

Introduction

The Group Audit Committee (GAC) is appointed by the Board to perform the functions set out in this Charter to enable the Board to achieve its responsibilities set out in terms of sections 90 - 94 of the Companies Act (read with regulation 44 of the Companies Regulations), section 64 of the Banks Act and the regulations thereto.

Responsibilities

The Committee has a monitoring and certain approval responsibilities but has no operational or management responsibilities. The functions listed below shall be the common recurring activities of the Committee in discharging its mandate.

This Charter serves as a guide and does not prevent the Committee from carrying out such additional functions and adopt such additional measures as may be appropriate in the light of changing audit, business, regulatory, strategic, risk or other conditions.

Key functions

1. The key functions of the Committee are to:

- 1.1 Assist the Board in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the Group in the day-to-day management of its business.
- 1.2 Facilitate and promote communication between the Board, executive

management, the external auditors and the Chief Internal Auditor (who has a direct reporting line to the Committee).

- 1.3 Introduce such measures to enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of the Group.
- 1.4 Monitor and attest to auditor independence.
- 1.5 Perform such further functions as may be prescribed.

2. The specific responsibilities of the Committee include the following:

2.1 Internal control and governance

- 2.1.1 Monitor that management creates and maintains an effective internal control environment including adequate governance requirements throughout the Group, and that management demonstrates and stimulates the necessary respect for this.
- 2.1.2 Monitor the identification of weaknesses and breakdown of systems and internal controls.

2.2 Financial control, accounting and reporting

- 2.2.1 Monitor the adequacy and reliability of management information and the efficiency of management information systems. Delegate to **Group Information Technology Committee** the monitoring of the adequacy and efficiency of the Group's information systems

- 2.2.2 Satisfy itself of the expertise, resources and experience of the finance function. The committee shall on an annual basis consider and satisfy itself of the appropriateness of the expertise, resources and experience of the management, with particular focus on the Chief Financial Officer and senior members of management responsible for the financial function.
- 2.2.3 Review and approve financial statements and reporting to be published for proper and complete disclosure of timely, reliable and consistent information, and confirm that the accounting policies used are appropriate.
- 2.2.4 Review of the half-yearly and annual financial statements before submission to the Board, focusing on:
 - 2.2.4.1 financial control including integrity of balances and figures;
 - 2.2.4.2 any change in accounting policies and practices;
 - 2.2.4.3 major judgemental areas;
 - 2.2.4.4 significant adjustments resulting from the audit;
 - 2.2.4.5 the internal control and going-concern statements;
 - 2.2.4.6 compliance with accounting and disclosure standards;
 - 2.2.4.7 additional disclosure requirement in respect of the analysis of public and non-public shareholders;
 - 2.2.4.8 material risk disclosures; and
 - 2.2.4.9 compliance with stock exchange, statutory and regulatory requirements.
- 2.2.5 Monitor the internal financial controls environment which the Chief Executive Officer and Chief Financial Officer attest to in the annual financial statements.
- 2.2.6 Evaluate on an ongoing basis the appropriateness, adequacy and efficiency of the accounting policies and procedures, compliance with International Financial Reporting Standards of the International Accounting Standards Board, and any changes thereto.
- 2.2.7 Discuss and resolve any significant or unusual accounting problems.
- 2.2.8 Review and monitor that capital expenditure throughout the Group is adequately budgeted, controlled, monitored and reported on.
- 2.2.9 Monitor that proper tax planning, compliance, risk identification and management is in place within the Group.
- 2.2.10 Monitor the management, and effectiveness thereof, of the accounting and taxation risks as laid out in the Group's Enterprise-wide Risk Management Framework (ERMF).
- 2.2.11 Review and regularly monitor all key performance indicators to ensure that decision making capabilities, and accuracy of related reporting, including the disclosures and assurances in the annual integrated report and financial results are maintained at high levels.
- 2.2.12 Evaluate on an ongoing basis the effectiveness of the combined assurance model.

- 2.2.13 Evaluate the group structure to ensure adequate governance and financial processes are in place as per the ERMF and Group Operating Model (GOM).
- 2.2.14 Annually to review and approve Nedbank's materiality framework.
- 2.2.15 Consider the listing of unadjusted audit differences and confirm that material items identified as 'factual errors' have been corrected by management. Items identified as 'factual errors' that have not been corrected (for example, items that have been identified late in the process or items less than materiality) shall be reported to the GAC by management.
- 2.2.16 Material Items identified as 'judgmental errors' that have not been corrected shall be reported to the GAC by management for considered adjustment.
- 2.3 Internal Audit**
- 2.3.1 Monitor that the Internal Audit function is effective, in terms of its scope, plans, coverage, independence, skills, staffing, overall performance and position within the organisation.
- 2.3.2 Satisfy itself of the expertise, resources and experience of the Chief Internal Auditor (CIA).
- 2.3.3 Facilitate the appointment and removal of the CIA.
- 2.3.4 Monitor action taken by management with regards to adverse findings.
- 2.3.5 Monitor findings to form a view on adequacy and effectiveness of the control environment.
- 2.3.6 Specifically with regard to the bank's AIRB credit system:
- 2.3.6.1 annual assessment of the skills of the Group Internal Audit function with respect to the AIRB credit system.
- 2.3.6.2 annual assessment of Internal Audit coverage of the AIRB credit system; and
- 2.3.6.3 annual assessment of the adequacy of the Internal Audit plan to cover the AIRB credit system, including the working relationship and sharing of work with external audit.
- 2.3.6.4 Receive feedback from external audit from their annual assessment of GIA.
- 2.3.6.5 Review the full External Quality Assurance (EQAR) review performed every 3 years.
- 2.4 External audit**
- 2.4.1 Recommend to Shareholders the appointment or reappointment of the external auditors.
- 2.4.2 Ensure that the appointment of the external auditor complies with the provisions of the Companies Act, Banks Act, JSE Listing Requirements and any other legislation relating to the appointment of external auditors.
- 2.4.3 Receive and review the external auditors' JSE accreditation forms as part of the annual assessment of the suitability for appointment/reappointment of the

- external auditors and designated individual partners.
- 2.4.4 Receive and review the IRBA engagement reports from the external auditors.
- 2.4.5 Monitor that the external auditors are effective in terms of their skills, independence, audit plan, reporting and overall performance.
- 2.4.6 Receive and review the audit opinion reached on the annual financial statements including the key audit matters pursuant to IAS 701 and ensure compliance with stock exchange disclosure requirements.
- 2.4.7 Consider, for the purposes of assessing independence of current and prospective external auditors (where applicable), any relevant factor, including, amongst others:
- 2.4.7.1 whether or not the external auditor receives any direct or indirect remuneration or other benefit from the bank or Group, except as external auditor; or for rendering such other services to the bank or Group as are permitted;
- 2.4.7.2 whether or not the external auditor's independence may have been prejudiced as a result of any previous appointment as auditor or consultancy, advisory or other work undertaken by the external auditor for the bank or controlling company in terms of section 90(2) read with section 94(8) of the Companies Act and by taking into account any other criteria relating to independence or conflict of interest that are prescribed by the Independent Regulatory Board for Auditors established by the Auditing Profession Act, 2005 (Act 26 of 2005), in respect of the bank or controlling company and any other company within the Group;
- 2.4.7.3 consider the papers issued by the Basel Committee on Banking Supervision (BCBS) relating to external auditors and audit committees of banks;
- 2.4.7.4 perform an annual review and attestation as to the current external auditors' independence, including probity assessments;
- 2.4.7.5 perform an annual review on the extent of consultancy/advisory engagements with prospective external auditors to understand potential limitations of prospective auditors being appointed in terms of section 90(2) of the Companies Act; and
- 2.4.7.6 receive and review the attestation of independence and commitment to quality from the external auditors.
- 2.4.8 Consider non-assurance services to be rendered by the external auditors to avoid material conflicts of interest and self-interest threats and to ensure compliance with the Companies Act.
- 2.4.9 Pre-concurrence any proposed contract with the external auditors for the provisioning of non-assurance services to the company.

- 2.4.10 Monitor the non-audit service fees received by the external auditors relative to the external audit-related fees.
- 2.4.11 Consider whether the extent of reliance placed on internal audit by the external auditors is appropriate and that no significant gaps in audit assurance exist between internal and external audit.
- 2.4.12 Consider the tenure of the audit firm and audit partner rotation.
- 2.4.13 Review the audit firm and audit partner rotation plan.
- 2.4.14 Satisfy itself of the expertise and experience of prospective lead partners.

2.5 Independence assessments

- 2.5.1 Ensure formal independence assessments implemented and performed annually for all current and prospective external auditors' partners and managers and spouses by the audit firms. Probity test with the support of Nedbank is performed on the appointment of new audit firms or when specifically requested. Monitor and review of assessments including annual probity tests pertaining to:
 - 2.5.1.1 direct or indirect remuneration or other benefit from the Group;
 - 2.5.1.2 other independence and conflict of interest matters in contravention of IRBA rules, section 94(8)(c) of the Companies Act and other legislation;
 - 2.5.1.3 monitoring and review of the gift register to independently confirm that gifts given or received from the

- auditors do not impact on the auditors' independence; and
- 2.5.1.4 banking relationships of the auditors and the external audit firms.

2.6 Regulatory reporting

- 2.6.1 Review the adequacy of the regulatory reporting (eg SARB BA returns) processes, including quality of reporting and adequacy of systems and human resources to complete these functions satisfactorily.
- 2.6.2 Consider the content of any regulatory reports related to the key functions of the Committee, and monitor management action to resolve the issues identified.
- 2.6.3 Perform such other functions as may be prescribed by the Registrar from time to time in the regulations relating to banks.

2.7 Subsidiaries without own audit committees

- Subsidiaries without their audit committees (ie: Dormant entities or group property companies etc) rely (where applicable) on the Group Audit Committee, GAC charter and related responsibilities with regards to financial control accounting and reporting, Internal Audit and External audit. This would include the following: :
- 2.7.1 Review formalised process for this Committee to perform functions on behalf of subsidiaries. Annually ratify list

of subsidiaries for which audit committee assumed responsibility.

- 2.7.2 Ensure formal processes implemented and performed annually including:
- 2.7.2.1 Confirming each subsidiary has independent external auditors appointed;
 - 2.7.2.2 Confirming the fees to be paid to the external auditors are appropriate;
 - 2.7.2.3 determining the nature and extent of any non-audit services which the external auditor may provide to the subsidiary;
 - 2.7.2.4 preapproving any proposed contract with the external auditors for the provisioning of non-audit services to the subsidiary;
 - 2.7.2.5 reviewing and approving of the policy and process to receive and deal appropriately with any complaints relating to the accounting practices and internal audit of the subsidiary, or to the content or auditing of the subsidiary's financial statements or to related matters.

2.8 Interactions with subsidiary audit committees

- 2.8.1 Receive regular reporting from each of the subsidiary audit committees detailing discussions on:
- 2.8.1.1 key financial accounting issues;
 - 2.8.1.2 key taxation matters;
 - 2.8.1.3 key regulatory reporting issues;
 - 2.8.1.4 key internal audit issues; and
 - 2.8.1.5 key external audit issues.

2.9 College of Audit Committee Chairs

- 2.9.1 Monitor the College of Audit Committee Chairs forum to ensure that regular engagement is led by the chair of the GAC and the chairs of the Subsidiary Audit Committees.
- 2.9.2 Responsibilities of the Audit Committee Chairs:
- 2.9.2.1 the Audit Committee Chairs forum has a review and discussion responsibility but has no operational or management responsibilities nor does it have any decision making authority. Considering the Nedbank Group Operating Model (GOM) the Audit Committee Chairs meeting has the mandate to receive escalations from subsidiary committees and to request for any matters that are of concern at a subsidiary level that may impact on the overall Group.
- 2.9.3 Key functions of the Audit Committee Chairs meetings are:
- 2.9.3.1 receive and discuss feedback from Subsidiary Audit Committee Chairs on significant internal control matters relating to financial control and/or affecting the subsidiary annual financial statements.
 - 2.9.3.2 receive and discuss feedback from Group Internal Audit on significant internal control matters relating to financial control and/or affecting the subsidiary annual financial statements.
 - 2.9.3.3 receive and discuss feedback from Subsidiary Audit Committee Chairs on significant areas of accounting

- judgement or interpretation relating to financial control and/or affecting the subsidiary annual financial statements.
- 2.9.3.4 receive and discuss feedback from Subsidiary Audit Committee Chairs on any other matters raised at the Subsidiary Audit Committee relating to financial control and/or affecting the subsidiary annual financial statements.
- 2.9.3.5 receive confirmation from Subsidiary Audit Committee Chairs that the financial information submitted to Nedbank Group Finance for year-end and half-year reporting, having been reviewed by the Subsidiary Audit Committee, is approved.
- 2.9.3.6 discussion of any relevant matters in connection with the external audit and/or external auditors.
- 2.9.3.7 discussion of any relevant matters in connection with reporting to local regulators and reporting to the South African Reserve Bank (SARB).
- 2.9.4 Attendees of the Audit Committee Chairs meetings:
- 2.9.4.1 chairs of Subsidiary Audit Committees;
- 2.9.4.2 representatives of responsible Managing Executives and Chief Financial Officers from Cluster Management;
- 2.9.4.3 representatives of responsible Managing Executives and Chief Financial Officers from Subsidiary Companies;
- 2.9.4.4 Chief Financial Officer;
- 2.9.4.5 Chief Internal Auditor; and
- 2.9.4.6 Executive Head: Group Financial Control.
- 2.9.5 Review and assess any matters of significance from the College of Audit Committee Chairs forum that are required to be brought to the attention of GAC.
- 2.10 Interactions with management**
- 2.10.1 The Cluster Chief Financial Officers to attend GAC annually to provide feedback on:
- 2.10.1.1 financial control, including integrity of balances and figures;
- 2.10.1.2 any change in accounting policies and practices;
- 2.10.1.3 major judgemental areas;
- 2.10.1.4 significant adjustments resulting from the audit; and
- 2.10.1.5 compliance with accounting and disclosure standards.
- 2.10.2 The following key members of management to attend the GAC by invitation:
- 2.10.2.1 Chief Executive;
- 2.10.2.2 Chief Operating Officer;
- 2.10.2.3 Chief Financial Officer;
- 2.10.2.4 Chief Risk Officer;
- 2.10.2.5 Chief Governance and Compliance Officer;
- 2.10.2.6 Executive Head: Group Ta; and
- 2.10.2.7 Executive Head: Investor Relations .
- 2.10.3 Meet individually with key members of management in separate sessions to discuss any matters that the committee or management believe

should be discussed as the mandate of GAC.

- 2.10.4 Receive and review formal evaluations performed to provide feedback on the external auditors.

3. General

- 3.1 In addition to the above interactions, receive regular reporting from each of the functions listed below, and monitor resolution by management of issues or concerns so raised:
- 3.1.1 Management
- 3.1.2 Internal Audit
- 3.1.3 External Audit
- 3.2 Meet as required with the regulators.
- 3.3 Any Board member may meet separately with the external auditors, CIA or Chief Risk Officer.
- 3.4 Meet at least annually with the external auditors and the CIA in separate sessions to discuss any matters that the Committee or these people believe should be discussed privately with the Committee.
- 3.5 Meet at least annually with the senior members of the external audit firms to assess the approach to independence, audit quality and firm culture.
- 3.6 Review submissions made by the external auditors on meetings held with the Chair of GAC and/or members of GAC in the absence of management for appropriate recordkeeping.
- 3.7 Review the relevant items from the Group's Key Issues Control Log Report
- and ensure effective and timely action is taken by management.
- 3.8 Receive and consider the reporting, as deemed necessary but mainly of an operational risk nature, from the Chief Risk Officer which potentially impacts upon or is related to the responsibilities of the Committee.
- 3.9 Receive reports of non-compliance with laws and regulations or supervisory requirements from the Chief Governance and Compliance Officer, and monitor management action to resolve the matter(s).
- 3.10 Receive reports dealing with any concerns or complaints relating to:
- 3.10.1 the accounting practices and internal audit of the bank or;
- 3.10.2 the content or auditing of the financial statements of the bank or;
- 3.10.3 the internal financial controls of the bank or;
- 3.10.4 any other related matter; and
- 3.10.5 monitor management action to resolve the matter(s).
- 3.11 Prepare a report, to be included in the annual financial statements for that financial year, that includes:
- 3.11.1 a statement as to whether GAC is satisfied that the external auditor is independent of the Group;
- 3.11.2 significant matters that GAC has considered in relation to the annual financial statements and how these were addressed by GAC;
- 3.11.3 GAC's views on the quality of the external audit, with reference to the

audit quality indicators such as those that may be included in publicly available inspection reports issued by external audit regulators;

3.11.4 GAC's views on the effectiveness of the CIA and arrangements for the internal audit; and

3.11.5 GAC's views on 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 financial controls that resulted in material financial loss, fraud, corruption or error.