

INVESTEC PLC AUDIT COMMITTEE REPORT

Zarina Bassa
Chair of the Investec plc
Audit Committee

“The Committee believes that audit quality is essential to the fulfilment of the objectives of an effective and credible external audit. Consistent and sustainable high audit quality contributes to ensuring the continued relevance and value of audit and assurance services, which in turn are essential in providing trust and confidence to the users of financial information.”

Members	Member since	Meetings attended	Eligible to attend
Zarina Bassa (Chair)	1 Nov 2014	6	6
Philip Hourquebie	14 Aug 2017	6	6
Philisiwe Sibiyi	9 Aug 2019	6	6

Introduction

The Investec plc Audit Committee (the Committee) is pleased to present its report for the financial year ended 31 March 2021. This report is intended to provide details on how the Committee satisfied its various statutory obligations, as well as on the key audit matters considered during the period. The Committee has further discharged its responsibilities and provided assurance on the integrity of the 2020/21 annual report and financial statements.

This report has been prepared based on the requirements of the UK Companies Act (the Companies Act), the UK Corporate Governance Code 2018 (the Code), the UK Listings Rules and other applicable regulatory requirements.

COVID-19 pandemic

The COVID-19 pandemic is of an unprecedented scale and has severely impacted the global economy and business across all industries. There is a significant degree of uncertainty about the further spread of the virus, the timing and the effectiveness of the vaccine roll out and the further impact it will have on the world economy.

COVID-19 was a significant area of focus for the Committee during the year, specifically evaluating the impact of the pandemic on the:

- Integrity of internal controls
- Going concern and the viability statement of Investec plc
- Expected credit loss (ECL) assessment
- Impairment of investments not measured at fair value
- Fair value measurement of complex/ illiquid assets
- Impact on the quality of earnings

Against this backdrop, Investec plc remained profitable and capital ratios remained strong. Furthermore, liquidity within Investec plc continued to be managed at conservative levels. Asset quality remained good, with Investec plc active in providing COVID-19-related relief to clients where considered appropriate from an ongoing risk management and client relationship perspective.

Audit quality and independence

Business failures throughout global economies continue to place an increased focus on auditor independence, integrity, sufficient levels of professional scepticism of external audit, audit quality reviews and other oversight mechanisms.

The Committee treated this as a key audit matter and accordingly critically evaluated audit quality, effectiveness, independence and audit rotation requirements.

The Committee believes that audit quality is essential to the fulfilment of the objectives of a credible and effective independent external audit. Consistent and sustainable high audit quality contributes to ensuring the continued relevance and value of audit and assurance services, which in turn are essential in providing trust and confidence to the users of financial information.

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Role of the Committee

The Committee is an essential part of Investec plc's governance framework to which the board has delegated the following key functions:

- Overseeing Investec plc's financial reporting process and risks, ensuring the integrity thereof and satisfying itself that any significant judgements made by management are sound
- Reviewing Investec plc's internal controls and assurance processes
- Managing and overseeing the performance, conduct, quality and effectiveness of Investec plc's internal audit functions
- Oversight of group compliance.
- Overseeing Investec plc's subsidiary audit committees, including in remote locations
- Appointing, managing and overseeing the relationship with Investec plc's external auditors, including the quality control, effectiveness and independence of the external audit function
- Approving the fees to be paid to external auditors.
- Managing the level and nature of non-audit services provided by the external auditors
- Dealing with concerns, if any, from outside Investec regarding accounting, reporting and financial control

Further detailed responsibilities are in the terms of reference of the Committee as available on the website www.investec.com.

Committee composition, skills, experience and operation

The Committee is comprised entirely of independent non-executive directors who meet predetermined skill, competency and experience requirements. The members' continuing independence is assessed annually by the DLC Nominations and Directors' Affairs Committee (Nomdac), which in turn makes a recommendation on the members' independence to the board. The DLC Nomdac and board have concluded that the Committee has the appropriate balance of knowledge and skills to discharge its duties. Further details of the experience of the members can be found in their biographies on pages 119 to 121.

The Investec Group Chief Executive, the Investec group chief financial officer, the Investec group chief operating officer (COO), the Investec group chief risk officer (CRO), head of internal audit, the subsidiary compliance officers and chief financial officers and representatives from the external auditors are invited to attend all meetings. Other members of management are invited to attend meetings to provide the Committee with greater insights into specific issues or areas of Investec plc.

The Chair has regular contact with the management team to discuss relevant matters directly. The internal and external auditors have direct access to the Chair, including closed sessions without management during the year, on any matter that they regard as relevant to the fulfilment of the committee's responsibilities. The Chair meets with internal audit and the external auditors prior to Audit Committee meetings and at other times as considered necessary by either party prior to Committee meetings

Structure of the Investec group's Audit committees

In terms of the DLC structure, the DLC board has mandated authority to the DLC Audit Committee to be the Audit Committee of the group. The DLC Audit Committee oversees and considers group audit-related matters and has responsibility for audit-related matters that are common to Investec plc and Investec Limited, and works in conjunction with these two Committees to address all group reporting.

The Investec plc board has mandated authority to the Investec plc Audit Committee, and the Investec Limited board has mandated authority to the Investec Limited Audit Committee to be the Audit Committees for the respective companies and their subsidiaries. The IBP board has mandated authority to the IBP Audit Committee and the IW&I (UK) board has mandated the IW&I (UK) Audit Committee to be the Audit Committees for the respective companies and their subsidiaries. The IBP and IW&I (UK) Audit Committees report to the Investec plc Audit Committee. The IBL board has mandated authority to the IBL Audit Committee and the IW&I (South Africa) board has mandated the IW&I (South Africa) Audit Committee to be the Audit Committee of the companies and their subsidiaries. IBL and IW&I (South Africa) Audit Committees report to the Investec Limited Audit Committee.

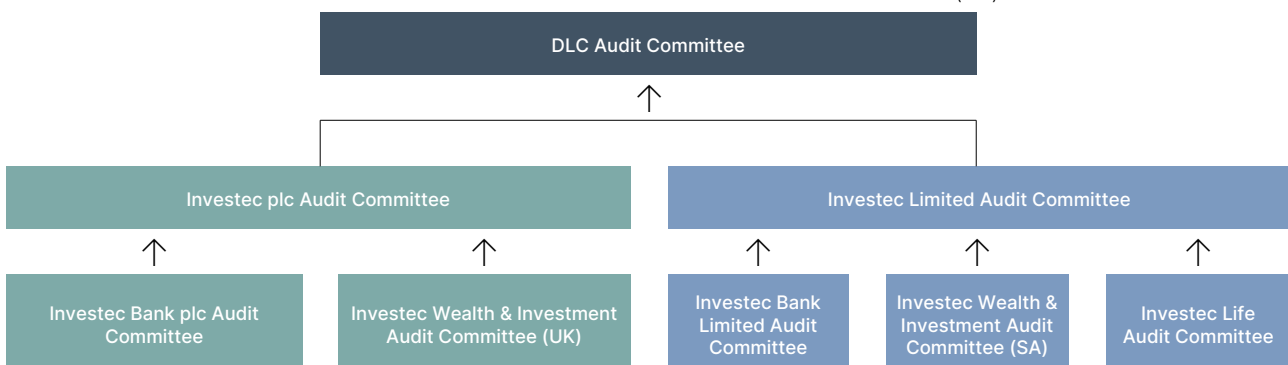
The Committee receives regular reports from Investec plc's subsidiary audit committees as part of the oversight of subsidiary audit committees.

The Chair is also the chair of the following Audit Committees:

- Investec group
- Investec Limited
- Investec Bank Limited
- Investec Bank Mauritius (IBM).

The Chair is also a member of the following Audit Committees:

- Investec Bank plc (IBP)
- Investec Life
- IW&I (UK) Audit Committee.



INVESTEC PLC AUDIT COMMITTEE REPORT CONTINUED

Areas covered by the Investec plc Audit Committee

During May and November, meetings were held to approve financial results. These meetings were held at a DLC group level and were classified as DLC Audit Committee meetings. The DLC Audit Committee result meetings were supplemented by dedicated meetings of the IBP and IW&I (UK) Audit Committees.

The following is a summary of the meetings held by the Committee during the financial year.

2020

June

- Received updates in respect of outstanding matters to be considered in the finalisation of the Investec plc results including:
 - Macro-economic scenarios and weightings into the IFRS 9 ECL models
 - Key valuations
 - Audit status and key findings
- Discussed and approved the financial results for the year ended 31 March 2020
- Received confirmation from Investec plc board committees that they have signed off on their respective reports contained in the 2020 integrated annual report
- Received confirmation that the relevant International Financial Reporting Standards (IFRS) and UK Listings Rules disclosure checklists had been completed in respect of the 2020 integrated annual reports of Investec plc for the year ended 31 March 2020
- Considered the schedule of remaining audit differences
- Received and considered an updated report from external audit on the conduct and conclusions of the audit
- Assessed and approved the going concern assessment and the viability statement through a joint session with the DLC Board Risk and Capital Committee (BRCC)
- Considered the effectiveness of the finance function and chief financial officer, effectiveness of the external audit function and the re-appointment of the external auditors
- Discussed audit quality and the results of cross-reviews

September (Two meetings were held)

- Received confirmation from assurance providers that no matters were identified which could have an impact on the interim results of Investec plc
- Received an update from all Investec plc subsidiary audit committees
- Received an update from group compliance
- Considered the impact of significant judgements and estimates on the pre-close statement
- Considered the appropriateness of the pre-close announcement for the half year ended 30 September 2020

July

- Deliberated the way forward in terms of auditor rotation for Investec Limited and Investec group, with input from the executive team
- Put into place a process for audit firm rotation
- Considered the appointment of new external auditors to commence shadowing one of the current joint auditors of Investec Limited commencing during FY 2022
- Received an update from group compliance
- Held a discussion with the global leadership of our joint audit firms on audit and reputational issues in the media

2021

February

- Received an update from group compliance
- Reviewed a report stipulating the process followed by the group to support the CEO and CFO control attestation to be included in financial statements
- Reviewed and discussed Key Audit Matters (KAM) for the financial year

March

- Received confirmation from assurance providers that no matters were identified which could have an impact on the annual results of Investec plc that had already been considered
- Received and considered a report in respect of the effects of climate-related matters on financial statements, in particular accounting and disclosures
- Received an update from group compliance
- Considered and reviewed applicable macro-economic scenarios, ECL's and overlays in a joint DLC BRCC meeting held
- Considered the appropriateness of the pre-close announcement for the financial year ended 31 March 2021

INVESTEC PLC AUDIT COMMITTEE REPORT CONTINUED

Areas covered by the Investec plc Audit Committee

Key audit matters

Key audit matters, are those matters that in the view of the Committee:

- Required significant focus from the Committee.
- Were considered to be significant or material in nature requiring exercise of judgement; or
- Matters which were otherwise considered to be subjective from an accounting or auditing perspective.

Common membership of the DLC, Investec plc, Investec Bank plc, Investec Ltd and Investec Bank Limited Audit Committees ensures that key audit matters and matters of mutual interest are communicated and addressed, where applicable. The members of the Committee may also attend other audit committee meetings, as appropriate.

The following key audit matters were deliberated by the Committee during the year:

Key audit matters	What we did
<p>Impact of COVID-19</p> <ul style="list-style-type: none"> • The COVID-19 pandemic impacted the global economy and businesses across all industries 	<ul style="list-style-type: none"> • Considered the known accounting and operational impact of COVID-19 on the economy and business, mitigating steps and the resulting impact on the applicability of the macro-economic scenarios and the judgements and estimates used by management to prepare the annual financial statements. The areas most impacted by COVID-19 include: <ul style="list-style-type: none"> – Going concern and the viability statement, including liquidity – ECL assessment (IFRS 9 macro-economic scenarios, probabilities and staging, impact on specific sectors such as aviation, hospitality and retail and property) – Impact on quality of earnings – Impact of work from home on the overall control environment and operational risk – The financial control environment <p>Fair value measurement and the resulting IFRS 13 Fair Value Measurement disclosures. Steps taken by the Committee to consider these disclosures are specifically addressed below</p>
<p>Fair value of level 3 instruments and the resulting IFRS 13 Fair Value Measurement (IFRS 13) disclosure:</p> <ul style="list-style-type: none"> • For level 3 instruments such as unlisted investments in private equity businesses, investment properties, fair value loans and large bespoke derivative structures, there is necessarily a large degree of subjectivity surrounding the inputs to the valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgemental 	<ul style="list-style-type: none"> • Received presentations on the material investments across Investec plc, including an analysis of the key judgements and assumptions applied, and approved the valuation adjustments proposed by management for the year ended 31 March 2021 • Challenged and debated significant subjective exposures and assumptions including: <ul style="list-style-type: none"> – The valuation principles applied for the valuation of level 3 investments (unlisted and private equity investments) and fair value loans. Particular focus was given to the impact of COVID-19 on these valuation principles – Fair value of exposures in industries highly affected by COVID-19 – The appropriateness of the IFRS 13 disclosures regarding fair value • Considered the appropriateness of the valuation principles and inputs applied to determine the fair value of loans in the aviation industry • This matter was extensively covered and reported on by sub-audit committees
<p>Accounting for equity-linked notes and deposit products issued by the Structured Products Desk in the UK</p> <ul style="list-style-type: none"> • Investec previously issued equity linked notes and deposit products through the Structured Products Desk in the UK. These products require complex accounting principles to be applied and involve a degree of subjectivity surrounding the inputs to their valuations 	<ul style="list-style-type: none"> • Received and reviewed a technical accounting memorandum prepared by group finance on the accounting treatment of the equity-linked notes and deposits. This included an analysis of the key judgements and assumptions applied • Evaluated the appropriateness of the accounting treatment and disclosure provided relating to significant judgements and estimates, valuation methods and assumptions applied • Received confirmation from internal and external audit on the appropriateness of the control measures and the accounting treatment • Received regular feedback from management on the active management of the underlying risk of the portfolio • This matter was extensively covered and reported on by sub-audit committees

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Key audit matters	What we did
<p>Investments in associates</p> <ul style="list-style-type: none"> Evaluated the appropriateness of the carrying amount of investments in associates 	<ul style="list-style-type: none"> Received and reviewed technical accounting memoranda prepared by group finance on the material investments in associates across Investec plc, addressing the appropriateness of the carrying value of the investments and the impairment assessment performed by management. This included an analysis of the key judgements and assumptions applied Evaluated the appropriateness of the accounting and disclosure relating to significant judgements and estimates, valuation methods and assumptions applied
<p>Going concern and the Viability Statement</p> <ul style="list-style-type: none"> The directors are required to confirm that they are satisfied that Investec plc has adequate resources to continue in business for the foreseeable future 	<ul style="list-style-type: none"> Considered reports on Investec plc's budgets and forecasts, profitability, capital, liquidity and solvency, scenario stress testing and the impact of legal proceedings, if any Considered the results of various stress testing analyses based on different COVID-19 economic scenarios and the possible impact of COVID-19 on the ability of Investec plc to continue as a going concern Jointly with the DLC BRCC, assessed the reasonableness of and approved the Viability Statement based on three-year capital plans produced by management
<p>ECL assessment</p> <ul style="list-style-type: none"> The appropriateness of the allowance for ECL is highly subjective and judgemental. The impact of COVID-19 and the resultant economic impacts in the UK have resulted in additional key judgements and assumptions being made during the current year 	<ul style="list-style-type: none"> Challenged the level of ECL, model methodology and assumptions applied to calculate the ECL provisions held by Investec plc Reviewed and monitored Investec plc's calculation of ECLs, trends in staging changes, model changes, scenario updates, post-model adjustments, and volatility. Specific review and consideration were given to the macro-economic scenarios used to calculate the COVID-19 ECL overlays and the staging applied for COVID-19 restructured positions Assessed ECL experienced against forecast and considered whether the level of ECL was appropriate. Particular focus was given to COVID-19 restructured positions (payment holidays) and sectors highly impacted by COVID-19, and exposures which were specifically affected by the negative current macro-economic environment Reviewed the results of extensive benchmarking carried out by INP management on the credit loss ratio (CLR), economic scenarios applied and the coverage ratio compared to relevant peer banks. Concluded that the INP overall ECL position appeared to be reasonable compared to the industry Evaluated the IFRS 9 disclosures for relevance and compliance with IFRS Assessed the appropriateness of the ECL provision raised by Investec plc for large exposures in entities publicly perceived to be in financial distress Reviewed the appropriateness of the ECL models and the forward-looking macro-economic scenarios applied. The Committee further evaluated the appropriateness of the management ECL overlay

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Key audit matters	What we did
<p>Cyber reporting, IT systems and controls impacting financial reporting</p>	<ul style="list-style-type: none"> • Received and reviewed reports and controls in respect of cyber reporting, IT systems and controls impacting financial reporting • Received regular minutes and reports from the DLC IT Risk and Governance Committee
<p>External audit, audit quality and audit firm rotation</p>	<ul style="list-style-type: none"> • Managed the relationship with the external auditors including their re-appointment • Deliberated the way forward in terms of auditor appointments with input from the executive team. Put into place a process for audit firm rotation • Considered and approved a revised policy in respect of non-audit services rendered by external audit • Pre-approved all non-audit services provided by external audit and confirmed the services to be within the approved non-audit services policy • Assessed the independence and objectivity of the external auditors • Met with key members of Ernst & Young LLP prior to every Audit Committee meeting to discuss the 2020/21 audit plan, key areas of focus, findings, scope and conclusions • Met separately with the leadership of Ernst & Young LLP to discuss auditor accreditation, independence, firm quality control, results of internal and external regulator inspections of the firm and individual partners • Met with Ernst & Young global leadership to discuss regulatory investigations across members firms to assess the impact on audit quality, if any, for Investec • Discussed external audit feedback on the Investec plc's critical accounting estimates and judgements. Noted the increased involvement of specialists from the audit firms in the more complex matters in the current year • Discussed external auditors' draft report on specific control areas and the control environment ahead of the 2021 financial year end • The Committee approved the external audit plan, audit fee and the main areas of focus

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Other matters considered by the Investec plc Audit Committee:

The Committee considered the following matters during the financial year ended 31 March 2021:

Other matters	What we did
<p>Regulatory compliance and reporting</p>	<ul style="list-style-type: none"> Received regular reports from the regulatory compliance function and reviewed the adequacy of the scope and the effectiveness of the regulatory compliance processes applied. This included the evaluation of the quality of regulatory reporting, the regulatory compliance universe, the scope and the integrity of the regulatory compliance process, the adequacy of internal regulatory compliance systems and processes, and the consideration and remediation of any findings of the internal and external auditors or regulator
<p>Post balance sheet disclosure</p>	<ul style="list-style-type: none"> Considered the need for post balance sheet disclosures. Specifically considered the impact of COVID-19 in the affected jurisdictions that Investec plc operates in as well as on specific sectors
<p>Fair, balanced and understandable reporting</p> <ul style="list-style-type: none"> The group is required by the UK Corporate Governance code to ensure that its external reporting is fair, balanced and understandable, and to consider whether it provides the information necessary for stakeholders to assess Investec plc's position and performance, business model and strategy Reviewed the outcomes of the combined assurance coverage model as discussed below 	<ul style="list-style-type: none"> The Committee undertakes an assessment on behalf of the board, to provide the board with assurance that it can make the statement Met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate Conducted an in-depth critical review of the annual financial statements and, where necessary, requested amendments to disclosure Reviewed the accounting treatment of key judgements and the quality of earnings assessment Assessed disclosure controls and procedures Confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made Obtained input and assurance from the external auditors and considered the level of and conclusion on the summary of audit differences The Committee concluded that the processes underlying the preparation of the annual report and financial statements for the financial year ended 31 March 2021 were appropriate in ensuring that those statements were fair, balanced and understandable The Committee recommended to the board that the 2021 annual report and financial statements were fair, balanced and understandable
<p>Combined assurance model</p>	<ul style="list-style-type: none"> Satisfied itself with the appropriateness of the design and effectiveness of the combined assurance model applied which incorporates the various disciplines of risk management, operational risk, legal, regulatory compliance, internal audit, external audit and other external assurance providers. Satisfied itself with the levels of assurance and mitigants so that, taken as a whole, there is sufficient and appropriate assurance regarding mitigants for the key risks Reviewed the year-end conclusions from internal audit on internal control, the risk management framework and internal financial controls based on their planned and actual audit coverage for the year Reviewed the results of the Combined Assurance Matrix (CAM) coverage plan at the year-end to assess the results of actual coverage and conclusions relative to planned coverage for the year. Concluded that the CAM formed an appropriate basis for assurance coverage and outcomes

INVESTEC PLC AUDIT COMMITTEE REPORT CONTINUED

Other matters	What we did
<h3 data-bbox="172 389 427 423">Internal controls</h3> <ul data-bbox="172 434 592 533" style="list-style-type: none"> The effectiveness of the overall control environment, the status of any material control issues with emphasis on the progress of specific remediation plans. 	<ul data-bbox="679 389 1414 1032" style="list-style-type: none"> Attended and received regular reports from the IBP BRCC. Based on this reporting, evaluated the impact of an evolving risk environment, including operational risk, on the internal control environment Evaluated and tracked the status of the most material control issues identified by internal and external audit and tracked the progress of the associated remediation plans against agreed time frames Reviewed reports from the independent audit committees of Investec plc's subsidiaries Evaluated the impact of work from home on the overall control environment and operational risk Evaluated reports on the internal control environment from the internal and external auditors Attended and received regular reports from the DLC IT Risk and Governance Committee regarding the monitoring and effectiveness of the group's IT controls. Considered updates on key internal and external audit findings in relation to the IT control environment Reviewed and approved the combined assurance model, ensuring completeness of risks and adequacy and effectiveness of assurance coverage Evaluated reports on cybersecurity within Investec plc Reviewed and evaluated the work performed by management to support the control attestation to be made by the chief executive and CFO
<h3 data-bbox="172 1088 628 1122">Business control environment</h3> <ul data-bbox="172 1133 628 1256" style="list-style-type: none"> The effectiveness of the control environment in each individual business, including the status of any material control issues and the progress of specific remediation plans 	<ul data-bbox="679 1088 1382 1256" style="list-style-type: none"> Received regular reports from the subsidiary audit committees Assessed reports on individual businesses and their control environments, scrutinised any identified control failures and closely monitored the status of remediation plans Received updates from senior management and scrutinised action plans following internal audit findings
<h3 data-bbox="172 1305 432 1339">Finance function</h3>	<ul data-bbox="679 1305 1418 1462" style="list-style-type: none"> Discussed and concluded that the finance functions of Investec plc and its subsidiaries was adequately skilled, resourced and experienced to perform the financial reporting for the group Concluded that the Investec group chief financial officer Nishlan Samujh, had the appropriate expertise and experience to meet the responsibilities of the position
<h3 data-bbox="172 1512 252 1545">IFRS</h3>	<ul data-bbox="679 1512 1418 1720" style="list-style-type: none"> The 2019 annual financial statements of Investec group were subject to a JSE pro-active monitoring review and a review by the Financial Reporting Council (FRC) during the current year. The outcome of the reviews confirmed compliance with IFRS and regulatory disclosure requirements Reviewed various accounting papers prepared by group finance addressing subjective accounting treatment and significant accounting judgments
<h3 data-bbox="172 1769 555 1803">Related party disclosures</h3>	<ul data-bbox="679 1769 1350 1899" style="list-style-type: none"> Considered and reviewed related party disclosures in relation to the group DLC Nomdac reviewed key related party transactions during the year and ensured that Investec related party policies are being complied with

INVESTEC PLC AUDIT COMMITTEE REPORT CONTINUED

Other matters

What we did

Internal audit

- The performance of internal audit and delivery of the internal audit plan, including scope of work performed, the level of resources, the risk assessment methodology and coverage of the internal audit plan
 - The Committee is responsible for assessing audit quality in relation to internal audit
- Scrutinised and reviewed internal audit plans, risk assessments, methodology and staffing, and approved the annual plan. Assumed responsibility for the monitoring and following up of internal audit control findings, including IT, and ensured appropriate mitigation and timeous close-out by management
 - Received regular reports from internal audit on all significant issues identified
 - Monitored delivery of the agreed audit plans, including assessing internal audit resources
 - Tracked high and moderate risk findings, and monitored related remediation plans
 - Met with the heads of internal audit prior to each Audit Committee meeting, without management being present, to discuss the remit of internal audit and any issues arising from the internal audits conducted
 - Monitored audit quality in relation to internal audit
 - Approved the internal audit plans, methodology and deliverables
 - Confirmed that it was satisfied with the performance of the internal audit function
 - Discussed and considered the internal audit quality assurance programme. The internal audit quality assurance programme is designed in line with the Institute of Internal Auditors' (IIA) International Professional Practices Framework (which includes the International Standards for the Professional Practice of Internal Auditing and the Code of Professional Conduct, including the Code of Ethics)
 - Discussed and considered the quality assurance programme. The quality assurance programme is multi-faceted, and includes the attraction, development and retention of adequately skilled staff that exercise proficiency and due professional care, adherence to the global internal audit governance framework and audit methodology, oversight and detailed review of every audit engagement and a quarterly post-engagement quality assurance programme
 - The results of the post engagement quality assurance programme inform any training interventions required within the team, and the results are consolidated and presented to the Audit Committee on an annual basis
 - Reviewed the Engagement Quality Assurance Review (EQAR) conducted by an external provider during 2020, with no material issues impacting the reliance on the internal audit function. Tracked the progress of remediation of improvement plans as discussed and approved in a workshop with the Audit Committee and executive
 - Received an opinion from internal audit on internal controls and the integrated risk management framework as part of the year end sign-off process
 - Considered the succession, skills matrix and the Continuous Professional Development of Internal Audit
 - Had a closed session of the Audit Committee with internal audit without management present

Uncertain tax and other legal matters

- Considered potential legal and uncertain tax matters with a view to ensuring appropriate accounting treatment in the financial statements, including in respect of historical German dividend tax arbitrage transactions
- Received regular updates from group tax, group finance and legal on uncertain tax and legal matters to enable it to probe and consider the matters and evaluate the basis and appropriateness of the accounting treatment
 - Analysed the judgements and estimates made and discussed the potential range of outcomes that might arise to determine the liability, if any, for uncertain tax provisions as required by the International Financial Reporting Interpretations Committee (IFRIC) 23
 - Concluded on the appropriateness of the International Accounting Standards (IAS) 37 accounting treatment, the scenarios and sensitivities, and any overall disclosure in the financial statements. Conferred with and received confirmation from the external auditors on the overall treatment

INVESTEC PLC AUDIT COMMITTEE REPORT CONTINUED

External audit

Non-audit services

Investec plc implemented an updated policy on the engagement of the external auditors to provide non-audit services, to align with the FRC's revised Ethical and Auditing Standards. This policy, designed to safeguard auditor objectivity and independence, includes guidelines on permitted and non-permitted services and services requiring specific approval by the Committee.

Total audit fees paid to all auditors for the year ended 31 March 2021 was £6.5 million (2020: £8.6 million), of which £0.3 million (2020: £2.8 million) related to the provision of non-audit services. The non-audit services were in respect of services typically provided by the auditor, for example, regulatory audits.

Non-audit fees were pre-approved by the Chair of the Committee prior to every assignment.

Based on the above mentioned policy and reviews, the Committee was satisfied that the level and type of non-audit work undertaken throughout the year did not impair the independence of Ernst & Young LLP.

Partner accreditation and audit quality Reviews in respect of audit quality took place between the committee and Ernst & Young LLP.

The following was covered during these discussions:

- Transparency reports and reviews by the firm covering their client base, client acceptance and continuance processes, and the approach to clients, if any, that did not meet the client continuance criteria
- Any reputational, legal or impending legal issues impacting the firm, including the implications of publicly observable information from regulatory investigations
- The independence processes of the firm, including partner reward and remuneration criteria
- Interrogation of international and local firm audit quality control processes
- Detailed profiles of the partners and managers, including their relevant audit experience, were reviewed
- Details in relation to the firm's respective succession plans in order to provide assurance as to the partner rotation, transition and continuity process
- The results of the last firm-wide reviews carried out by the FRC
- The results of the latest individual partner quality reviews carried out by the regulator and internal firm-wide

quality control reviews carried out in respect of the partner

- The completion of an audit quality questionnaire by each member of the Audit Committee and management, the results of which were that a robust audit is in place.

Auditor independence and objectivity

- The Committee considers the independence of the external auditors on an ongoing basis
- The external auditors are required to rotate the lead audit partner every five years, and other key audit partners every five years
- Partners and senior staff associated with the audit may only be employed by the group after a cooling-off period
- The lead partner, Manprit Dosanjh, commenced his five-year rotation period in 2019
- The external auditors have confirmed their independence and were requested to review and confirm the level of staff transactions with Investec, if any, to ensure that all auditors on the audit meet the independence criteria.

Following due consideration, we continue to believe that the following are adequate safeguards to ensure that the audit process is both objective and effective:

- The additional cross-reviews by the Investec Limited and Investec plc auditors across the Investec group supported by partner rotation
- Limitations on delivering non-audit services including pre-approval on non-audit work
- The confirmation of the independence of the firms and auditors involved
- Formal audit quality process undertaken by the committee.

Audit firm rotation

The company has complied with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the Order), which relates to the frequency and governance of tenders for the appointment of the external auditors. The external auditors of Investec plc are Ernst & Young LLP. Ernst & Young LLP have been Investec plc's auditors since 2000 and are subject to a mandatory rotation by the end of March 2024 at the latest.

A competitive tender process will commence during 2022 with the incoming audit firm to perform the first audit for the financial year starting 1 April 2024.

Re-election of auditors

The Committee has considered the following in proposing the appointment of external auditors:

- Level of quality control within the audit firms as evidenced by the results of internal and external regulatory reviews performed on audit firms and engagement partners
- The level of inherent risk in auditing a financial services group and the consequent audit risk
- Independence of the external auditor
- The fundamental demands on audit quality, the level of audit risk given the turmoil in the audit profession, balanced against shareholder views on firm rotation.

In line the guidance provided in the FRC guide on audit committees, the Committee confirms its satisfaction with the performance and quality of external audit, the external auditors and lead partners.

The board and the Committee is recommending the re-election of Ernst & Young LLP as auditors of Investec plc at its AGM in August 2021.

Looking ahead

The role of the Committee will remain focused on:

- Ensuring the effective functioning of Investec plc's financial systems, processes, monitored by an effective combined assurance model
- Audit quality and independence
- Management's response in respect of future changes to IFRS and other regulations
- The appointment of an external audit firm as part of audit firm rotation
- The implications of ESG risk in measuring the sustainability and societal impact of an investment in a company or business
- The impact of COVID-19 on the economy and the consequent impact on financial systems and reporting, including viability, results of operations and financial position of Investec plc
- Continue to exercise oversight over subsidiary audit committees
- Monitoring developments in respect of the proposed reforms to the UK audit industry and corporate governance regime.



Zarina Bassa

Chair, Investec plc Audit Committee
23 June 2021