

CORPORATE POLICY

TERMS OF REFERENCE OF THE AUDIT AND RISK COMMITTEE OF MEDICLINIC INTERNATIONAL PLC

Reference to the “**Committee**” shall mean the Audit and Risk Committee.
Reference to the “**Board**” shall mean the Board of Directors of the Company.

1 CONSTITUTION

1.1 The Committee is constituted as a committee of the Board of Mediclinic International plc (the “**Company**”).

2 PURPOSE OF COMMITTEE

2.1 The Committee will perform the function of an audit committee and a risk committee for the Company and the Company’s subsidiaries listed in **Annexure A** (the “**Group**”). Each operating division of the Company will not be required to establish its own audit committee or risk committee. The operating divisions will however be required to report to the Committee and adopt and implement the policies and procedures recommended by this Committee in the exercise of its role and responsibilities in terms of this mandate.

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

2.3 The main role and responsibilities of the Committee are to:

- monitor the integrity of the financial statements of the Company and the Group and any formal announcements relating to the Company’s financial performance, reviewing significant financial reporting judgments contained in them;
- assess the effectiveness of the Group with regard to internal control, accounting function and policies, audit and public reporting of the Group, in order to make appropriate recommendations to the Board;
- oversee the evaluation of risk and control procedures and to ensure that all significant risks applicable to the Group are understood and appropriately managed by ensuring an effective control environment within the Group and by approving the overall risk management processes within the Group in order to make appropriate recommendations to the Board;
- make recommendations to the Board in relation to the appointment of the external auditor, subject to shareholder approval, and to approve the remuneration and terms of engagement of the external auditor;
- review and monitor the independence and objectivity of the internal and external auditors and the effectiveness of the audit processes, taking into consideration relevant professional and regulatory requirements;
- develop and implement a policy on the engagement of the external auditor to supply non-audit services, taking into consideration relevant ethical guidance regarding the provision of non-audit services; and
- report to the Board on how it has discharged its responsibilities.

3 MEMBERSHIP AND ATTENDEES

3.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee of the Company and in consultation with the chairman of the Committee (the “**Committee Chairman**”). The Committee shall be made up of at least three members.

3.2 All members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience and as a whole shall have competence relevant to the sector in which the Company operates. No former executive director of the Company shall be a member of the Committee. The members of the Committee as a whole must have sufficient qualifications and experience to fulfil their duties, including an understanding of financial reporting; internal financial controls; external audit process; internal audit process; corporate law; risk management; governance as it relates to integrated reporting; and governance processes within the

Company. The Committee members must keep up-to-date with developments affecting the required skill-set.

- 3.3 Only members of the Committee have the right to attend Committee meetings, however the Chief Financial Officer shall also attend each meeting as an invitee. Other individuals such as the Chairman of the Board, the Chief Executive Officer, Head of Internal Audit, Group Risk Manager, other assurance providers, professional advisors and other Board members may be invited to attend, but not vote at, all or part of any meeting as and when appropriate and necessary. In accordance with the provisions of the relationship agreement entered into between the Company and Remgro Limited on 14 October 2015, one Shareholder Director nominated by the Principal Shareholder (as defined in the relationship agreement) shall be entitled to receive notice of, and to attend and speak (but not vote) at, all Committee meetings, and to receive all information received by the members of the Committee.
- 3.4 The external auditors shall be invited to attend meetings of the Committee on a regular basis.
- 3.5 Appointments to the Committee shall be for an initial period of up to three years, which may be extended by no more than two additional three year periods, provided the director continues to be independent and meet the criteria for membership of the Committee.
- 3.6 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of the Board is not eligible to be the Chairman or a member of the Committee.

4 SECRETARY

- 4.1 The Company Secretary or their nominee shall act as the secretary of the Committee (the “**Committee Secretary**”) and shall attend all its meetings and shall prepare and circulate to members (and invitees, as appropriate) all information and papers in a timely manner to enable them to give full and proper consideration to the issues to be considered at the relevant meeting.

5 MEETINGS

Quorum

- 5.1 The quorum necessary for the transaction of business shall be two members, provided that at least the majority of the members of the Committee are represented. Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.
- 5.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

Frequency of meetings

- 5.3 The Committee shall hold sufficient meetings to discharge all its duties as set out herein, but subject to at least four times per year. Three meetings shall coincide with key dates within the Company's financial reporting and audit cycle: (1) prior to commencement of the annual external audit, (2) prior to the Board's approval of the half year results, and (3) prior to the Board's approval of the year end results. [At least one] meeting shall be focused primarily on reviewing the effectiveness of the Company's risk management and internal controls systems.
- 5.4 Meetings in addition to the scheduled meetings may be held at the request of any member of the Committee, the external auditor, the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Group Risk Manager or other members of senior management or at the instance of the Board.
- 5.5 The Committee shall meet with internal and external auditors at least once a year without management being present (as referred to in paragraphs 7.5.7 and 7.6.4). Likewise, the Committee must meet with management at least once a year without the external auditors being present.
- 5.6 The Committee Chairman shall maintain appropriate dialogue outside of the Committee meetings with key individuals involved in the company's governance.

Agenda and minutes

- 5.7 The Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual plan must ensure proper coverage of the matters laid out in this mandate: the more critical matters will need to be attended to each year, while other matters may be dealt with on a rotation basis over a three-year period. The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.
- 5.8 A detailed agenda, with supporting documentation, must be timeously circulated to each member of the Committee and other invitees, prior to each meeting.
- 5.9 Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.
- 5.10 The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee, and circulate as appropriate to the Committee members following review by the Chairman. The Committee Secretary shall also ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 5.11 The minutes must be formally approved by the Committee at its next scheduled meeting and final signed copies of the minutes of the Committee shall be maintained for the Company's records, in hard and soft copy where possible.

6 ANNUAL GENERAL MEETING

- 6.1 The Chairman of the Committee shall attend the Company's annual general meeting to respond to any shareholder questions on the Committee's activities and all members of the Committee shall attend the meeting.

7 DUTIES

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

7.1 Financial Reporting

The Committee shall, in conjunction with management and the external auditors, review the and make recommendations to the Board relating to the content and integrity of the financial and accompanying narrative reporting of the Company, including the annual report, the viability statement included in the annual report, annual and half year results, any preliminary results announcement, interim management statements, dividend announcement, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading updates and similar documents, prior to submission to the Board for approval and release to shareholders, the public and/or any regulatory or statutory authority, and specifically focusing on the following:

- 7.1.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;
- 7.1.2 the methods used to account for significant or unusual transactions where different approaches are possible;
- 7.1.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 7.1.4 the clarity of disclosure in the Company's financial reports and the context in which statements are made to determine whether they provide the information necessary for shareholders and others to assess the Company's position and performance, business model and strategy and whether it is fair, balanced and understandable (when taken as a whole);
- 7.1.5 any significant adjustments resulting from the audit;
- 7.1.6 assessing the basis on which the Company has been determined as a going concern;
- 7.1.7 for purposes of the viability statement, assessing:

- (i) the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, and how they are managed or mitigated; and
- (ii) the prospects of the Company over such period deemed appropriate (but longer than 12 months);

to determine, and report to shareholders in the annual report, whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of assessment;

- 7.1.8 compliance with accounting standards, taking into account the views of the Company's auditors;
- 7.1.9 compliance with stock exchange and other legal and regulatory requirements;
- 7.1.10 all material information presented with the financial statements, such as the strategic report/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management); and
- 7.1.11 the policies and processes in place for identifying and assessing business risk and the management of those risks by the Company.

Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

7.2 **Internal Financial and Accounting Control**

The Committee is responsible for assessing the Group's systems of internal financial and accounting control, and in this regard the Committee must:

- 7.2.1 review the expertise, resources and experience of the Company's finance function, and disclose the results of the review in the integrated report;
- 7.2.2 identify, in conjunction with management, risk areas that the Group may be exposed to, and assessing the way these are handled by management;
- 7.2.3 consider the adequacy and effectiveness of the Group's systems of internal control;
- 7.2.4 assess the policy relating to the management of assets, information, staff, etc.; and
- 7.2.5 review and approve the statements to be included in the Company's annual report concerning internal controls and risk management including the report to the Board on their review of the effectiveness of the risk management and internal control systems and the confirmation that they have carried out a robust assessment of the principal risks.

7.3 **Risk Management**

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

- 7.3.1 oversee the management of all significant risks facing the Group, including financial reporting risks, internal financial controls, fraud risks as they relate to financial reporting and ICT risks as it relates to financial reporting;
- 7.3.2 make the necessary enquiries to ensure that all significant risks to which the Group is exposed, are identified and managed within a well-defined control environment;
- 7.3.3 ensure that ICT risks are adequately addressed, which responsibility include that the committee should:
 - (i) approve the ICT governance policy and any amendments thereto;
 - (ii) obtain adequate assurance that effective controls are in place to address ICT risks;
 - (iii) oversee the management of ICT risks as it relates to financial reporting and the going concern of the company;
 - (iv) consider the use of technology to improve audit coverage and efficiency;

- 7.3.4 monitor the processes and controls as delegated by the Board;
- 7.3.5 regularly receive and consider feedback by the Group Risk Manager, during which meeting management's assessment of the risks that the Group is exposed to, measures introduced to reduce or eliminate risks, as well as the risk management philosophy will be evaluated;
- 7.3.6 oversee the development and annual review of an Enterprise-wide Risk Management ("ERM") policy and an annual risk management plan and recommend these for approval by the Board;
- 7.3.7 monitor the implementation of the ERM policy and the annual risk management plan;
- 7.3.8 make recommendations to the Board concerning the levels of tolerance and appetite and monitoring that risks are managed within the levels of tolerance and appetite as approved by the Board;
- 7.3.9 review the terms of major classes of insurance policies, as well as the levels of insurance cover of the Group;
- 7.3.10 oversee that the risk management plan is widely disseminated throughout the Company and integrated in the day-to-day activities of the Company;
- 7.3.11 ensure that risk management assessments are performed on a continuous basis, but at least annually using a top-down approach;
- 7.3.12 ensure that appropriate risk management frameworks and methodologies are implemented which will also increase the possibility of anticipating unpredictable risks;
- 7.3.13 ensure that management considers and implements appropriate risk responses;
- 7.3.14 ensure that continuous risk monitoring by management takes place;
- 7.3.15 express the Committee's formal opinion to the Board on the effectiveness of the system and process of risk management; and
- 7.3.16 review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant.

7.4 **Compliance, whistleblowing and fraud**

The Committee shall:

- 7.4.1 ensure that group-wide standards are set for achieving compliance with relevant laws, regulations and supervisory requirements throughout the Group and that these standards are effectively communicated in line with industry standards and norms;
- 7.4.2 review that the compliance functions conduct monitoring of compliance risk in line with Group and industry standards and norms and that non-compliance with laws, regulations and supervisory requirement are reported in a timely manner;
- 7.4.3 review any significant compliance risk matters reported and monitor the process in rectifying these matters;
- 7.4.4 assess the adequacy and effectiveness of the compliance function's performance;
- 7.4.5 review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 7.4.6 review the Company's procedures for detecting fraud; and
- 7.4.7 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

7.5 **Internal Audit**

The Committee shall:

- 7.5.1 monitor and review the independence, objectivity and the effectiveness of the Group's internal audit function and internal audit process, taking into consideration relevant

professional and regulatory requirements, in the context of the Company's overall risk management system;

- 7.5.2 approve the appointment and removal and performance assessment of the head of the internal audit function or an external party carrying out the internal audit function, as may be appropriate from time to time, who shall report functionally to the Committee (with direct access to the Committee Chairman) and administratively to the Chief Corporate Services Executive;
- 7.5.3 consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- 7.5.4 review and assess the annual internal audit plan, taking into account the level of co-ordination between the internal and external auditors;
- 7.5.5 review promptly all reports addressed to the Company from its internal auditors;
- 7.5.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditors; and
- 7.5.7 meet the head of internal audit, or the external party carrying out the internal audit function, at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit, or the external party carrying out the internal audit function, shall be given the right of direct access to the Chairman of the Board and to the Committee.

7.6 External Audit

The Committee shall:

- 7.6.1 consider and make recommendations to the Board, to be put to shareholders for approval at the Company's annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditors. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 7.6.2 ensure that the Company's external auditors' contract is put out to competitive tender in line with the 2014 Competition and Markets Authority ("**CMA**") Order's Competitive Tender Processes and any subsequent contract is put out to competitive tender at least every ten years with the proviso that no single firm may serve as the Company's auditor for a period exceeding 20 years;
- 7.6.3 oversee the relationship with the external auditor including (but not limited to):
 - (i) approving their remuneration, whether fees for audit or non-audit services in accordance with the CMA Order and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - (ii) ensuring rotation of the audit partner after five years with the flexibility of an additional two years if it is considered necessary to maintain audit quality and the extension is disclosed to shareholders;
 - (iii) negotiating and the approval of the terms of the statutory audit services agreement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iv) assessing annually their independence and objectivity and monitoring during throughout the year independence taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

- (v) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
- (vi) agreeing with the Board a policy on the employment of former employees of the Company's auditors, then monitoring the implementation of this policy;
- (vii) monitoring the auditors' compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
- (viii) assessing annually and reporting to the Board on the qualifications, expertise and resources of the auditors and the effectiveness of the audit process, which shall include a report from the external auditors on their own internal quality procedures and seek to ensure the rotation of the engagement quality control reviewer after seven years;
- (ix) seeking to ensure co-ordination with the activities of the internal audit function; and
- (x) considering the risk of the withdrawal of the Company's present auditors from the market;

7.6.4 meet regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditors at least once a year, without management being present, to discuss their remit and any issues arising from the audit;

7.6.5 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

7.6.6 review the findings of the audit with the external auditors. This shall include but not be limited to, the following;

- (i) a discussion of any major issues which arose during the audit,
- (ii) any accounting and audit judgements,
- (iii) levels of errors identified during the audit; and
- (iv) the effectiveness of the audit;

7.6.7 review any representation letter(s) requested by the external auditors before they are signed by management;

7.6.8 review the management letter and management's response to the auditor's findings and recommendations; and

7.6.9 develop, oversee and implement a policy on the supply of non-audit services (including those that are prohibited) by the external auditor, taking into account any relevant ethical guidance on the matter and to report to the Board identifying any matters in respect of which it considers that action or improvement is required.

7.7 **Combined Assurance**

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

7.7.1 ensure that the combined assurance received is appropriate in relation to all the significant risks facing the Company; and

7.7.2 monitor the relationship between the external assurance providers and the Company.

8 **REPORTING RESPONSIBILITIES**

8.1 The Committee shall report to the Board on how it has discharged its duties by way of the following means:

- 8.1.1 the Company Secretary will include the minutes of all Committee meetings in the agenda of the Board meeting following each Committee meeting;
- 8.1.2 the Committee Chairman shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and how it has discharged its responsibilities, including:
- the significant issues that it considered in relation to the financial statements and how these were addressed;
 - the assessment of the effectiveness of the external audit process (as referred to in paragraph 7.6.3(viii)) and its recommendation on the appointment or reappointment of the external auditor; and
 - any other matter within the Committee's terms of reference or other issues on which the Board has requested the Committee's opinion;
- 8.1.3 the Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.2 The Committee shall produce a report to shareholders on its activities to be included in the Company's annual report. The report shall include:
- 8.2.1 the significant issues that it considered in relation to the financial statements and how these issues were addressed;
- 8.2.2 an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor, and information on the tenure of the current audit firm and when a tender was last conducted;
- 8.2.3 if the auditor provides non-audit services, an explanation of how the auditors objectivity and independence is safeguarded;
- 8.2.4 the Company's risk management and strategy; and
- 8.2.5 confirmation of compliance with the 2014 CMA Order.

9 OTHER MATTERS

The Committee shall:

- 9.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 9.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 9.3 give due consideration to laws and regulations, including the general duties of directors set out in the Companies Act 2006, the provisions of the UK Corporate Governance Code and the requirements of the Listing, Prospectus and Disclosure and Transparency Rules of the Financial Conduct Authority and any other applicable rules, as appropriate;
- 9.4 be responsible for co-ordination of the internal and external auditors;
- 9.5 review, approve and monitor the Company's policy in respect of tax planning;
- 9.6 supervise the Company's policy in respect of the financing of the Company;
- 9.7 oversee any investigation of activities which are within its terms of reference;
- 9.8 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval;
- 9.9 make publicly available its terms of reference explaining clearly the role of the Committee and the authority delegated to it by the Board; and
- 9.10 work and liaise as necessary with all other Board Committees.

10 AUTHORITY

- 10.1 The Committee is authorised by the Board:
 - 10.1.1 to investigate any activity within its terms of reference;
 - 10.1.2 to seek any information it requires from any employee or director of the Company, or any consultant or other provider of services to the Company, in order to perform its duties;
 - 10.1.3 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
 - 10.1.4 to call any employee to provide information at a meeting of the Committee as and when required; and
 - 10.1.5 to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.
- 10.2 Although the Committee can seek the advice and assistance of the executive management, it must ensure that their role in this respect is clearly separated for their role within the business.

ANNEXURE A: SUBSIDIARIES

