

# AUDIT, RISK AND COMPLIANCE COMMITTEE

The Group operates in the fast moving consumer goods industry in Africa and recognises that it will be exposed to certain risks in order to achieve sustainable growth. The focus of the Group's risk management is to ensure that an appropriate balance between risk and reward is maintained while protecting all stakeholders against avoidable risks, and mitigating the impact of unavoidable risks.

The Board is responsible for Group-wide risk governance by ensuring that adequate systems are in place to identify, evaluate and manage key business risks. The Board is assisted in this regard by the audit, risk and compliance committee, whose responsibility it is to develop, communicate and monitor the risk management process across all divisions in the Group. The audit, risk and compliance committee is integral to the risk management process, with specific oversight of financial, operational and information technology risks and the associated internal controls. The Chief Finance Officer serves as the Chief Risk Officer for the Group and attends all audit, risk and compliance committee meetings by invitation.

The day-to-day responsibility for identifying, evaluating and managing risk remains the responsibility of senior management, who are supported by the internal audit function. The internal audit function is independent of business operations and provides assurance on the adequacy and effectiveness of internal controls. In developing its annual combined assurance plan, the internal audit function follows a risk-based methodology to identify material business risks, which are then confirmed and addressed by the relevant managers. Currently, the combined assurance plan serves as the source for the Group's top-down risk management programme. These risks are typically strategic and operational, and are quantified by the finance function, where relevant.

The audit, risk and compliance committee is a statutory committee, as required by the Companies Act, and functions within a charter that is reviewed and approved annually by the Board.

## ROLE OF THE COMMITTEE

The audit, risk and compliance committee has an independent role with accountability both to the Board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King III and the responsibilities assigned by the Board.

The committee's ongoing main responsibilities are as follows:

### Integrated and financial reporting

- Review the financial statements, interim report, preliminary results announcement and summarised financial statements and ensure compliance with International Financial Reporting Standards and the Companies Act;
- Review and approve the appropriateness of accounting policies, disclosure policies and the effectiveness of internal financial controls;
- Perform a review of the Group's integrated reporting function and consider factors and risks that could impact on the integrity of the integrated annual report;
- Review the sustainability disclosure in the integrated annual report and ensure that it is consistent with financial information reported; and
- Recommend the integrated annual report, annual financial statements and corporate governance report to the Board for approval.

### Finance function

- Consider the expertise and experience of the Chief Finance Officer; and
- Consider the expertise, experience and resources of the Group's finance function.

### Internal audit

- Review and approve the internal audit charter and audit plans;
- Evaluate the independence, effectiveness and performance of the internal audit function and compliance with its mandate;
- Review the Group's system of internal control, including financial controls, ensuring that management is adhering to and continually improving these controls;
- Review significant issues raised by the internal audit process; and
- Review policies and procedures for preventing and detecting fraud.

### External audit

- Act as a liaison between the external auditors and the Board;
- Nominate the external auditor for appointment by shareholders;
- Determine annually the scope of audit and non-audit services which the external auditors may provide to the Group;
- Approve the remuneration of the external auditors and assess their performance; and
- Assess annually the independence of the external auditors.

# AUDIT, RISK AND COMPLIANCE COMMITTEE continued

## Risk management

- Ensure that management's processes and procedures are adequate to identify, assess, manage and monitor enterprise-wide risks; and
- Review tax and technology risks, in particular how they are managed.

## General

- Receive and deal appropriately with any complaint relating to the accounting practise and internal audit of the Group or to the content or auditing of its financial statements, or to any related matter; and
- Perform other functions as determined by the Board.

## COMPOSITION OF THE COMMITTEE

The audit, risk and compliance committee is chaired by and comprises only independent non-executive directors. In accordance with the requirements of the Companies Act, members of the committee are appointed annually by the Board for the ensuing financial year and in compliance with King III are elected by shareholders at the annual general meeting.

## Composition of the committee, frequency of meetings, activities in the period under review

MEMBERS	ATTENDANCE	ACTIVITIES 2017
Jeff van Rooyen (Chairman)	2/2	<ul style="list-style-type: none"> <li>• Reviewed and recommended the half-year and full-year financial results, annual financial statements and integrated annual report to the Board for approval</li> <li>• Reviewed the internal audit coverage plan and ensured continued progress in integrating with the combined assurance model</li> <li>• Reviewed and approved the accounting and disclosure policies and the effectiveness of internal financial controls</li> <li>• Reviewed the external audit coverage plan</li> </ul>
Hugh Herman	2/2	<ul style="list-style-type: none"> <li>• Pre-approved all non-audit services provided by the Group's external auditors</li> <li>• Met separately with the internal auditors and the external auditors to confirm that they received the full co-operation of management</li> <li>• Met with management to review their progress on identifying and addressing material risk areas within the business</li> <li>• Reviewed the sustainability disclosure in the integrated annual report and ensured that it was consistent with financial information reported</li> </ul>
David Friedland	2/2	<ul style="list-style-type: none"> <li>• Chairman met regularly with key management to keep abreast of relevant emerging issues</li> <li>• Discharged all audit, risk and compliance committee responsibilities to all the subsidiary companies within the Group</li> <li>• Reviewed the findings of the financial review committees of all the material operating divisions. The financial review committees were chaired by the CFO and, together with the external auditors and management of the respective operations, reviewed the results of the material operating divisions</li> </ul>
Audrey Mothupi	2/2	<ul style="list-style-type: none"> <li>• Reviewed and considered representations by management on the going-concern statement for the Group and recommended the adoption of the going-concern concept to the Board</li> <li>• Recommended approval of the reappointment of Ernst &amp; Young Inc. as external auditors</li> </ul>

## INDEPENDENCE OF EXTERNAL AUDITORS

The committee met with management, independently of the auditors, to discuss issues relevant to the audit and for purposes of evaluating the quality and effectiveness of the external audit function. The committee was satisfied as to the independence of the Group's external auditors, Ernst & Young Inc. and its respective audit partners.

The committee confirmed its satisfaction with the performance and level of service rendered by the external auditor, Ernst & Young Inc., for the 2017 financial period.

## POLICY ON NON-AUDIT SERVICES

All non-audit services provided by the Group's external auditors, Ernst & Young Inc., were pre-approved by the audit, risk and compliance committee. The total fee for non-audit services provided did not exceed 50% of the total auditors' remuneration.

## EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION

The committee, together with the lead external audit partner, has considered and confirmed the composition, experience, resources and skills of the finance function. The committee is satisfied that Bakar Jakoet has the appropriate expertise and experience for his position of Chief Finance Officer of the Group. In addition, the committee is satisfied that the composition, experience and skills of the finance function meet the Group's requirements.

## APPROVAL OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

The committee confirms that it functioned in accordance with its charter for the 2017 financial year and that its report to shareholders was approved by the Board.

### **Jeff van Rooyen**

*Chairman: audit, risk and compliance committee*

18 April 2017