

## DLC AUDIT COMMITTEE REPORT

### Zarina Bassa

Chair of the DLC  
Audit Committee

Members	Member since	Meetings attended	Eligible to attend
Zarina Bassa (Chair)	1 Nov 2014	7	7
Philip Hourquebie <sup>1</sup>	14 Aug 2017	5	5
Philisiwe Sibiyi	9 Aug 2019	7	7
David Friedland	5 Aug 2021	2	2

1. Philip Hourquebie stepped down as member of the Committee on 5 August 2021.

Four DLC Audit Committee meetings and three combined Investec Limited and Investec plc Audit Committee meetings were held during the year. Three audit quality meetings were held in April 2022, in respect of Ernst & Young, KPMG Inc and internal audit. Formal meetings were held to consider, discuss and conclude on internal and external audit quality.

### Introduction

I am pleased to present the DLC Audit Committee report for the financial year ended 31 March 2022 which provides details on how we accomplished our various statutory obligations, as well as on the Key Audit Matters (KAMs) we considered during the period. The Committee has further discharged its responsibilities and provided assurance on the integrity of the 2021/22 annual report and financial statements.

This report has been compiled in accordance with the requirements of the South African Companies Act of 71 of 2008 (South African Companies Act) (as amended), the UK Companies Act (UK Companies Act), the King Report on Governance for South Africa 2016 (King IV™), the UK Corporate Governance Code 2018 (the Code), the JSE Listings Requirements, the UK Listing Rules and any other applicable regulatory requirements.

### Role of the Committee

We provide independent challenge and oversight across the Group's financial reporting and internal control procedures. The Board has delegated the following key functions to the Committee:

- Overseeing the Group's financial reporting process, ensuring the integrity thereof and satisfying itself that any significant judgements made by management are sound
- Reviewing the Group's internal controls and assurance processes
- Managing and overseeing the performance, conduct, quality and effectiveness of the Group's internal audit functions
- Reviewing of the annual work plan, capacity, scope and staffing of internal audit

- Overseeing Group compliance functions
- Overseeing the Group's subsidiary audit committees, including in remote locations
- Appointing, managing and overseeing the relationship with the Group's external auditors, including scope, fees, quality control, effectiveness and independence of the external audit function
- Managing the policy, fees and the nature of non-audit services provided by the external auditors
- Dealing with concerns, if any, from outside Investec regarding the application of accounting principles and external reporting.



Further detailed responsibilities are in the terms of reference of the Committee as available on the website [www.investec.com](http://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 as determined by the DLC Nomdac.

The members' continuing independence, as well as their required skill, competency and experience is assessed annually.

Philip Hourquebie stepped down as a member of the Committee in August 2022, following his appointment as Chair of the Group. The DLC Nomdac and the Board reviewed and confirmed that it is satisfied that David Friedland possesses recent and relevant financial experience and is independent and subsequently

appointed him as a member of the Committee. David will step down from the Board at the AGM in August 2022. In May 2022 Vanessa Olver was appointed to the DLC Audit Committee on her appointment as a Non-Executive Director of the Board. The DLC Nomdac and the Board have commenced a process to appoint an additional member of the Committee. The DLC Nomdac assessed the independence, skill, competency and experience of the Committee and concluded that it had 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 109 to 111 of the Investec Group's 2022 integrated and strategic report.

The Group Chief Executive (Group CEO), the Group Finance Director (Group FD), the Group Chief Operating Officer (Group COO), the Group Chief Risk Officer (Group CRO), Heads of Internal Audit, the Chief Compliance Officers and representatives from the joint external auditors are invited to attend all meetings. Other members of management, including business unit heads, are invited to attend meetings to provide the Committee with greater insights into specific issues or areas of the Group.

The Chair has regular contact with the Group Executive Team to discuss and get broader insight on relevant matters directly.

The internal and external auditors have direct access to the Chair, including closed sessions with the Committee, without management, during the year,

**DLC AUDIT COMMITTEE REPORT**  
CONTINUED

on any matter that they regard as relevant to the fulfilment of the Committee's responsibilities.

**Structure of the Investec Group 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, The Investec Limited Board, Investec Wealth & Investments Boards, Investec Bank plc Board and Investec Bank Limited Board have mandated authority to their respective Audit Committees to be the Audit Committees for the respective companies and their subsidiaries.

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

The DLC Audit Committee Chair is also the Chair of the following Audit Committees:

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

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

- Investec Bank plc
- Investec Life
- Investec Wealth and Investments UK

The DLC Audit Committee Chair attends the following Committee meetings:

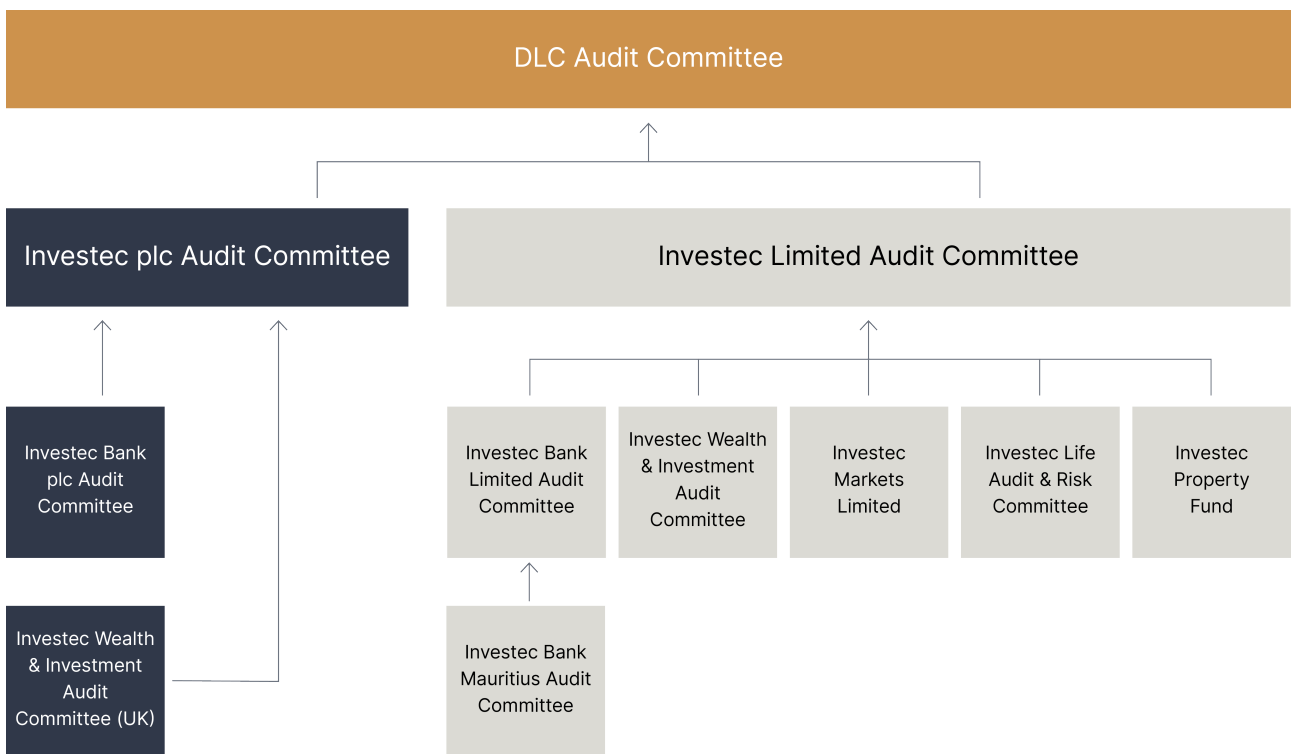
- Operational Risk Committee
- DLC IT Risk and Governance Committee
- Investec Limited Customer Market and Conduct Committee
- Investec Wealth and Investments South Africa Audit Committee

**DLC IT Risk and Governance Committee**

The DLC IT Risk and Governance Committee is responsible for ensuring that technology risk management processes, investments, operations and governance support the mission, values and strategic goals of the Group. The DLC IT Risk and Governance Committee reports to both the DLC BRCC and the DLC Audit Committee and is attended by the DLC Audit Committee and DLC BRCC Chairs.

**Investec Limited Customer Market and Conduct Committee (Investec Limited CMCC)**

The Investec Limited CMCC ensures that the best standards of market conduct, in its broadest form, are applied and monitors reports thereon. The Committee is chaired by the Head of Compliance of Investec Limited and Investec Bank Limited. The Committee reports to both the DLC BRCC and the DLC Audit Committee. The Investec Limited CMCC is attended by the DLC Audit Committee and the DLC BRCC Chairs.



## Areas covered by the DLC 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 or complex from an accounting or auditing perspective.

Common membership of the DLC, Investec plc and Investec 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><b>Impact of COVID-19 and the indirect impact of the Russian invasion of Ukraine</b></p> <ul style="list-style-type: none"> <li>• COVID-19 impacted the global economy and businesses across all industries.</li> </ul>	<ul style="list-style-type: none"> <li>• Considered the known accounting and operational impact of COVID-19 and the Russian invasion of Ukraine on the economy and business, mitigating actions by management in both geographies together with the resulting impact on the macro-economic scenarios and the judgements and estimates used by management to prepare the annual financial statements</li> <li>• The areas most impacted by COVID-19 include: <ul style="list-style-type: none"> <li>– Going concern and the Viability Statement, including liquidity</li> <li>– Expected Credit Losses (ECL) assessment (International Financial Reporting Standards (IFRS) 9 macro-economic scenarios, probabilities and staging, impact on specific sectors such as aviation, hospitality and retail)</li> <li>– Quality of earnings</li> <li>– Impact of work from home on the overall control environment and operational risk and resilience</li> <li>– The financial control environment.</li> </ul> </li> </ul>
<p><b>Expected Credit Losses (ECL) assessment</b></p> <ul style="list-style-type: none"> <li>• The appropriateness of the allowance for ECL is highly subjective and judgemental. The impact of COVID-19, the Russian-Ukraine war in the Ukraine and the resultant economic impacts have resulted in additional key judgements and assumptions being made during the current year.</li> </ul>	<ul style="list-style-type: none"> <li>• Challenged the level of ECL, model methodology and assumptions applied to calculate the ECL provisions held by the Group</li> <li>• Evaluated the impact of ECL on the interim results and annual results</li> <li>• Reviewed and monitored the Group's calculation of ECLs, trends in staging changes, model changes, scenario updates, post-model adjustments, Significant Increase in Credit Risk (SICR), and volatility</li> <li>• Assessed the appropriateness of the ECL model overlays raised for emerging risks for which there was insufficient data available to model the existing credit risk. Specific consideration was given to the methodology and assumptions applied to calculate the overlay. We further evaluated the appropriateness of the releases of the ECL model overlays</li> <li>• Assessed ECL experienced against forecasts and considered whether the level of ECL was appropriate</li> <li>• Evaluated the IFRS 9 disclosures for relevance and compliance with IFRS</li> <li>• Assessed the appropriateness of the ECL provision raised by the Group for large exposures in entities publicly perceived to be in financial distress</li> <li>• Reviewed the appropriateness of the ECL models and the forward-looking macro-economic scenarios applied in the UK and South Africa</li> <li>• Reviewed for reasonableness the benchmarking of macro-economic scenarios, ECLs, Credit Loss Ratio (CLR) and coverage ratios against relevant South African and UK peers</li> <li>• Considered the impact of easing of restrictions and levels of lockdown on impacted sectors and the consequent impact on ECL and overlays.</li> </ul>

Key audit matters	What we did
<p><b>Fair value of level 3 instruments and the resulting IFRS 13 Fair Value Measurement (IFRS 13) disclosure</b></p> <ul style="list-style-type: none"> <li>For level 3 instruments such as unlisted investments in private equity businesses, investment properties, fair value loans and large bespoke derivative structures, there is 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.</li> </ul>	<ul style="list-style-type: none"> <li>Received presentations on the material investments across the Group, including an analysis of the key judgements and assumptions applied, and approved the valuation adjustments proposed by management for the year ended 31 March 2022</li> <li>Challenged and debated significant subjective exposures and assumptions including: <ul style="list-style-type: none"> <li>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 and the Russian invasion of Ukraine on these valuation principles</li> <li>Fair value of instruments with higher characteristics and associated income</li> <li>The appropriateness of the IFRS 13 disclosures regarding fair value.</li> </ul> </li> </ul>
<p><b>Uncertain tax and other legal matters</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Received regular updates from the Group Executive, Group Tax, Group Finance and Group Legal on uncertain tax and legal matters to enable the Audit Committee to probe and consider the matters and evaluate the basis and appropriateness of the accounting treatment</li> <li>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 positions as required by the International Financial Reporting Interpretations Committee (IFRIC) 23</li> <li>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</li> <li>Considered Post Balance Sheet Events considerations, including external developments on the accounting and disclosures of historical German dividend arbitrage transactions taking note of correspondence received from the Federal Tax Office in Germany. Refer to note 53 in the Investec Group's 2022 annual financial statements.</li> </ul>
<p><b>Investments in associates</b></p> <ul style="list-style-type: none"> <li>Evaluated the appropriateness of the carrying amount of investments in associates</li> <li>Evaluated the appropriateness of the valuation and the accounting treatment of the investment in Ninety One at a DLC level, Investec Limited level and Investec plc level.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed the technical accounting memorandum prepared by Group Finance regarding the accounting treatment of material investments of the Group. The memorandum addressed the carrying value of the investments and management's impairment assessment. This included an analysis of the key judgements and assumptions applied</li> <li>Evaluated the appropriateness of the accounting and disclosure relating to significant judgements and estimates, valuation methods and assumptions applied</li> <li>Considered a detailed business analysis based on the results of the IEP Group. Valuation scenarios were calculated through evaluating the impact of the COVID-19 pandemic on the business</li> <li>Assessed the appropriateness of the overall accounting treatment of investments transferred between entities within the Group.</li> </ul>
<p><b>Going concern and the Viability Statement</b></p>	<ul style="list-style-type: none"> <li>Considered reports on the Group's budgets, forecasts, profitability, capital, liquidity and solvency and the impact of legal proceedings, if any on both going concern and the three-year Viability Statement</li> <li>Considered the results of various stress testing analyses based on different economic scenarios and the possible impact on the ability of the Group to continue as a going concern</li> <li>Recommended the approval of the going concern and the Group Viability Statement assumption underlying the annual financial statements to the DLC Board for approval</li> <li>Noted the Investec Bank plc Viability Statement as recommended for approval by the IBP Audit Committee to the IBP Board.</li> </ul>
<p><b>Cyber, IT Security, IT systems and controls impacting financial reporting</b></p>	<ul style="list-style-type: none"> <li>Received and reviewed reports in respect of IT security, cyber security, IT systems and controls impacting financial reporting</li> <li>Received regular reports from internal audit on the effectiveness of IT controls tested as part of the internal audit process.</li> <li>Considered broader IT and Governance matters, including security, IT strategy and operations through the Audit Committee Chair's attendance of the DLC IT Risk and Governance Committee.</li> </ul>

Key audit matters	What we did
<p><b>External Audit, audit quality and Mandatory Audit Firm Rotation (MAFR)</b></p>	<ul style="list-style-type: none"> <li>• Managed the relationship with the external auditors, Ernst &amp; Young LLP, Ernst &amp; Young Inc. and KPMG Inc., including their re-appointment</li> <li>• Monitored the rotation in lead Ernst &amp; Young audit partners at an Investec Limited, Investec Bank Limited, Investec Life, Investec Bank plc and Private Bank level. Considered the credentials of and approved the KPMG Inc. partner to be rotated in during 2023 in respect of Investec Bank Limited and Investec Limited</li> <li>• Approved the external audit plan, audit fee and the main areas of focus</li> <li>• Considered the external auditors report on the progress of the review engagement being performed on the interim results. Reviewed the results announcements for both interim and final results</li> <li>• Monitored audit quality and audit partner accreditation as specified by the JSE. In line with the conditions set out in Section 94(8) of the Companies Act and based on its assessment using the criteria set out by the King IV™ Code and the JSE Listings Requirements, the DLC Audit Committee confirms its satisfaction with the performance and quality of external audit, the external auditors and lead partners</li> <li>• Met with key members of Ernst &amp; Young LLP and Ernst &amp; Young Inc. (auditors of DLC), Ernst &amp; Young LLP (auditors of Investec plc) and Ernst &amp; Young Inc. and KPMG Inc. (auditors of Investec Limited) prior to every Audit Committee meeting to discuss the 2021/22 audit plan, key areas of focus, findings, scope and conclusions</li> <li>• Obtained feedback from the cross-reviews performed between the joint firms at an Investec Limited level, and by the DLC team across Investec Limited and Investec plc. Furthermore KPMG International conducted a cross-review of KPMG South Africa</li> <li>• Pre-approved all non-audit services provided by External Audit and confirmed the services to be within the approved non-audit services policy</li> <li>• Met separately with the leadership of Ernst &amp; Young Inc., KPMG Inc., and Ernst &amp; Young LLP to discuss JSE auditor accreditation, independence, firm quality control, results of internal and external regulator inspections of the firm and individual partners</li> <li>• Discussed external audit feedback on the Group's critical accounting estimates and judgements</li> <li>• Assessed the independence and objectivity of the external auditors</li> <li>• Noted the unqualified independent auditor's report in relation to the Group</li> <li>• Received updates from the external auditors on the audit of the Annual Financial Statements (AFS) of the Group including the Summary of Audit Differences for the year ended 31 March 2022</li> <li>• Recommended to the Board the re-appointment of Ernst &amp; Young LLP as the External Auditors of Investec plc and Investec Bank plc and the re-appointment of Ernst &amp; Young Inc. and KPMG Inc. as the external auditors of Investec Limited and Investec Bank Limited for the year ending 31 March 2023</li> <li>• Considered the commencement of the shadow audit process by PwC Inc. for the audit of Investec Limited starting during the 2023 financial year</li> <li>• Concluded the comprehensive competitive tender process for the rotation for Investec Limited which will take place on 1 April 2022 by PwC Inc. The second audit firm will be appointed to commence the audit for the financial year starting 1 April 2025, in accordance with the MAFR rules as published by the Independent Regulatory Board for Auditors (IRBA). The tender process to appoint the second firm for the audit starting 1 April 2025 will commence during the 2023 financial year. The first rotation will commence on 1 April 2023 by PwC Inc. after the one-year shadow period commencing 1 April 2022.</li> </ul>

**Other matters considered by the  
DLC Audit Committee:**

The Committee considered the following matters during the year:

<p><b>Regulatory compliance and reporting</b></p>	<ul style="list-style-type: none"> <li>• Received regular reports from the Group 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 regulators</li> <li>• Requested specific updates or presentations from management on areas considered high risk or where exceptions had been identified</li> <li>• Received regular updates from the compliance function in respect of Regulatory Interactions, Risk Ratings and High-Risk exposures, Conduct, Financial Crime, Compliance Monitoring, Training, Anti-Money Laundering (AML) and Combating of Financing of Terrorism (CFT) reviews conducted in respect of Group subsidiaries.</li> </ul>
<p><b>Post balance sheet disclosure</b></p>	<ul style="list-style-type: none"> <li>• Considered any post balance sheet disclosures that may require the AFS to be adjusted or require additional disclosure including in respect of the distribution of Ninety One shares and external developments on accounting and disclosures of dividend arbitrage transactions</li> <li>• Reviewed and approved the publication of a no-change statement.</li> </ul>
<p><b>Environmental, Social and Governance (ESG)</b></p>	<ul style="list-style-type: none"> <li>• Reviewed ESG reporting and disclosures</li> <li>• Considered the level of external assurance obtained on ESG reporting and disclosures</li> <li>• Considered the Task Force for Climate Related Disclosures (TCFD) reporting requirements.</li> </ul>
<p><b>Internal controls</b></p> <ul style="list-style-type: none"> <li>• The effectiveness of the overall control environment, the status of any material control issues with emphasis on the progress of specific remediation plans.</li> </ul>	<ul style="list-style-type: none"> <li>• Attended regular meetings of the DLC BRCC. Based on reports presented at the DLC BRCC, evaluated the impact of an evolving risk environment, including operational risk, on the internal control environment</li> <li>• 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</li> <li>• Reviewed reports from the independent audit committees of the Group's subsidiaries</li> <li>• Evaluated the impact of work from home on the overall control environment and operational risk</li> <li>• Evaluated reports on the internal control environment from the Internal and external auditors with specific emphasis on culture and conduct elements in the internal audit reports. Noted internal audit report and conclusions on internal controls, internal financial controls and the risk management framework for the year under review</li> <li>• 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 with respect to the IT control environment</li> <li>• Reviewed and approved the combined assurance model, ensuring completeness of risks and adequacy and effectiveness of assurance coverage</li> <li>• Attended and reviewed the reports of the Investec Limited Customer Market and Conduct Committee</li> <li>• Evaluated reports on cyber security within the Group</li> <li>• Reviewed the work performed by Group Finance to support the control attestation made by the Chief Executive and CFO as required by the JSE Listings Requirements 3.84(k) that supports the effectiveness of the internal control environment and the combined assurance matrix.</li> </ul>



---

**Fair, balanced and understandable reporting**

- The Group is required by the UK Corporate Governance Code to assess and confirm that its external reporting is fair, balanced and understandable, and consider whether it provides the information necessary for stakeholders to assess the Group's position and performance, business model and strategy
- Undertook 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
- Took note of the areas highlighted to the Audit Committee by the JSE through its Pro-active Monitoring Process of the AFS of listed companies. Ensured these were appropriately considered in the AFS.
- Considered feedback from Group Finance in respect of a project launched to amend the annual integrated report in order to improve disclosures, improve financial control and reporting processes
- Concluded that the processes underlying the preparation of the annual report and financial statements for the financial year ended 31 March 2022 were appropriate in ensuring that those statements were fair, balanced and understandable
- Reviewed feedback received from analysts in respect of the annual report as provided by Investor Relations and incorporated the feedback into the annual report
- Reviewed the outcomes of the combined assurance coverage model as discussed below
- Reviewed the process put in place to provide assurance on the Chief Executive and Chief Financial Officer attestation.

---

**Combined assurance matrix**

- Confirmed our satisfaction 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 assurance providers
  - Confirmed our satisfaction 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 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
  - Reviewed the year-end conclusions from internal audit on internal controls, the risk management framework and internal financial controls based on their planned and actual audit coverage for the year.
  - Reviewed the work performed by Group Finance to support the control attestation made by the Chief Executive and CFO as required by the JSE Listings Requirements 3.84(k) that supports the effectiveness of the internal control environment and the combined assurance matrix.
-

DLC AUDIT COMMITTEE REPORT  
CONTINUED

Other matters	What we did
<p><b>Business control environment</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Received regular reports from the subsidiary audit committees</li> <li>Attended the audit committees of all significant subsidiaries</li> <li>Assessed reports on individual businesses and their control environments, scrutinised any identified control failures and closely monitored the status of remediation plans</li> <li>Received updates from senior management and scrutinised action plans following Internal Audit findings</li> <li>Reviewed the process for reporting to the DLC Audit Committee key subsidiaries and associates and considered regular reports from such entities, for example, Investec Property Fund, IEP and Investec Life.</li> </ul>
<p><b>Finance function</b></p>	<ul style="list-style-type: none"> <li>Considered a report from Group Finance on the interim results for the period ended 30 September 2021 and final results for the 31 March 2022 year end</li> <li>In a closed session, discussed and concluded that the finance functions of both Investec plc and its subsidiaries and Investec Limited and its subsidiaries were adequately skilled, resourced and experienced to perform the financial reporting for the Group and that appropriate succession was in place for key roles</li> <li>Concluded that the Group FD, Nishlan Samujh, had the appropriate expertise and experience to meet the responsibilities of the position</li> <li>Reviewed the work performed by Group Finance to support the control attestation made by the Chief Executive and Financial Director as required by the JSE Listings Requirements 3.84(k). Considered the reports from internal audit on the effectiveness of the internal control environment and the combined assurance matrix in concluding on the attestation.</li> </ul>
<p><b>IFRS</b></p>	<ul style="list-style-type: none"> <li>Reviewed various accounting papers prepared by Group Finance addressing subjective accounting treatment and significant accounting judgements</li> <li>The Audit Committee chair discussed the key judgements and complex accounting treatments with both external audit and management in the weekly meetings leading up to the year-end sign off</li> <li>Reviewed and obtained confirmation from Group Finance that the recommendations in the JSE proactive monitoring report and the FRC annual review had been implemented in the preparation of the annual financial statements</li> <li>Concluded on the reasonableness of the significant accounting judgements.</li> </ul>
<p><b>Related party disclosures</b></p>	<ul style="list-style-type: none"> <li>Considered and reviewed related party disclosures for the Group</li> <li>DLC Nomdac reviewed key related party transactions during the year and ensured Investec related party policies are being complied with. This was supported by a governance audit carried out by internal audit.</li> </ul>



**Other matters**

**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 and the effectiveness of the Internal Audit function.

**What we did**

- Scrutinised and reviewed internal audit plans, risk assessments, methodology and staffing, and approved the annual plan
- Deliberated on and approved the revised Group internal audit charter
- Monitored delivery of the agreed audit plans, including assessing Internal Audit resources, Continued Professional Development (CPD), succession, core skills development and automation of audit processes
- Monitored and followed up internal audit control findings, including IT, and ensured appropriate mitigation and timeous close-out by management
- 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 and reports of internal audit and any issues arising from the internal audits conducted
- Monitored audit quality in relation to internal audit. The methodology, process and skills were presented to a separately convened Audit Committee to consider audit quality
- Confirmed our satisfaction with the performance of the internal audit function.
- Reviewed the Investec Limited and Investec plc written assessment of the overall effectiveness of the organisation's governance, risk, and control framework, including an assessment of internal financial controls, the risk management framework, adherence to the risk appetite and the effectiveness of the overall assurance achieved relative to that planned for the year through the CAM
- 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 engagement 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
- Reviewed the results of the post-engagement quality assurance programme which inform any training interventions required within the team. The results are consolidated and presented to the Audit Committee on an annual basis
- Internal Audit developed automated test scripts, allowing for more frequent testing of controls covering the full population. This full population testing will provide greater coverage than the current traditional audit methodology which calls for a sample testing approach. Reviewed and considered the implications of the approach on the audit for the Group
- Held a closed session with internal audit where the capacity, appropriate skill, independence and quality of the internal audit function was assessed
- Considered succession and the skills matrix for internal audit
- Reviewed the framework as prepared as part of the Continuous Improvement Programme, in respect of the general engagement with co-source providers and the utilisation and reliance on IT skills within the UK team.

## DLC AUDIT COMMITTEE REPORT CONTINUED

### External Audit

#### Non-audit services

Our policy regarding the engagement of the external auditors to provide non-audit services was developed by the Committee to safeguard auditor objectivity and independence. The policy includes guidelines on permitted and non-permitted services and the approval process required by the Committee.

Total audit fees paid for the year ended 31 March 2022 amounted to £15.6 million (2021: £14.1 million), of which £0.9 million (2021: £1.0 million) related to the provision of non-audit services.

The non-audit services related to services required to be provided by the external auditor, for example, regulatory audits. Non-audit fees were pre-approved by the Chair of the Committee prior to every assignment. The Committee further required the policy to be applied to any external services provided by PwC Inc. to ensure the independence of the firm prior to its appointment as external auditor for the financial year starting 1 April 2023.

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 (Investec plc) and Ernst & Young Inc., KPMG Inc. (Investec Limited) and PwC Inc. (Investec Limited).

#### Audit quality, interdependencies and partner accreditation

The Committee held a closed meeting with the external auditors to discuss auditor accreditation, independence, firm quality control and results of internal and external regulator inspections of the firms and individual partners.

The closed meetings in respect of audit quality took place between the Committee and Ernst & Young Inc. (the Group and Investec Ltd), KPMG Inc. (Investec Limited) and Ernst & Young LLP (the Group and Investec plc) for the current year.

The following matters were covered during these discussions:

- Transparency reports and reviews by each of the firms 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 or the media

- 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, managers and technical support staff, including their relevant audit experience and specific Investec experience, especially where partners rotations were envisaged
- Details in relation to each 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 regulatory body, the IRBA in South Africa and the Financial Reporting Council (FRC) in the UK
- 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 each partner.

#### Auditor independence and objectivity

- The Committee considers the independence of the external auditors on an ongoing basis
- 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 Group audit meet the independence criteria
- The key audit partners are required to rotate every five years. The tenure of each of the partners was reviewed and concluded to be aligned with this policy
- Manprit Dosangh was appointed as lead engagement partner for Ernst & Young LLP and the Group on 1 April 2019
- Gail Moshoeshoe stepped down as lead Ernst & Young Inc. engagement partner for Investec Bank Limited, Investec Limited and the Group. Ranesh Hariparsad replaced Gail from 1 April 2021
- Tracy Middlemiss will step down as lead KPMG Inc. engagement partner for Investec Limited after the March 2022 audit. A new designated lead audit partner has been appointed for the financial year ending 31 March 2023 pending PA approval.

The following is a summary of the key audit partner changes for the Group:

- Jaco du Plessis from Ernst & Young Inc. was replaced by Shaun Jackson

as the signing partner of the Investec Private Bank

- Zaheer Wadee from Ernst & Young Inc. will replace Janneman Labuschagne for the March 2023 audit
- Chris Brouard from Ernst & Young LLP replaced Ken Eglinton as audit partner of Investec Bank plc.

Following due consideration, the Committee believes the safeguards as implemented by the Committee are adequate to ensure the objectivity and effectiveness of the audit process, based on the following:

- The extent of audit cross-reviews, both between the joint auditors of Investec Limited and the additional reviews by KPMG International
- The additional cross-reviews by the Investec Limited and Investec plc auditors across the 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 quality and independence

The Committee treated audit quality and independence as a Key Audit Matter (KAM) and accordingly critically evaluated audit quality, effectiveness, independence and audit rotation requirements. Regulator reviews were considered at a firm and individual partner level. Continuity, quality control on assignment as well as the independence of staff on the assignment were considered. The Committee was satisfied that in reviewing audit quality and independence, it had followed a comprehensive process during which detailed reports were received and evaluated.

#### Mandatory Audit Firm Rotation (MAFR)

##### Investec plc

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

## DLC AUDIT COMMITTEE REPORT CONTINUED

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.

### **Investec Limited**

Investec Limited is required to appoint joint auditors. The rule on MAFR as issued by the IRBA requires that an audit firm shall not serve as the appointed auditor of a public interest entity for more than 10 consecutive financial years. Thereafter, the audit firm will only be eligible for re-appointment as the auditor after the expiry of at least five financial years. The requirement is effective for financial years commencing on or after 1 April 2023. If, at the effective date, the entity has appointed joint auditors and both have had audit tenure of 10 years or more, then only one audit firm is required to rotate at the effective date and the remaining audit firm will be granted an additional two years before rotation is required.

The Investec Limited Audit Committee considered the implications of the MAFR rule as issued by IRBA, the requirements of the South African Companies Act and the state of the audit profession in South Africa including reputational or apparent audit failure perceptions. The views expressed by shareholders have been a key consideration balanced with the implications of having joint auditors and the risks inherent in an audit transition. Based on this assessment, following a comprehensive tender process PwC Inc. was nominated as one of the new joint external auditors for the financial year starting 1 April 2023.

The appointment of PwC Inc. in a shadow capacity, for the 2022 financial year, will be recommended to ordinary shareholders at the AGM to be held in August 2022. A formal transition process will commence during 2022, whereby PwC Inc. will shadow the full audit cycle performed by the incumbent joint external auditors. The purpose of the shadow period is for PwC Inc. to obtain sufficient information about the Group, the financial control environment and the audit process to ensure a smooth transition as external auditor in the following year i.e for the audit commencing 1 April 2023. Non-audit services provided by PwC Inc. will be reviewed and considered in advance of their appointment as external auditors to ensure their continued independence.

A competitive tender process for the second rotation will commence during 2022, with the second incoming audit firm to perform the first audit for the

financial year starting 1 April 2025, in accordance with the MAFR rules as published by the IRBA. The timing of the tender process was extended from 2021 to 2022 to provide the Committee with additional time to consider developments in respect of matters raised during the initial tender process and to give the Audit Committee time to assess how potential firms deal with actual or perceived audit quality challenges reflected in the media or IRBA or Financial Reporting Council (FRC) rankings. The Committee believes that the new timing will still allow for sufficient opportunity to facilitate a comprehensive shadow audit process.

### **Re-election of auditors**

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

- The regulatory need for joint auditors
- The level of specialisation, footprint, capacity and experience required by a firm in performing a joint audit of a Bank or financial services group which is of systemic importance
- The 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 risks
- The 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 with the conditions set out in Section 94(8) of the South African Companies Act, and based on its assessment, using the criteria set out by the King IV<sup>TM</sup> Code and the JSE, and considering the guidance provided in the FRC guide on audit committees, the DLC Audit Committee confirms its satisfaction with the performance and quality of External Audit, the external auditors and lead partners.

In making the recommendation for the re-election of Investec Limited's auditors, the Board and the DLC Audit Committee have taken into consideration the South African Companies Act and the South African PA requirements with respect to joint auditors and MAFR together with the results of the Audit Committee's extensive, formalised process to satisfy itself as to auditor independence and audit quality. The Board and the

Committee is recommending the re-election of KPMG Inc. and Ernst & Young Inc. as joint auditors of Investec Limited at the AGM in August 2022 for the financial year ending 31 March 2023. In addition, the Board and the Committee is recommending the re-election of Ernst & Young LLP as auditors of Investec plc at its AGM in August 2022 for the financial year ending 31 March 2023. The Board and the Committee will be recommending PwC Inc. to replace KPMG Inc. as joint auditor for the financial year ending 31 March 2024. A second firm to replace Ernst & Young Inc for the year ending 31 March 2025 will be considered during 2022/2023 in line with IRBA MAFR requirements.

### **Looking ahead**

The role of the Committee will remain focused on:

- Ensuring the effective functioning of the Group's financial systems and processes, financial control environment, monitored by an effective combined assurance model
- Audit quality and independence
- Management's response in respect of future changes to IFRS, legislation and other regulations impacting disclosure requirements
- The appointment of the second external audit firm as part of MAFR in South Africa
- The appointment of an external audit firm in the UK as part of the audit rotation cycle
- The implications of ESG risk in measuring the sustainability and societal impact of an investment in a company or business together with ESG accounting disclosures and assurance processes
- Monitoring the impact of COVID-19 and the Russia-Ukraine war on the economy and the consequent impact on financial systems and reporting, including viability, results of operations and financial position of the Group
- Continuing to exercise oversight over subsidiary audit committees, including in remote locations
- Monitoring the implementation of the amended JSE Listings Requirements, including the effectiveness of internal financial controls.



**Zarina Bassa**  
Chair, DLC Audit Committee  
22 June 2022