy on the Committee within 40 (forty) days of such vacancy arising.

5 Authority

- 5.1 The Committee has decision-making authority in regard to its statutory duties and is accountable in this respect to both the shareholders and the boards of LHL and LGL. To this end the GAAC chairman must be present at all annual general meetings of LHL. On all responsibilities delegated to it by the boards outside of the statutory duties, the Committee makes recommendations for approval by the LHL and LGL boards.
- 5.2 The Committee acts in accordance with its statutory duties and the delegated authority of the boards as recorded in this terms of reference. It has the power to investigate any activity within the scope of its terms of reference.

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- 5.3 The Committee, in the fulfilment of its duties, shall have authority to:
- 5.3.1 Access any information it needs to fulfil its responsibilities.
 - 5.3.2 Seek independent advice at the group's expense, subject to a board approved process being followed.
 - 5.3.3 Delegate its authority and duties to sub-committees or individual members of the Committee as it deems appropriate provided it is not precluded from doing so by legal or regulatory requirements. This includes the authority to appoint the members and chairman of such committees.
 - 5.3.4 Call upon the chairmen of other board committees, any of the Executive Directors, Group Heads of Control Functions, other management and the assurance providers as required.
 - 5.3.5 Consult with, and receive the full co-operation of, any employee where necessary to fulfil its responsibilities including attendance by employees at Committee meetings if so required.

6 Quorum

- 6.1 The quorum will be 3 (three) members.

7 Meetings

- 7.1 Meetings will be held as frequently as the Committee considers appropriate but not less than 4 (four) times a year.
- 7.2 Ad hoc meetings will be convened as and when required, by the group secretary, at the request of the GAAC chairman.
- 7.3 The quorum must be present in the meeting if a decision is being made.
- 7.4 Reasonable notice of meetings and the business to be conducted shall be given to members and attendees.
- 7.5 Documents for consideration by the Committee will be submitted, in the normal course, at least four working days before the meeting to enable members to study the documentation and allow adequate opportunity for formal and informal discussions.
- 7.6 Minutes of the Committee shall record the proceedings and decisions taken, and declarations of personal interests made, together with how these were addressed. Draft minutes of meeting shall be circulated to the GAAC chairman within 10 (ten) working days of the meeting and circulated shortly thereafter to the other Committee members.
- 7.7 Members may participate in a meeting by electronic means.
- 7.8 Round robin approvals may be obtained where there is a business requirement for a decision which cannot reasonably be held over until the next scheduled Committee meeting. Decisions must be received from at least a majority of members being not less than the quorum requirement. This may be achieved by electronic means and will be of full force and effect as if passed by a majority of members personally present. If there are any votes against the resolution, paragraph 7.9 below will apply.
- 7.9 Decisions in respect of the Committee's statutory duties under S94(7) of the Companies Act are by majority vote. All other decisions will be based on consensus. In the event that there is no consensus, the GAAC chairman will refer the matter to the relevant board for a decision.
- 7.10 The Committee must meet with the external and internal auditors at least once a year without the presence of management but could hold more frequent meetings if required.

- 7.11 Consideration shall be given as to whether particular agenda items require private discussion by the Committee or with selective attendees (for example, meetings with the auditors without the presence of management).
- 7.12 The GAAC chairman will hold periodic meetings with the Group Financial Director, Group Heads of Control Functions, Chief Information Officer and other members of senior management where necessary. In addition, the GAAC chairman shall be an optional invitee to all meetings of subsidiary internal review committees and may hold meetings with the respective chairmen of subsidiary internal review committees if appropriate.

8 Responsibilities

Statutory duties

- 8.1 The Committee has the following statutory duties under S94(7) of the Companies Act:
- 8.1.1 To nominate, for appointment as auditor(s) of LHL, LGL and STANLIB under section 90, registered auditor(s) who, in the opinion of the Committee, are independent of these companies and their subsidiaries;
 - 8.1.2 To determine the fees to be paid to the auditor(s) and their terms of engagement including tenure;
 - 8.1.3 To ensure that the appointment of the auditor(s) complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors;
 - 8.1.4 To determine the nature and extent of any non-audit services that the auditor(s) may provide to the group, or that the auditor(s) must not provide to the group, or a related company;
 - 8.1.5 To establish policies for, or pre-approve, any proposed agreement with the auditor(s) for the provision of non-audit services to the group;
 - 8.1.6 To prepare a report, to be included in the annual financial statements of LHL, LGL and STANLIB:
 - 8.1.6.1 Describing how the Committee carried out its functions;
 - 8.1.6.2 Stating whether the Committee is satisfied that the auditor(s) were independent of the companies; and
 - 8.1.6.3 Commenting in any way the Committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the companies;
 - 8.1.7 To receive and deal appropriately with any concerns or complaints, whether from within or outside LHL, LGL and STANLIB, or on its own initiative, relating to:
 - 8.1.7.1 The accounting practices and internal audit of the companies;
 - 8.1.7.2 The content or auditing of the companies' financial statements;
 - 8.1.7.3 The internal financial controls of the companies; or
 - 8.1.7.4 Any related matter; and
 - 8.1.8 To make submissions to the boards of LHL, LGL and STANLIB on any matter concerning the companies' accounting policies, financial control, records and reporting.
- 8.2 The other board delegated responsibilities of the Committee are specified below.

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- 8.3 Integrated and other reporting.
- 8.4 The Committee oversees integrated reporting, and in particular the Committee will:
- 8.4.1 Have regard to all factors and risks that may impact on the integrity of LHL's integrated 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;
 - 8.4.2 Review the disclosure of sustainability issues in LHL's integrated report to ensure that it is reliable and does not conflict with the financial information, and recommend the integrated report for approval by the LHL board;
 - 8.4.3 Review and recommend to the boards the appropriateness of the going concern assumption underlying the preparation and presentation of the annual financial statements of LHL, LGL and STANLIB;
 - 8.4.4 Review the appropriateness of the group's accounting policies under IFRS (including actuarial policies impacting financial reporting) and recommend to the LHL board for approval any proposed changes to these policies;
 - 8.4.5 Consider the proposed dividends to LHL, LGL and STANLIB shareholders, after receiving a recommendation from the statutory actuary in respect of the sufficiency of capital and solvency requirements of LHL and LGL, and recommend the proposed dividends to the LHL, LGL and STANLIB boards for approval;
 - 8.4.6 Review the annual financial statements of LHL, LGL and STANLIB and recommend these annual financial statements for approval by the respective boards;
 - 8.4.7 Review the group equity value report and recommend the report for approval by the board;
 - 8.4.8 Review the interim reports, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents of LHL;
 - 8.4.9 Consider whether to recommend to the LHL board the engagement of the external auditor to perform assurance procedures on LHL's interim results; and
 - 8.4.10 Consider whether to recommend to the LHL board the engagement of an external assurance provider to provide assurance on material sustainability issues presented in LHL's integrated report.

Regulatory reporting

- 8.5 The Committee oversees regulatory reporting, and in particular the Committee will:
- 8.5.1 Satisfy itself regarding the process by which management and the external auditors have prepared, reviewed and audited the LGL, and any Group, annual regulatory returns, except for those relating to STANLIB, which are considered by the STANLIB internal review committee;
 - 8.5.2 Review the adequacy and completeness of the qualitative sections of the LGL, and any Group, annual regulatory returns except for those relating to STANLIB, which are considered by the STANLIB internal review committee;; and
 - 8.5.3 Delegate to the GAC the responsibility to review the adequacy and completeness of the quantitative sections of the LGL, and any Group, annual regulatory returns except for those relating to STANLIB, which are considered by the STANLIB internal review committee.

Combined assurance

- 8.6 The Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the Committee will:
- 8.6.1 Ensure that the combined assurance received is appropriate to address all the significant risks facing LHL and LGL and their subsidiaries; and
 - 8.6.2 Monitor the relationship between the external assurance provider(s) and the companies and ensure that external reports disclose information about the type of assurance process applied to each report.
- 8.7 In executing its responsibilities in respect of combined assurance relating to risks to the financial statements, the Committee will:
- 8.7.1 Ensure that the internal control environment sets the tone of the organisation, including the overall attitude, awareness and actions regarding the internal control system and its importance to the group;
 - 8.7.2 Review and approve any revisions made to the Internal Control Framework (ICF);
 - 8.7.3 Oversee that management puts in place documented internal control processes which ensure a consistent approach to the identification, assessment, treatment, monitoring, recording and reporting of internal controls; and
 - 8.7.4 Review the findings of the combined assurance report and related assurance reports, and recommend to the relevant boards an appropriate statement regarding the effectiveness of the overall systems of internal controls of the group, as well as separate control statements for LGL and STANLIB (for inclusion in the respective annual financial statements and regulatory returns of these entities as appropriate).
- 8.8 The Committee's oversight responsibilities in relation to compliance are addressed in 8.15.

IT governance

- 8.9 The LHL board has delegated its responsibility for group IT governance to the Group IT Committee which must provide input to the GAAC which has ultimate responsibility to ensure that the board receives independent assurance on the effectiveness of the IT Governance Framework and considers the impact of IT on the group's financial controls and reporting. In executing this responsibility the Committee will:
- 8.9.1 Ensure that the group IT governance framework is aligned to the ICF;
 - 8.9.2 Consider the impact of IT on the group's financial controls and reporting; and
 - 8.9.3 Receive independent assurance on the effectiveness of the group's IT controls.

Finance function and financial director

- 8.10 The Committee reviews the expertise, resources and experience of the group's finance function and also considers and satisfies itself of the suitability of the expertise and experience of the group financial director every year.

Internal audit

- 8.11 The Committee is responsible for overseeing of internal audit, and in particular the Committee will perform the following in relation to LHL, LGL and STANLIB:
- 8.11.1 Be responsible for the appointment, performance assessment and/or dismissal of the Group Executive: GIAS (head of internal audit control function);
 - 8.11.2 Review and approve the internal audit mandate, and ensure that the internal audit function is subject to an independent quality review, at least once every three, and then two years, or, as and when the Committee determines it appropriate;
 - 8.11.3 Review and approve the internal audit plan and budget;
 - 8.11.4 Consider any changes to the internal audit coverage, review written reports furnished quarterly and annually by internal audit detailing the adequacy and overall effectiveness of the group's internal audit function, the scope and depth of audit coverage, reports on internal control and any recommendations, significant findings during the year and confirm that appropriate remedial management action has been taken to ensure reliable reporting, corporate governance and adequate internal control;
 - 8.11.5 Review management's progress in implementing remedial actions in response to findings of inadequate internal control;
 - 8.11.6 Review and resolve any significant differences of opinion that may arise between management and the internal audit function;
 - 8.11.7 Review and ensure the implementation of a combined assurance model which will be maintained and presented by internal audit and who will also provide annual written assurance relating to the effectiveness of the group's internal control and risk management systems; and
 - 8.11.8 Annually evaluate the role, objectivity and effectiveness of the internal audit function in the overall context of the group's risk management system and ensure that the function is adequately resourced with appropriate skills, to ensure that it is able to fulfil its duties in accordance with appropriate professional standards and has appropriate standing within the group.
- 8.12 The Committee shall provide its input to the performance assessment of the Group Executive: GIAS (head of internal audit control function) through the GAAC Chairman who shall participate in the KPI/bonus setting, measurement and feedback processes.

External audit

- 8.13 In addition to its statutory responsibilities in relation to external audit, the Committee will perform the following in relation to LHL, LGL and STANLIB:
- 8.13.1 Be responsible for the appointment, performance assessment and/or dismissal of the external auditors/(firm and/or lead partner(s));
 - 8.13.2 Review the audit plan with the external auditor, with specific reference to the proposed audit scope, materiality and approach to the risks inherent in the group's (or sub-group's) activities and the related audit fee. Consider with management areas of special concern, the procedures developed to identify, measure and manage risks in those areas and the audit approach for such areas;
 - 8.13.3 Review significant differences of opinion between the external auditor(s) and management on the application of International Financial Reporting Standards (IFRS);
 - 8.13.4 Review and monitor the external auditor(s)' independence and objectivity, taking into consideration significant changes in the management of the external audit firm(s),

- relevant professional and regulatory requirements, compliance with the Companies Act and any other relevant legislation including the five year rotation of the lead engagement partner of the external audit firm(s);
- 8.13.5 Obtain assurance from the external auditor(s) with respect to: the group and company annual financial statements; the year end group equity value report; the LGL, and any group, annual regulatory returns; and any other items requiring assurance from time to time;
 - 8.13.6 Review reports and letters received from the external auditor(s) concerning weaknesses in internal controls and misstatements of the accounts, and ensure that management take prompt action and that issues are satisfactorily resolved;
 - 8.13.7 Review the quality and effectiveness of the external audit processes; and
 - 8.13.8 Ensure that there is a process in place for the Committee to be informed of any Reportable Irregularities in terms of the Auditing Profession Act.

Risk management

- 8.14 It is important that the Committee does not duplicate the risk oversight activities of the GRC. Accordingly, its primary role in relation to group risk management is to:
 - 8.14.1 Review summary risk reports and consider the financial reporting consequences and implications for control effectiveness of all major risks identified; and
 - 8.14.2 Co-ordinate assurance over risk management on behalf of the GRC by ensuring that internal audit's annual work plan includes assessment of the effectiveness of the group's risk management systems and appropriate reporting thereon to the GRC.

Compliance

- 8.15 The Committee is responsible for overseeing of compliance with material laws and regulation impacting the group, and in particular the Committee will:
 - 8.15.1 Review and approve the compliance function mandate, which defines the role and responsibilities of the group compliance function;
 - 8.15.2 Review the Group Compliance strategy and oversee the implementation of the Compliance Model;
 - 8.15.3 Oversee that the compliance function is structured to ensure the function has the necessary authority, independence, resources, expertise and access to the Board or a Committee of the Board and all relevant employees and information to exercise its authority and perform its responsibilities;
 - 8.15.4 Review the annual coverage of the compliance monitoring plan;
 - 8.15.5 Review regular reports from the Group Compliance Officer, covering regulatory developments, progress against the annual compliance monitoring plan, findings of work performed and monitoring of remedial actions instituted by management;
 - 8.15.6 Oversee that management has established a group wide incident management process and receive regular reports from the Group Chief Compliance Officer of all material incidents related to interaction with regulators, compliance breaches, fines, penalties and sanctions;

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- 8.15.7 Consider reports and correspondence received from the FSB and other relevant authorities regarding material legal and regulatory matters;
 - 8.15.8 Annually evaluate the role, objectivity and effectiveness of the compliance function in the overall context of the group's risk management system and ensure that the function is adequately resourced and has appropriate standing within the group; and
 - 8.15.9 Disclose the following in the Integrated Report:
 - 8.15.9.1 An overview of the arrangements for governing and managing compliance;
 - 8.15.9.2 Key areas of focus during the reporting period;
 - 8.15.9.3 Actions taken to monitor the effectiveness of compliance management and how the outcomes were addressed;
 - 8.15.9.4 Planned areas of future focus.

Group Fraud Risk Management

- 8.16 Oversee that management has established a group-wide incident management process and receive regular reports from the Head - Group Fraud Risk Management of all material incidents relating to fraud, whistleblowing and cyber-crime/IT security incidents.

Actuarial

- 8.17 The Committee has delegated its actuarial and certain related responsibilities to the GAC in order to ensure appropriate specialist focus on these areas. The key responsibilities delegated by the GAAC to the GAC are set out in the appendix.

Other

- 8.18 The Committee has the following additional responsibilities in relation to the Group Heads of the Actuarial, Risk Management and Compliance control functions:
 - 8.18.1 Provide input to the Directors Affairs Committee on the appointment and/or dismissal of the Group Heads of Control Functions;
 - 8.18.2 Annually assess the performance of the Group Heads of Control Functions;
 - 8.18.3 Review regular reports from the Group Heads of Control Functions (the Head of Actuarial Control Function reporting through the GAC Ensure Group Heads of Control Functions have direct access to, and regularly meet without the presence of managing executives, with the relevant committee chairmen.
- 8.19 The Committee is assisted in the execution of its responsibilities by the operation of subsidiary audit committees, which are referred to as "subsidiary internal review committees". The following applies:
 - 8.19.1 The membership of the subsidiary internal review committees comprises a majority of group executives who are non-executive in relation to the subsidiary concerned;
 - 8.19.2 The GAAC chairman is an optional invitee to all meetings.
 - 8.19.3 The chairmen of the subsidiary internal review committees attend and present quarterly reports to the GAAC.
 - 8.19.4 The Committee receives copies of minutes of all meetings of the subsidiary internal review committees.

9 Limitations

- 9.1 The Committee is responsible to the boards of LHL and LGL and STANLIB for carrying out this mandate and to operate within the mandate specifically delegated by the boards.
- 9.2 The boards will perform an evaluation of the effectiveness of the Committee each year.
- 9.3 Amendments may be made to the mandate as required, subject to approval by LHL Board.
- 9.4 The Committee has no executive authority outside this mandate unless specifically delegated by the boards.

APPENDIX – DELEGATION TO THE GAC

The following are the key responsibilities delegated by the GAAC to the GAC:

1. Evaluate the adequacy and completeness of the quantitative sections of the LGL, and any group, annual statutory returns in terms of the applicable laws and regulations.
2. Review the statutory actuary's reports on the results of actuarial investigations, including the validation of actuarial models.
3. Review reports on compliance with actuarial guidance in the preparation of the LHL and LGL interim and/or annual financial statements.
4. Review, approve and report to the LHL and LGL boards for noting and challenge the management actions assumed in calculating the capital adequacy of the group.
5. Review, approve and report to the LGL and LHL boards for noting and challenge the statutory actuary's recommended changes to the policyholder bonus philosophy and bonus rates.
6. Review experiences and approve the assumptions coming from the review of experiences, and the results thereof, used in calculating the policyholder liabilities and embedded value calculations and report to the LHL and LGL boards for noting and challenge.
7. Review product designs and pricing where appropriate, particularly in cases where there is a significant change to the business being written.
8. Review actuarial assumptions and methodology that affect customers to ensure that customer and company interests are balanced. Review reports on the group's risk business reinsurance retention limits and reinsurance strategy.
9. Review reports on compliance with other regulations impacting on life licence businesses.
10. Receive reports on insurance risk as reported by the Head of Insurance Risk and escalate concerns to the Group Risk Committee, if material.
11. The Board has delegated the responsibility for governance of the discretionary participation business to the GAAC, which committee sub-delegates its responsibility to the GAC, which shall:
 - 12.1 Approve the PPFMs applied when managing discretionary participation products.
 - 12.2 Express an opinion annually to the LGL Board on compliance with the PPFMs. This will enable the LGL Board to express its opinion on compliance with the PPFMs in the annual regulatory returns.
 - 12.3 Ensure that the PPFMs, as well as summaries thereof, are published on the group website.
 - 12.4 Review relevant reports from the statutory actuary regarding the discretionary participation business.
 - 12.5 Produce an annual report to the GAAC, and to the LHL and LGL boards, on its work and any other issues that it considers relevant. In preparing the report the GAC will take account of written reports by the statutory actuary on proposed bonus declarations.