

Audit and Compliance Committee Mandate

1. Introduction

- 1.1 The Audit and Compliance Committee (Committee) is constituted as a statutory committee of Mr Price Group Limited (the Company or Group) in respect of its statutory duties in terms of s94(7) of the Companies Act 71, 2008 (Companies Act) and a committee of the Board of Directors (Board) in respect of all other duties assigned to it by the Board.
- 1.2 The Committee thus derives its authority from the Companies Act and the Board.
- 1.3 The duties and responsibilities of the members of the Committee as set out in this mandate are in addition to those duties and responsibilities that they have as members of the Board. The deliberations of the Committee do not reduce the individual and collective responsibilities of the directors in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgment in accordance with their legal obligations.
- 1.4 This mandate is subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation and any other applicable law or regulatory provision.

2. Role of the committee

- 2.1 The role of the Committee is to provide independent oversight of, inter alia, -
 - 2.1.1. The effectiveness of the Group's assurance functions and services, with particular focus on combined assurance arrangements, including external assurances service providers, internal audit and the finance function; and
 - 2.1.2. the integrity of the annual financial statements and, to the extent delegated by the Board, other external reports issued by the Group.
- 2.2 In fulfilling this role, the Committee is to assist the Board with discharging its responsibility to:
 - 2.1.3. safeguard the assets of the Group (the Company and its subsidiary companies);
 - 2.1.4. operate adequate and effective systems of internal control, risk management and governance,
 - 2.1.5. prepare materially accurate financial reporting information and statements in compliance with all applicable legal/regulatory requirements and accounting standards;
 - 2.1.6. monitor compliance with applicable laws, regulations and adopted non-binding rules, codes and standards; and
 - 2.1.7. provide oversight of the external and internal audit functions and appointments.
- 2.3 The Committee has an independent role with accountability to both the Board and shareholders. The Committee is not an executive Committee and as such it shall not perform any management functions or assume the functions of management.
- 2.4 The Committee shall provide a channel of communication between the Board, the internal auditors, the external auditors and other assurance providers.
- 2.5 The Committee shall assist the Board in monitoring management's system of internal controls in respect of enterprise-wide financial risks as described in clause 5.6.1.

3. Composition and tenure

- 3.1 The Committee shall have a minimum of three members appointed by the Board and who are to be elected annually by shareholders at the AGM on recommendation by the Remuneration and Nominations Committee (Remnomco).
- 3.2 All members of the Committee must be independent non-executive directors.
- 3.3 The chair of the Board and the CEO should not be a member of the Committee but should attend meetings by invitation.
- 3.4 The Board shall annually appoint an independent non-executive director to chair the Committee to hold office for the period between the next two succeeding annual general meetings.
- 3.5 The members of the Committee must, as a whole, have the necessary financial literacy, skills and experience to execute their duties effectively, and at least one-third of which must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce industry, public affairs or human resource management. In addition, members should have an understanding of the following:
 - integrated reporting;
 - internal financial controls;
 - external audit process;
 - internal audit process;
 - corporate law;
 - risk management;

- information technology governance as it relates to integrated reporting; and
 - governance processes within the Company.
- 3.6 In the event of a statutory vacancy, the Board must fill such vacancy within 40 business days after the vacancy arises.
- 3.7 The Committee has an indefinite tenure, unless otherwise determined by the Board, applicable law or regulatory provision and subject to the evaluation of the Committee and the annual approval of the Committee members by shareholders.

4. Statutory duties

In terms of the Companies Act, the Committee has the duty to:

- 4.1 nominate for appointment (or re-appointment) as auditor of the Group, a registered auditor who, in the opinion of the Committee and taking into consideration s94(8) of the Companies Act, is independent of the Group;
- 4.2 In this regard the Committee gives consideration to the recommendations or requirements of mandatory auditor firm rotation, and shall annually conduct a suitability assessment of the audit firm and the designated individual audit partner and for this purpose, will consider the requisite documents as set out in the JSE Listings requirements;
- 4.3 determine the fees to be paid and the terms of engagement of the auditor;
- 4.4 ensure that the appointment of the auditor complies with the Companies Act and other relevant legislation;
- 4.5 determine the nature and extent of non-audit services which the auditor may provide to the Group, or that the auditor must not provide to the Group;
- 4.6 pre-approve any proposed agreement with the auditor for the provision of non-audit services to the Group;
- 4.7 prepare a report, to be included in the annual integrated report for that financial year:
- 4.7.1 describing how the Committee carried out its functions,
 - 4.7.2 stating whether the Committee is satisfied that the auditor was independent of the Group, and
 - 4.7.3 commenting in any way the Committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the Group.
- 4.8 receive and deal appropriately with any concerns or complaints, whether from within or outside the Group, or on its own initiative, relating to:
- 4.8.1 the accounting practices and internal audit of the Group,
 - 4.8.2 the content or auditing of the Group's financial statements,
 - 4.8.3 the internal financial controls of the Group, or
 - 4.8.4 any related matter;
- 4.9 make submissions to the Board on any matter concerning the Group's accounting policies, financial control, records and reporting; and
- 4.10 perform such other oversight functions as may be determined by the Board.

In addition, the Committee must -

- 4.11 satisfy itself that the external auditor is independent of the Group;
- 4.12 consider and review the quality of the external audit, with reference to audit quality indicators;
- 4.13 consider and review the effectiveness of the CAE and the internal audit arrangements;
- 4.14 consider and review the effectiveness of the design and implementation of internal financial controls, and on the nature and extent of any significant weaknesses in the design, implementation or execution of internal controls that resulted in material financial loss, fraud, corruption or error;
- 4.15 consider, on an annual basis, and satisfy itself of the appropriateness of the expertise, experience and effectiveness of the CFO, and the effectiveness of the finance function;
- 4.16 consider and review the effectiveness of the arrangements in place for combined assurance;
- 4.17 ensure that the Company has established appropriate financial reporting procedures and that those procedures are operating; and
- 4.18 request from the external auditor (and if necessary consult with the external auditor on) the information detailed in the JSE Listings Requirements in the assessment of the suitability for appointment of the current or prospective external auditor and designated individual partner both on appointment or re-appointment.

5. Delegated duties

Operational responsibility remains the responsibility of management and does not reside with the Committee.

5.1 External Audit

The Audit Committee shall:

- 5.1.1 meet with the external auditor before the Board meets to approve the financial statements in order to consider matters which appear to be of importance and relevance to the proposed financial statements and to the affairs of the Group generally;
- 5.1.2 review and note the external audit annual plan and ensure that it is consistent with the scope of the engagement and that it effectively addresses the critical risk areas of the Group;
- 5.1.3 review the findings of the audit with the external auditor. This shall include but not be limited to:
 - a discussion of any major issues which arose during the audit,
 - any accounting and audit judgments, and
 - levels of errors identified during the audit;
- 5.1.4 review any representation letter and managements' response to the external auditor's findings and recommendations;
- 5.1.5 review the overall audit role, ensure that duplication across assurance providers is minimised, discuss implications of new auditing standards and ensure that the external audit fee will sustain a proper audit and provide value for money;
- 5.1.6 ensure that there is a process for the Committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor;
- 5.1.7 ensure that the lead engagement partner within the appointed firm is rotated after serving as such for five consecutive financial years, as required by s92 of the Companies Act;
- 5.1.8 evaluate the performance of the auditor taking into account the quality of the external auditor, and, in conjunction with the AGM, exercise final approval on the appointment or discharge of the auditors; and
- 5.1.9 on a regular basis and at least annually, meet with the external auditors without management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum.

5.2 Financial Statements

The Committee will examine and review the annual financial statements, the interim and preliminary announcements, the accompanying reports to shareholders and any other announcements regarding the Group's results or other financial/ price sensitive information to be made public, and recommend these for approval by the Board.

This will be focused particularly on:

- the impact of significant or new financial systems;
- tax and litigation matters;
- the appropriateness of accounting policies adopted and any changes in accounting policies and practices;
- significant financial estimates based on judgment which are included in the financial statements;
- the impact and disclosure of significant, complex and/or unusual transactions, especially where the accounting treatment is open to different interpretations;
- the appropriateness of major adjustments processed at year-end;
- the basis on which the Company and the Group has been determined a going concern;
- capital adequacy;
- compliance with applicable accounting standards, JSE and legal requirements;
- whether the annual financial statements present a balanced and understandable assessment of the Group's position, performance and prospects;
- the clarity of disclosure in the Group's financial reports and the context in which statements are made;
- reviewing the directors' statement to be included in the annual financial statements, including the statement on effectiveness of the systems of internal control;
- compliance with the financial conditions of loan covenants;
- reviewing special documents such as prospectuses as and when prepared;
- earnings press releases; and
- review with management and the external auditors the results of the audit, including any difficulties encountered.

5.3 Integrated reporting

The Committee oversees integrated reporting, and in particular the Committee must:

- 5.3.1 have regard to all factors and risks that may impact on the integrity of the integrated report, including significant judgments and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information, and forward-looking statements or information;

- 5.3.2 comment in the annual integrated report on the financial statements, the accounting practices and the effectiveness of the internal financial controls;
- 5.3.3 in conjunction with the Social, Ethics, Transformation and Sustainability Committee, review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- 5.3.4 recommend the integrated report for approval by the Board;
- 5.3.5 consider the frequency for issuing interim results;
- 5.3.6 consider whether the external auditor should perform assurance procedures on the interim results;
- 5.3.7 review the content of the summarised information for whether it provides a balanced view;
- 5.3.8 engage the external auditors to provide assurance on the summarised financial information; and
- 5.3.9 monitor the management of non-financial risks that affect the integrity of external reports.

5.4 Combined Assurance

The Committee is responsible for overseeing that arrangements for assurance services and functions are effective in achieving the objectives of –

- 5.4.1 enabling an effective internal control environment;
- 5.4.2 supporting the integrity of information used for internal decision-making by management, the Board and its committees; and
- 5.4.3 supporting the integrity of external reports.

5.5 Internal Audit

The Committee is responsible for overseeing internal audit, and in particular, the Committee shall:

- 5.5.1 in conjunction with the Board, be responsible for the appointment and/or dismissal of the CAE;
- 5.5.2 in conjunction with the CFO, evaluate the performance of the CAE; and review and concur on the salary/ incentive increases and awards of the CAE;
- 5.5.3 review the independence of internal audit;
- 5.5.4 review and approve the risk-based internal audit plan, mandate, objectives and goals, and the level of skills (staffing) and resources (budget) within the function to ensure that it is able to address the complexity and volume of risk faced by the Group;
- 5.5.5 ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate but at least once every five years;
- 5.5.6 consider and review with management and the internal auditors, significant findings during the year and management's responses thereto in relation to reliable reporting, risk management, corporate governance and adequate and effective internal control;
- 5.5.7 ensure that the internal audit function has the necessary resources and access to information to enable it to execute its mandate and to perform its duties in accordance with the appropriate professional standards for internal auditors;
- 5.5.8 review the co-operation and co-ordination between the internal and external audit functions and coordinating the formal internal audit work plan with external auditors to avoid unnecessary duplication of work;
- 5.5.9 review and, where necessary, elevate to the Board for resolution any significant differences of opinion between management and the internal audit function;
- 5.5.10 consider and review any difficulties encountered in the course of the audits, including any restrictions on the scope of internal audit's work or access to required information;
- 5.5.11 review internal audit's assurance on the maintenance of proper and adequate accounting records;
- 5.5.12 review internal audit's assurance on the overall operational and financial reporting environment;
- 5.5.13 consider any changes required in the planned scope of the internal audit coverage;
- 5.5.14 on a regular basis and at least annually, meet with the CAE without management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum; and
- 5.5.15 ensure that the CAE has unrestricted access to the chair of the Audit and Compliance committee and the chair of the Board.

5.6 Risk Oversight

5.6.1 The Committee as an integral component of the risk management process oversees the management of financial and other risks that affect the integrity of external reports issued by the Group. This includes oversight of:

- 5.6.1.1 financial reporting risks;
- 5.6.1.2 internal financial controls;
- 5.6.1.3 fraud risks as they relate to financial reporting; and
- 5.6.1.4 IT risks as they relate to financial reporting.

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- 5.6.2 The Committee shall –
- 5.6.2.1 consider the effectiveness of the Group's internal control over annual and interim financial reporting, including information and technology governance, security and control;
 - 5.6.2.2 monitor that the risk areas of the Group's operations are appropriately covered in the scope of the internal and external audits; and
 - 5.6.2.3 in respect of these risk areas, review internal and external audit reports on significant findings and recommendations, together with management's responses.

5.7 Compliance

- 5.7.1 The Committee shall set the direction for how compliance should be managed and addressed in the Group and approve policy that articulates and gives effect to its direction on compliance and that identifies which non-binding rules, codes and standards the Group has adopted.
- 5.7.2 The Committee exercises ongoing oversight of compliance, and, in particular, oversees that it results in –
- 5.7.2.1 compliance being understood not only for the obligations it creates, but also for the rights and protections it affords;
 - 5.7.2.2 compliance management taking a holistic view of how applicable laws and non-binding rules, codes and standards relate to one another; and
 - 5.7.2.3 continual monitoring of the regulatory environment and appropriate responses to changes and developments.
- 5.7.3 The Committee delegates to management the responsibility for implementing and execution of effective compliance management and shall review at each meeting reports by management including material disputes, claims or litigation, material or repeated regulatory penalties, sanctions or fines, inspections by environmental regulators and follow up actions.
- 5.7.4 The Committee shall also obtain reports from internal audit and the external auditor regarding compliance with all material legal and regulatory requirements.
- 5.7.5 The Committee shall obtain from management annual assurance on the effectiveness of compliance management and consider the need to receive periodic independent assurance on the effectiveness of same.

6. Authority

- 6.1 The Committee has the power to make decisions regarding its statutory duties and is accountable for its performance in this regard. The Board remains ultimately accountable for responsibilities delegated to the Committee and retains the power to make decisions in this regard.
- 6.2 The Committee may consult with specialists or consultants, at the Company's cost, to assist it with the performance of its functions, but must consult with either the Board chair or lead independent director prior to doing so. Such specialists or consultants may be invited to present at Committee meetings on matters in respect of which they have been consulted, but may not vote.
- 6.3 The Committee, in carrying out its tasks under this mandate:
- 6.3.1 has unrestricted access to all information, records, property and personnel of the group, and must be provided with adequate resources in order to fulfill its responsibilities;
 - 6.3.2 has right of access to the external and internal auditors and to any officer of the Group including the Board chair, CEO and the CFO. Likewise these individuals shall have unrestricted access to the chair or any other member of the Committee as is required in relation to any matter falling within the remit of the Committee;
 - 6.3.3 is authorised to investigate any activity within its terms of reference;
 - 6.3.4 may require associates of the Group to attend meetings or parts thereof;
 - 6.3.5 may consult with and seek any information it requires from any associate, and all associates shall be required to co-operate with any request made by the Committee in the course of its duties;
 - 6.3.6 may invite external professional advisers to attend any meeting as necessary or appropriate; and
 - 6.3.7 may delegate its authority and duties to sub-committees or individual members of the Committee as it deems appropriate, provided it is not precluded by legal or regulatory requirements from doing so.

7. Reporting and disclosure

- 7.1 After each meeting the chair shall report to the Board on its proceedings, activities, issues and related recommendations and on all significant matters within its duties and responsibilities as set out in this mandate.

- 7.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit, where action or improvement is needed.
- 7.3 The Chair (or, in his/her absence, an alternate member) of the Committee shall attend the AGM to answer questions, through the chair of the Board, on the Committee's activities and its responsibilities.
- 7.4 The Committee shall compile a report to stakeholders on its activities to be included in the Company's annual integrated report.
- 7.5 The Committee shall consider annually for the reporting period whether it is satisfied that it has fulfilled its responsibilities in accordance with this mandate.
- 7.6 The Committee shall disclose, at least annually, -
 - 7.6.1 significant matters that the Committee has considered in relation to the annual financial statements, and how these were addressed by the Committee;
 - 7.6.2 its view on compliance with the matters in paragraphs 4.11 – 4.18 and 7.5 above; and
 - 7.6.3 administrative matters required to be disclosed.

8. Meetings and procedures

8.1 Agenda and Minutes

- 8.1.1 The Committee must establish an annual diary to ensure that all relevant matters are covered by the agendas of the meetings scheduled for the year.
- 8.1.2 The Company Secretary shall be responsible for, in conjunction with the chair of the Committee, determining the agenda and for circulating the meeting agenda, minutes and supporting material to all Committee members and invitees at least one week prior to each scheduled meeting.
- 8.1.3 Committee members must be fully prepared for Committee meetings to provide appropriate and constructive input on matters discussed.
- 8.1.4 The minutes must be prepared by the company secretary as soon as reasonably possible after the meeting and circulated firstly to the Committee chair for review and input, and thereafter to members of the Committee for review.
- 8.1.5 The minutes must be formally approved by the Committee at the next scheduled meeting and signed by the chair of the Committee. These should be distributed to all Board members for information purposes.

8.2 Frequency

- 8.2.1 The Committee must hold sufficient scheduled meetings to discharge all its duties as set out herein but subject to a minimum of two meetings per year.
- 8.2.2 Meetings in addition to those scheduled may, with approval of the Committee Chair, be held at the request of the external/ internal audit, executive management or at the instance of the Board.
- 8.2.3 The Committee must meet at least annually with each of management, internal audit and the external auditors, without the others being present.

8.3 Attendance

- 8.3.1 Committee members shall attend all scheduled meetings of the Committee, including meetings called on an *ad hoc*-basis for special matters.
- 8.3.2 Executive management, the Group Corporate Finance Director, internal audit and external audit are invited to attend Committee meetings by standing invitation and members of senior management may be invited on an ad-hoc basis, to provide pertinent information and insights in their areas of responsibility. These invitees may not vote.
- 8.3.3 Any director of the Company is entitled to attend Committee meetings as an observer. However such directors are not entitled to participate without the consent of the chair, and do not have a vote.
- 8.3.4 The company secretary is the Committee secretary.
- 8.3.5 If the nominated chair of the Committee is absent from a meeting, the members present must elect one of the members to act as chair for the duration of that meeting.


8.4 Quorum

- 8.4.1 A quorum at meetings shall be at least two members present (either in person or by electronic means).
- 8.4.2 Individuals in attendance at Committee meetings by invitation do not form part of the quorum.
- 8.4.3 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 8.4.4 Each member shall have one vote at any meeting of the Committee and all decisions are taken by simple majority.

9. Evaluation and review

- 9.1 This mandate and the Committee diary will be reviewed annually by the Committee and the Board.
- 9.2 At least annually the Committee will consider, reflect and discuss its performance and that of its chair and its members as a whole. This will be done having regard to the progress against the Steps documents referred to below.
- 9.3 Every two years (or as deemed necessary by Board, together with Remnomco) a formal evaluation process will be conducted. This process will be led by the lead independent director on behalf of Remnmco together with the company secretary and may take the form of a questionnaire, interviews, feedback from relevant stakeholders or any other form as may be determined by the Board in conjunction with Remnomco.
- 9.4 The results of the evaluation process will be formulated by the lead independent director and company secretary into a Steps document which sets out the feedback received, the proposed areas requiring improvement and the steps required to effect the improvements. The Committee Steps documents will be discussed with the chair who will provide feedback and input on the Steps documents which will then be considered and discussed by the Committee and the Board.
- 9.5 If so decided by the Board and Remnomco an evaluation process which is either externally facilitated or different to the normal methodology may be followed.

Approved on 19 November 2018.



D Naidoo

Chair
Audit and Compliance Committee
Mr Price Group



NG Payne

Chair
Mr Price Group