



## **SUN INTERNATIONAL AUDIT COMMITTEE**

### **MANDATE AND TERMS OF REFERENCE OF AUDIT COMMITTEE**

*References to “the Committee” shall mean the Company’s Audit Committee*

*References to “the Board” shall mean the Company’s board of directors.*

*References to “Sun International” or “the Company” shall mean Sun International Limited.*

*References to the “Sun International group” shall mean Sun International and its subsidiary companies as contemplated in Section 3 of the Companies Act of 2008, as amended.*

#### **1. Introduction**

The Committee is constituted as a statutory committee of Sun International in respect of its statutory duties in terms of section 94(7) of the Companies Act, 2008 (the Companies Act) and as a committee of the Board in respect of all other duties assigned to it by the Board.

The duties and responsibilities of the members of the Committee as set out in this mandate and terms of reference 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 Board in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their legal obligations.

This mandate and terms of reference is subject to the provisions of the Companies Act, the Company’s Memorandum of Incorporation and any other applicable law or regulatory provision and as such this Committee will review the Sun International group’s compliance with the King IV Report on Corporate Governance for South Africa 2016 including, without limitation, the provisions of the Listings Requirements of the JSE Limited (“Listings Requirements”).

#### **2. Mandate and Purpose of the terms of reference**

To assist the Board in discharging its responsibility for reporting financial information by playing a pro-active role in enhancing the credibility of financial reporting and to provide a channel of communication between the Board, internal and external auditors and management. To ensure that an effective control environment in the SI group is thereby maintained by supporting the Board in the discharge of its duties relating to the safeguarding of assets, the operation of adequate systems and controls, risk management and the integrity of financial statements and reporting.

The purpose of this mandate and terms of reference is to set out the Committee’s role and responsibilities as well as the requirements for its composition and meeting procedures.

### 3. Membership and Quorum

The Committee, to be elected by the shareholders on recommendation by the Nomination Committee, shall comprise of a minimum of three [3] members, each of whom shall be independent non-executive directors. A quorum shall consist of a majority of members being present.

At least one member of the Risk Committee will be an *ex officio* member of this Committee.

The members of the Committee must collectively have sufficient qualifications, skill and experience to fulfil their duties, including an understanding of the following:-

- financial and sustainability reporting;
- internal financial controls;
- external audit process;
- internal audit process;
- corporate law;
- risk management;
- sustainability issues;
- information technology governance as it relates to integrated reporting' and
- governance processes within the Company.

At least one third of the Committee at any particular time must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

The Chairman of the Committee shall be appointed by the Board and who is not the Chairman of the Board. The Chairman of the Board is eligible to be a member of the Committee, subject to the Company complying with paragraph 3.84(d) of the Listings Requirements. Other directors and senior executives may, at the Chairman of the Committee's discretion, be invited to attend meetings of the Committee from time to time.

The Company's Chief Executive and Chief Financial Officer shall, on the invitation of the Chairman of the Committee, be required to attend meetings of the Committee as invitees only and they may not vote at these meetings.

The Committee shall require that the lead audit partner of the external auditor and the head of internal audit attend all meetings of the Committee as invitees only and they may not vote at these meetings;

A member of the Committee shall, in the event that he / she ceases for whatsoever reasons to be a director of the Company, also resign as a member of the Committee. Notwithstanding anything to the contrary contained herein, the Board shall have the power at all times to remove any member from the Committee and to fill any vacancies created by such removal. The Board must fill vacancies on the Committee either within 40 business days after the vacancy arises or by the following audit committee meeting, whichever event occurs first.

The Committee shall be entitled to co-opt specialists as invitees to the Committee meeting.

#### **4. Role**

The Committee has an independent role with accountability to both the Board and shareholders. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

#### **5. Attendance at meetings**

At least once per annum, the Committee members only shall meet with the external auditor, internal auditors and management in three separate meetings.

The SI Company Secretary or his nominee ("the Secretaries") shall act as the secretary of the Committee.

If the nominated Chairman of the Committee is absent from a meeting, the members present must elect one of the members present to act as Chairman.

#### **6. Frequency of Meetings, Agenda and Minutes**

Meetings shall be held not less than three times per annum. These meetings should preferably take place:-

- a) once in November of each year to, inter alia, approve the external and internal auditors year end audit plan and review the statutory, governance and other regulatory requirements affecting the Committee and its members as well as keeping members up to date on new accounting and related developments;
- b) once in March of each year to, inter alia, review and recommend to the Company's board for approval, the Company's audited financial statements and results announcement for the previous financial year ended 31 December; and
- c) once in September of each year to, inter alia, review and recommend to the Company's board for approval, the Company's interim financial results announcement for the half year ended 30 June.

Meetings in addition to those scheduled may, with approval of the Chairman, be held at the request of any member of the Committee.

The Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual plan must ensure proper coverage of the matters laid out in the Committee's mandate and terms of reference: the more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period. The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed shall be forwarded to each member of the Committee and any other person required to attend, at least five [5] days prior to each meeting.

Members and/or invitees of the Committee may participate in and act at any meeting of the Committee through the use of a conference telephone or other communication equipment by means of which all persons participating in the meeting can hear each other. Participation in such meeting shall constitute attendance and presence in person at the meeting by the person or persons so participating.

## **7. Authority**

The Committee has decision-making authority in regard to its statutory duties and is accountable in this respect to both the Board and the shareholders. To this end the Chairman of the Committee must be present at all annual general meetings (AGM) to answer questions, through the chairman of the Board, on the report on the Committee's activities and matters within the scope of the Committee's responsibilities. On all responsibilities delegated to it by the Board outside of the statutory duties, the Committee makes recommendations for approval by the Board.

The Committee acts in accordance with its statutory duties and the delegated authority of the Board as recorded in this mandate and terms of reference. It has the power to investigate any activity within the scope of its mandate and terms of reference. Decisions of the Committee shall be carried by a vote of the majority of members present at meetings.

The Committee, in the fulfilment of its duties, may call upon the Chairmen of the other Board committees, any of the executive directors, Company officers, the Secretaries, other Company employees or assurance providers to provide it with information, subject to a Board approved process.

The Committee has reasonable access to the Company's records, facilities, employees and any other resources necessary to discharge its duties and responsibilities subject to following a Board approved process.

The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Company's cost, subject to a Board approved process being followed.

## **8. Responsibilities**

The responsibilities of the Committee shall include:-

### **Integrated reporting**

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

- a) have regard to all factors and risks that may impact on the integrity of the 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;
- b) review the annual financial statements, interim reports, preliminary or provisional results announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents and recommend these for approval by the Board;
- c) comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls;

- d) review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- e) recommend to the Board the engagement of an external assurance provider on material sustainability issues;
- f) recommend the integrated report for approval by the Board;
- g) consider the frequency for issuing interim results;
- h) consider whether the external auditor should perform any assurance procedures on the interim results;
- i) review the content of the summarised information to assess whether it provides a balanced view; and
- j) engage the external auditor to provide assurance on the summarised financial information.

### ***Combined assurance***

The Committee will ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the Committee should:

- a) ensure that the combined assurance received is appropriate to address all the significant risks facing the Company; and
- b) monitor the relationship between the external assurance providers and the Company.

### ***Finance function and financial director***

The Committee is responsible for reviewing the expertise, resources and experience of the Company's finance function, and for disclosing the results of the review in the integrated report.

The Committee also considers and satisfies itself annually of the appropriateness of the expertise and experience of the Company's Chief Financial Officer, who shall be an executive director.

### ***Internal audit***

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

- a) be responsible for the appointment, performance assessment and/or dismissal of the head of internal audit;
- b) approve the internal audit plan, as well as the internal audit charter;
- c) ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate; and
- d) review the functioning of the internal audit programme and department, ensure co-ordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.

### ***Risk management***

The Committee is responsible for overseeing the risk management of the Sun International group, and in particular the Committee must:

- a) receive and consider the report of the Risk Committee, on matters relating to risks and related controls which have been dealt with by that committee in terms of its mandate.
- b) oversee and review the risk areas of the Sun International group's operations to be covered in the scope of internal and external audits, including internal financial controls, fraud and information technology risks as they relate to financial reporting risks; and
- c) ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities and which addresses the material risks facing the Sun International group.

The Committee is an integral component of the risk management process and specifically the Committee must oversee:

- a) financial reporting risks;
- b) internal financial controls;
- c) fraud risks as it relates to financial reporting; and
- d) IT risks as it relates to financial reporting.

The Committee shall furthermore review the risk areas of the Sun International's operations to be covered in the scope of the internal and external audits

### ***External audit***

The Committee is responsible for recommending the appointment of the external auditor and to oversee the external audit process and in this regard the Committee must:

- a) Nominate to the board the external auditor for appointment by the shareholders;
- b) approve the terms of engagement and remuneration for the external audit engagement;
- c) ensure that the appointment or re-appointment of the external auditor complies with the Companies Act;
- d) monitor and report on the independence and objectivity of the external auditor in the annual financial statements;
- e) set mandatory term limits on the length of time the lead audit partner of the external auditor may serve the Company, which term limits shall not exceed 5 consecutive financial years;
- f) define a policy for Board approval, addressing the use of the external auditor for non audit related services. In addition to the related Companies Act requirement, there should be separate disclosure of the amount paid for non-audit related services. This will not apply to opinion work;

- g) pre-approve any proposed agreements for non-audit services to be rendered by the external auditor;
- h) determine and agree with the external auditor before the annual audit commences the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- i) 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;
- j) review the quality control procedures and effectiveness of the external audit process;
- k) consider whether the external auditor is accredited by the JSE Limited as required in terms of the JSE Limited Listings Requirements;
- l) review the external auditor's management letter and management's response, if available, and/or consider the matters to be dealt with therein;
- m) every year evaluate the external auditor performance and effectiveness taking into consideration factors such as, inter alia, audit planning, technical abilities, audit process/outputs and quality control, business insight, consultancy abilities and independence; and
- n) discuss problems and reservations (if and when applicable) arising from the annual audit and any matters incidental thereto which the external auditor may wish to discuss (in the absence of management where necessary).

### **Compliance**

Without derogating from the generality of any of the aforementioned responsibilities, the Committee must:

- a) comply with those statutory obligations required of the Committee in terms of Section 94 of the Companies Act;
- b) retain a copy of the current mandate and terms of reference of the Committee at the registered office of the Company and provide shareholders with a copy of the same if requested;
- c) review the Company's compliance with legal and regulatory provisions, its memorandum of incorporation, by-laws and the rules established by the Board and any significant breaches thereof;
- d) consider other topics, as defined by the Board;
- e) review, with the Company's in-house and/or external attorneys, any legal matters that could have a significant impact on the Company's financial statements;
- f) review the findings of any examination by regulatory agencies such as the JSE Limited and The Companies and Intellectual Property Commission;
- g) if necessary, institute special investigations and if appropriate, hire special counsel or experts to assist;
- h) review policies on sensitive issues or practices such as environmental issues;

- i) review the Company's procedure for handling allegations from whistle-blowers; and
- j) review and monitor managements compliance with the Sun International group's code of conduct and code of ethics and to consider and recommend to the Board managements plans to address and/or amend these codes.

## **9. Reporting**

- 9.1 The Chairman of the Committee shall make a brief report of the findings and recommendations of the Committee after each Committee meeting at the following Board meeting. Supporting schedules and information reviewed by the Committee will be available for examination by any director upon request to the Secretaries.
- 9.2 The external and internal auditors shall have unrestricted access to the Committee and its Chairman.
- 9.3 The Committee must also report to the shareholders at the Company's AGM on how it has fulfilled its duties in terms of the Companies Act during the financial year. The Committee's report at the AGM must:-
  - 9.3.1 describe how the Committee carried out its functions in terms of the Act;
  - 9.3.2 state whether the Committee is satisfied that the external auditor was independent of the Company; and
  - 9.3.3 contain comment in any way the Committee considers appropriate on the financial statements, the accounting practices and the internal financial controls of the Company.
- 9.4 As a minimum, the Committee should provide the following information in the integrated report:-
  - 9.4.1 a summary of the role of the Committee;
  - 9.4.2 a statement on whether or not the Committee has adopted a formal mandate and terms of reference that have been approved by the Board and if so, whether the Committee satisfied its responsibilities for the year in compliance with its mandate and terms of reference;
  - 9.4.3 the names and qualifications of all members of the Committee during the period under review and the period for which they served on the Committee;
  - 9.4.4 the number of Committee meetings held during the period under review and members' attendance at these meetings;
  - 9.4.5 a statement on whether or not the Committee considered and recommended the internal audit charter for approval by the Board;
  - 9.4.6 a description of the working relationship with the head of internal audit;
  - 9.4.7 information about any other responsibilities assigned to the Committee by the Board;
  - 9.4.8 a statement on whether the Committee complied with its legal, regulatory or other responsibilities vis-a-vis Sun International and its wholly owned subsidiaries; and



9.4.9 a statement on whether or not the Committee recommended the integrated report to the Board for approval.

## **10. Review, Assessment and Training**

10.1 The Committee's activities and effectiveness should be assessed periodically by way of a self-evaluation, as part of the Board's review of the Committee's performance and effectiveness.

10.2 Training should also be provided to the members of the Committee on an on-going and timely basis and should include an understanding of the principles of and developments in financial reporting and related company law. In appropriate cases it may also include, for example, understanding financial statements, applicable accounting standards and recommended practice; the regulatory framework for the Company's business; the role of internal and external auditing and risk management.

10.3 This mandate and terms of reference may, from time to time, be amended as required, subject to the approval of the Board.

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**Chairman**

23 March 2017