

THE AUDIT AND FINANCE COMMITTEE CHARTER

**AUDIT AND FINANCE COMMITTEE
CHARTER**



THE AUDIT AND FINANCE COMMITTEE C H A R T E R

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THE AUDIT AND FINANCE COMMITTEE CHARTER

1. CONSTITUTION

- 1.1 The Board of Directors of Land Bank (the "Board") has ultimate responsibility for ensuring the safeguarding of Land Bank's assets, maintaining adequate and accurate accounting records and management information, developing and maintaining sound systems of internal control and information security and ensuring compliance with laws and regulations.
- 1.2 The Board is also ultimately responsible for any financial loss or reduction in stakeholder value suffered by Land Bank. The Board is, therefore, responsible for recognising all risks to which Land Bank is exposed and ensuring that the requisite risk management culture, practices, policies, resources and systems are in place and are functioning effectively.
- 1.3 The Board has the responsibility to ensure the integrity and reliability of the published financial and statutory reporting of Land Bank, and promote and maintain strong independence and objectivity amongst the directors, management, internal and external auditors.
- 1.4 The Board remains specifically responsible for ensuring transparency, accountability and good corporate governance as required by the Land and Agricultural Development Bank Act (Act 15 of 2002), the Public Finance Management Act, No 1 of 1999 (PFMA), the Treasury Regulations, King IV Report on Corporate Governance, and the Protocol on Corporate Governance in the Public Sector.
- 1.5 The Audit and Finance Committee (the Committee) is constituted as a Committee of the Land and Agricultural Bank of South Africa (Land Bank) in terms of section 15 of the Land and Agricultural Development Bank Act (Act 15 of 2002) and a Committee of the Board in respect of all other duties assigned to it by the Board.
- 1.6 The Board is specifically responsible for the composition of the Committee and ensuring that it discharges its functions effectively.
- 1.7 The purpose of these terms of reference is to set out the Committee's roles and responsibilities as well as the requirements for its composition and meeting procedures.
- 1.8 In addition, this charter is intended to assist the Board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process and the Bank's process for monitoring compliance with laws and regulations and code of conduct.
- 1.9 RACI stands for Responsible – Accountable – Consulted - Informed

2. AUTHORITY AND ACCOUNTABILITY

- 2.1 The Committee shall act independently of management with accountability to both the Board and Shareholder. The Chairperson of the Committee has direct unrestricted access to the Chairperson of the Board.
- 2.2 The Committee has decision-making authority in regard to its mandate and is accountable in this respect to both the Board and the Shareholder.
- 2.3 The Committee makes recommendations for approval by the Board, on all responsibilities delegated to it by the Board.
- 2.4 The Committee acts in accordance with its mandate and the delegated authority of the Board. It has the power to investigate any activity within the scope of its terms of reference.
- 2.5 The Committee, in the fulfilment of its duties, may call upon the Chairperson of the other Board Committees, any of the Executive Directors, Company Officers, and Company Secretary or assurance providers to provide it with information.

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- 2.6 The Committee or any member of the Committee shall have unrestricted access to the company's records, facilities, employees and any other resources necessary in order to discharge its duties and responsibilities.
- 2.7 The Committee may form, and delegate authority to, sub-committees and may delegate authority to one or more designated member(s) of the Committee.
- 2.8 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information or data it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 2.9 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 2.10 The Committee shall have unrestricted access to the external auditors, internal auditors, and to any officer of the Land Bank.
- 2.11 The Committee has relationships with and receives reports from various other committees and individual executive functions.
- 2.12 The Chairperson of the Committee must report and make recommendations to the Board of Directors and must report on the effectiveness of the control environment as well as summarise the activities, recommendation and decisions of the Committee during the year.
- 2.13 The Committee shall ensure that members, at the expense of Land Bank, receive such training and orientation as to enable them to discharge their functions effectively.

3. MANDATE

- 3.1 The Committee shall, at such intervals as it may prescribe or on request, receive reports from and monitor timely resolution of risk issues or concerns raised by in line with the allocated responsibility as reflected in the attached RACI matrix (See Annexure 1 below) and Section 1 of the Delegation of Powers of the bank.
- 3.2 The Committee shall perform the responsibilities in the RACI matrix through an agenda of items that is prepared in terms of section 7 of this charter.
- 3.3 The Committee shall recommend for approval to the board matters under their responsibility in line with the Delegation of Powers of the bank.

4. COMPOSITION OF THE COMMITTEE

- 4.1 The Board shall appoint independent Non-Executive Directors of the Board to form the Committee.
- 4.2 The Committee shall consist of no fewer than three (3) and no more than six (6) Non-Executive Directors of the Board.
- 4.3 The members of the Committee must collectively have sufficient financial literacy, qualifications and experience to fulfil their duties.
- 4.4 The Board shall appoint the Chairperson of the Committee from the non-executive members of the Committee. The Chairperson of the Board shall not be eligible to be appointed as Chairperson of the Committee or a member of the Committee.
- 4.5 If the nominated Chairperson of the Committee is absent from a meeting, the members in attendance must elect one of the members present to act as the Chairperson.

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- 4.6 The Board shall have the power at any time to remove any member(s) from the Committee and to fill any vacancies created by such removal within 40 business days after the vacancy arises and recommend such appointment to the Board for approval.
- 4.7 In Accordance with section 27.1.5 of the Treasury Regulations the Minister of Finance as the Executive Authority has to consent to any termination of service of a member of the Committee.
- 4.8 The term of office of each member shall be in line with that member's tenure of office of the Board.
- 4.9 The remuneration of the members of the Committee shall be determined by the Minister of Finance.
- 4.10 The Chief Executive Officer shall attend meetings as an ex officio member of the Committee.
- 4.11 The following are permanent, non-voting invitees of the Committee:
- o Chief Executive Officer
 - o Chief Financial Officer
 - o Chief Risk Officer
 - o Head: Internal Audit; and
 - o External Auditors
- 4.12 In addition, the Committee may invite functional representatives (Group Managers) and any other person it deems necessary to address particular agenda items to be considered or who may assist the Committee in carrying out its functions to attend Committee meetings.

5. DUTIES OF THE COMMITTEE

- 5.1 The specific responsibilities and functions of the Committee include the following:

5.1.1 Recommend for Approval by the Board

- a) The engagement fees and terms of engagement for external auditors in terms of Section 9.5 of the Delegation of Powers of the bank.
- b) The appointment of Internal Auditor service providers and the fees;
- c) Significant changes in accounting policies and methodologies (pricing, impairment and accounting standards).
- d) The disclosure of fruitless and wasteful and irregular expenditure in the annual financial statements.
- e) The annual budget.
- f) The annual financial statements, amongst others, focusing on:
 - i. Any change in accounting policies and practices;
 - ii. Major judgemental areas;
 - iii. Significant adjustments resulting from the audit;
 - iv. The internal control and going concern statements;
 - v. Compliance with accounting and disclosure standards; and
 - vi. Compliance with statutory and regulatory requirements.

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- g) Certain funding activities in line with the DOP.

5.1.2 Approve the following

- a) The internal audit plan and major changes;
- i. Consider whether the extent of reliance placed on internal audit by external audit is appropriate and that no significant gaps in audit assurance exist between internal and external audit;
 - ii. Define a policy for non-audit services provided by the external auditor and pre-approve the contracts for non-audit services to be rendered by the external auditor; and
 - iii. Consider non-audit services to be rendered by the external auditors to avoid material conflicts of interest.
- b) Consider qualitative judgements on the acceptability and appropriateness of current or proposed accounting principles and disclosures;
- c) Discuss and resolve any significant or unusual accounting problems.
- d) Reviewing and approving of the internal audit charter.
- a. Approve the annual work plan which will detail specific focus areas for the year in accordance to the mandate of the Committee.

5.1.3 Review and Monitor

- a) Monitor that the external auditors are effective in terms of their skills, independence, audit plan, budget, reporting and their overall performance;
- b) Review audit findings and action plans of management;
- c) Review the external auditor's recommendation for improvements in accounting policies and management's proposed remedial actions.
- d) Review audit reports and financial statements prior to publication of the annual report;
- e) Review financial statements and reporting for proper and complete disclosure of timely, reliable and consistent information and confirm that the accounting policies used are appropriate.
- f) Obtain an assessment of the strength and weaknesses of systems, controls and other factors that might be relevant to the integrity of financial statements;
- g) Obtain an analysis of significant financial reporting issues and practices in a timely manner;
- h) Monitoring of the progress made to achieve corporate plan targets and other non-financial reporting requirements;
- i) Ensure that accounting policies and procedures are effective.
- j) Enquire about the existence and substance of significant accounting accruals, reserves or estimates that have material effect on the financial statements.
- k) Review pending litigation, contingencies, and claims or assessment and the presentation of such matters in the financial statements.

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- l) Review and monitor the extent and nature of all off-balance sheet activities in Land Bank, ensuring their appropriateness, proper accounting treatment, reporting and disclosure.
- m) Ensure that the bank has an external rating with accredited External Rating Agencies, as well as monitor and manage factors (within the bank's control) that pose downside risk to the National Scale Credit Rating the Bank. (RGC is responsible for any risks arising out of the external rating).
- n) Review the capital adequacy of Land Bank in the light of both compliance and process requirements.
- o) Review the funding and liquidity position of the Land Bank.
- p) Review and monitor that capital expenditure throughout Land Bank is adequately budgeted, controlled, monitored and reported on regularly.
- q) The Committee reviews the expertise, resources and experience of the company's finance function, and discloses the results of the review in the integrated report.

5.1.4 Integrated reporting

The Committee should oversee 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 disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information.
- c) Engage the external auditors to provide assurance on the summarised financial information

5.1.5 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 bank and King IV Report on Corporate Governance.
- b) Monitor the relationship between the external assurance providers and the Bank.

5.1.6 Internal audit

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

- a) Be part of the tender evaluation process that relates to the appointment of an external service provider for the provision of internal audit services;
- b) Be responsible for the performance assessment and/or dismissal of the internal audit service providers;
- c) Ensure that the internal audit function is subject to an independent quality review for every 5 years as in accordance to the Internal Audit Standards; and
- d) Monitor that the internal audit function is effective, in terms of their scope, plans, budget, coverage, independence, skills, staffing, overall performance and position within the organisation.

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5.1.7 General functions

The committee is required to:

- a) Receive and deal appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative relating to:
 - i) the accounting practices and internal audit of the company;
 - ii) the content or auditing of the company's financial statements;
 - iii) the internal financial controls of the company; or
 - iv) any related matter.
- b) Liaise with other Board committees and meet as required with the regulators and separately with the external auditors.
- c) Perform such other functions as may be prescribed by the National Treasury from time to time in the Regulations relating to public entities.
- d) Report to the Board and Shareholders on how it has discharged its duties;
- e) Report on the effectiveness of the Bank's system of internal control.

6. SCOPE OF THE COMMITTEE

The scope of the Committee extends to all activities in Land Bank.

7. MEETINGS AND PROCEDURES

- 7.1 A minimum of four (4) meetings per annum shall be held and such meetings will be aligned with Board meeting requirements and timing.
- 7.2 Any Board member, the external auditors, Internal Audit or Compliance Officer may request a separate meeting if they consider that to be necessary.
- 7.3 Committee members must attend all scheduled meetings of the Committee, including meetings called on an ad hoc-basis for special matters, unless prior apology, with reasons, has been submitted to the Chairperson or Company Secretary.
- 7.4 The quorum for any meeting of the Committee shall be the majority of the Non-Executive members appointed as members of the Committee.
- 7.5 The Committee shall meet at least annually with the external auditors, Internal Audit and the Chief Risk Officer in separate sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee.
- 7.6 It is expected that regular reports will be received on the matters to be defined by the Committee.
- 7.7 The Company Secretariat shall render secretarial services to the Committee.
- 7.8 The agenda together with any documents for the meeting will be circulated to the Committee members five (5) working days prior to the meeting.
- 7.9 The Company Secretariat will prepare an action list of activities emanating from each meeting as well as minutes for approval by the Committee, ten (10) working days after the meeting. Signed

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minutes of the Committee meetings will be saved and pasted in the minute book for record keeping purposes.

8. SELF-ASSESSMENT AND EVALUATION

8.1 The Committee shall annually evaluate its performance through the completion of a self-assessment questionnaire or a Board commissioned external evaluation to ensure that it complies with best practice and Land Bank's Enterprise Risk Management Framework. The results of evaluations and assessments shall be presented to the Board.

8.2 The Committee shall review the Committee Charter at least once a year.

8.3 The Board may, following a recommendation by the Committee, effect changes to this charter.

8.4 The Board will review the performance and composition of the Committee once a year or as circumstances dictate.

9. CONFIDENTIALITY AND CONFLICT OF INTEREST

9.1 The members of the Committee shall disclose any interest they may have that may or could interfere or conflict with the performance of their duties.

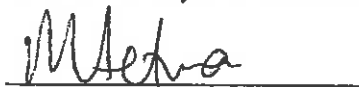
9.2 The members of the Committee shall ensure that information that is disclosed to them or information that they become aware of in the performance of their duties is kept confidential.

9.3 The Committee shall ensure that all persons that attend its meetings are apprised of their responsibility to keep all information of Land Bank confidential.

10. APPROVAL OF THIS CHARTER

This Charter was recommended for approval by the Board on the

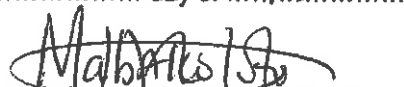
17th day of October 2017.....



Chairperson
On behalf of the Audit and Finance Committee
Ms G Mtetwa

This Charter was recommended by the Committee and approved by the Board on the

03 day of November 2017.....



Chairperson
On behalf of the Board
Mr MA Moloto

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ANNEXURE 1

LEGEND

R	Responsible	"The Doer"	Committee working on the activity	This will refer to the committee that perform the actual work to achieve the task.
A	Accountable	"The buck stops here"	Committee with the final approval authority	The committee that is ultimately answerable for the correct and thorough completion of the deliverable or task, and the one who delegates the work to those responsible. In other words an accountable committee must sign off / approve work that the responsible committee recommends / provides. There must be only one accountable specified for each task or deliverable.
C	Consulted	"In the loop"	Committee to be consulted prior to decision or action	The committee whose opinions are sought by the responsible committee, typically subject matter experts (e.g. HR, Credit, etc); and with whom there is two-way communication.
I	Informed	"Keep in the picture"	Committee that needs to know of the decision or action	The committees that are kept up-to-date on progress, often only on completion of the task or deliverable; and with whom there is just one-way communication

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RACI MATRIX

Risk Universe Category	AUDIT COMM	Board	Comments
INTERNAL PROCESSES			
			RGC – responsible for overall risk appetite framework. All other committees to be consulted on specific parameters relating to subject matter focus, e.g. CIC – to be consulted on credit risk related appetite parameters; HR& SEC to be consulted on parameters relating to people management, environmental risks and social risks, and Audit Comm to be consulted with relation to financial parameters.
Review of Internal Audit Charter	R	A	
			RGC responsible for the effectiveness of the Combined Assurance model. Audit Comm – consulted on the design of the Combined Assurance Model.
Review the integrated risk management philosophy, strategy and directives recommended by EXCO for use within Land Bank Group.		A	
Review adequacy, independence and effectiveness of risk management processes.		A	
			RGC – responsible for overall DOP framework. CIC – to be consulted on credit risk related DOP parameters.
Review and recommend Land Bank policies, standards, frameworks for approval by the Board.	C	A	While RGC is responsible for ensuring that there are appropriate policies, standards and frameworks to govern the organisation, each subcommittee should be consulted with relation to matters that are subject specific, e.g. HR, Credit, Finance, etc.
Ensure that the operational risk assessment methodology is implemented, maintained and reported effectively throughout Land Bank.		A	
Assess risks on an on-going basis and ensure that control activities are designed to respond to risks throughout Land Bank.		A	

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Risk Universe Category	AUDIT COMM	Board	Comments
Ensure the use of the internal audit function or an independent, proficient third party to provide independent assurance on the robustness and effectiveness of risk management.	I	A	
Reporting of fraud	R	A	RGC is informed of any fraud risk.
PEOPLE			
Annual HR KPI Finalisation		A	
Industrial Relations		A	Should be quarterly reporting as and when
Engagement/perception survey & change management initiatives.		A	
Wellness Report		A	
Salary Increase Mandate & Trend Report.		A	
Succession Planning		A	
Recruitment & Selection (appointments & Terminations).		A	Should be quarterly reporting as and when, including impact on EE.
Organisational Performance Report		A	
Bonus Declaration		A	
Exec Salary Benchmarking		A	
Revised Salary Scale Report		A	
HR Annual Strategic Review		A	
Learning & Development Report		A	
SYSTEMS - IT RISK			
Ensure that IT is aligned with the performance and sustainability objectives of the Bank.		A	
Monitor and evaluate significant IT investment and expenditure.	C	A	
Monitor IT Governance implementation.		A	
COMPLIANCE			
			RGC to focus on legal compliance and ethics risks, including impact of new or changed legislation.
			RGC responsible for risk, Audit Comm informed to assess impact on Financials.
			RGC to focus on legal risks impact of pending litigation actions.

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Risk Universe Category	AUDIT COMM	Board	Comments
			Audit Comm to be informed for consideration of financial implication and disclosure.
EXTERNAL EVENTS			
Monitoring of Risk Registers (Operational & Emerging risks) including ensuring management considers and implements appropriate risk responses.	C	A	Includes monitoring external events & environmental scanning for impact on Land Bank. All subcommittees have responsibility to highlight to the risk committee any items identified as part of their committee activities.
STRATEGY			
Provide Strategic Direction to the Bank.	C	R	The board is overall responsible for providing the strategic direction to the bank, while each committee should then ensure that the strategy is implemented.
Set values & Code of Conduct.		A	
Evaluate Committee and individual performance.	R	A	
Monitor the management of stakeholder relationships.		A	
Annual Review of Strategic Risks.	C	A	
ENVIRONMENTAL, SOCIAL & ETHICS			
Monitor the Social and Environmental impact of the Bank's activities, having regard to any relevant legislation or legal requirements or prevailing code of best practice.		A	HR & SEC to be responsible for monitoring Social & Environmental impact, while keeping Risk Committee informed of any resultant risks identified.
Set social responsibility agenda for the bank and monitor implementation and impact.		A	
Monitoring the ethical risk profile of the bank.		A	
Review and promotion of an Ethical culture.		A	
REPUTATION			
Ensure that there is a process in place enabling complete, timely, relevant, accurate and accessible risk identification, management and disclosure to stakeholders.	C	A	
TRANSFORMATION			
Employment Equity Reporting.		A	
Monitor and oversee the implementation of B-BBEE.		A	CIC monitors B-BBEE in lending portfolio.

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Risk Universe Category	AUDIT COMM	Board	Comments
CREDIT EVALUATION			
Assess, approve/recommend applications for credit.		A	Responsible for credit evaluations as defined in the DOP levels of authority.
Review and recommend credit model methodology (including pricing).		A	Consider appropriateness of credit models developed and report to RGC any identified or resultant risks.
CREDIT CONCENTRATION			
			CIC has responsibility for the review of the quality of the asset and investment portfolio.
			Audit Comm is responsible for evaluating the financial statement impact of the asset and investment portfolio.
Identify the build-up of concentration risk, as well as reputational, technological, legal and product risks.		A	CIC looks at concentration risk in the lending and investment space, while reporting this to the RGC to ensure no breaches in Risk Appetite parameters.
CREDIT DEFAULT			
Ensure the quality of Land Bank's credit portfolio is in accordance with these requirements by monitoring credit risk information.		A	
INVESTMENT RISK			
Consideration and evaluation of Investment decisions.		A	
EXTERNAL RATING			
Ensure that the bank maintains a credible external rating with an accredited External Rating Agency.	R	A	
Risks relating to the impact of External Rating Agencies on the Land Bank and its environment.	C	A	
ACCOUNTING, AUDIT & TAX			
Recommend approval of the Budget to Board.	R	A	
Review of the quarterly financial statements.	R	A	Quarterly reports tabled at AUDIT Comm.
Review Financial Statements for release to the AG.	R	A	
Review audited Annual Intergrated Report and recommend to Board for approval.	R	A	

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Risk Universe Category	AUDIT COMM	Board	Comments
Review the expertise, resources and experience of the company's finance function, and discloses the results of the review in the integrated report.	R	A	Not formally done
			Focus areas: AUDIT COMM - Financial disclosure.
			RGC - Risk impact.
Review and recommend risk management information for inclusion in the Annual Report.		A	
			Details to be tabled at AUDIT Comm.
			RG looks at impact of findings on Risk.
Recommend the approval of the Internal Audit Plan.	R		RGC to be consulted in order to ensure that significant risk are addressed in the plan.
Review the adequacy, efficiency and independence of Internal Audit.	R	A	
Review External Audit, Independence Strategy and Approve External Audit Fees.	R	A	
MARKET RISK- INTEREST RATE, TRADING & INVESTMENT RISK			
			Market risk management strategies and reporting matters to be handled at Audit Comm (e.g. interest rate management, etc.).
			Risk assessment matters to be handled at RGC while reporting matters to be handled at Audit Comm.
LIQUIDITY & REFINANCING RISK			
Liquidity & Refinancing Management.			Liquidity management strategies and reporting matters to be handled at Audit Comm.
			Overall risk assessment matters to be handled at RGC, in line with Risk Appetite Parameters.
CAPITAL ADEQUACY			
			Ratio calculation and reporting matters to be handled at Audit Comm.

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Risk Universe Category	AUDIT COMM	Board	Comments
			Overall risk assessment matters to be handled at RGC in line with Risk Appetite Parameters.

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