

Mondi DLC
Audit Committee
Terms of Reference

In these Terms of Reference, references to:

“the Group” shall mean both Mondi plc and Mondi Limited and their respective subsidiaries from time to time, operating under the DLC structure;

“the Board” shall mean the Board of Directors of both Mondi plc and Mondi Limited;

“the Committee” shall mean the Audit Committee of the Board;

“the Corporate Governance Codes” shall mean the King Report on Governance for South Africa and the UK Corporate Governance Code, as amended from time to time;

“Code of Business Ethics” shall mean the Code setting out the standards of behaviour which the Board and employees of the Group are required to observe in conducting the Group’s business;

“Competitive Tender Process” shall mean a process by which the Group invites and evaluates bids for the provision of statutory audit services from two or more audit firms.

1 Membership

- 1.1** The Committee shall be appointed annually by the shareholders and shall comprise at least three members.
- 1.2** The Board shall fill a vacancy on the Committee, to be ratified by shareholders at the next annual general meeting.
- 1.3** All members of the Committee shall be independent Non-executive Directors with general financial knowledge, at least one of whom shall have recent and relevant financial experience. The Committee as a whole shall have the necessary financial literacy, skills and experience to execute their duties as well as competence relevant to the sector in which the Group operates. Neither of the Joint Chairmen of the Board shall be a member of the Committee.
- 1.4** The Board shall appoint the Chairman of the Committee. In the absence of the Chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.5** Only members of the Committee shall have the right to attend Committee meetings. However, other individuals such as the Joint Chairmen of the Board, the Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit, the Group Financial Controller and other representatives from the Finance department may be invited to attend for all or part of any meeting as and when considered appropriate by the Committee.
- 1.6** The external auditors shall be invited to attend meetings of the Committee on a regular basis.

2 Secretary

- 2.1 The Company Secretary of Mondi Limited or the Company Secretary of Mondi plc, or their nominee, shall act as the Secretary of the Committee.

3 Quorum

- 3.1 The quorum necessary for the transaction of business shall be two members. 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.

4 Frequency of Meetings

- 4.1 The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and additionally as the Chairman of the Committee considers necessary. The external or internal auditors may request a meeting, if they consider one is necessary, as may any Committee member.

5 Notice of Meetings

- 5.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Chairman of the Committee.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, and any other person required to attend, normally no later than four working days before the date of the meeting. Supporting papers shall be sent to Committee members, and to other attendees as appropriate, at the same time.

6 Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including the names of those present and in attendance.
- 6.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. If any conflict of interest exists, the Director subject to the conflict shall not participate or vote on the issue giving rise to the conflict.
- 6.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists, and to the external auditors and the Head of Internal Audit.

7 Annual General Meeting

- 7.1 The Chairman of the Committee shall attend the Annual General Meetings of both Mondi Limited and Mondi plc and be prepared to respond to any shareholder questions on the Committee's activities.

8 Duties

The Committee shall carry out the duties set out below and will consider key matters of its own initiative.

8.1 Financial Reporting

8.1.1 The Committee shall:

- (i) monitor the integrity of, and recommend for approval by the Board, the financial statements of the Group, including its integrated and half-yearly reports, preliminary results announcements and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain, having regard to matters communicated to it by the external auditor; and
- (ii) review significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of inside information,

provided that such monitoring and review is not inconsistent with any requirement for prompt reporting under the listing requirements of either the JSE Limited or the London Stock Exchange.

8.1.2 The Committee shall review and challenge where necessary, reporting its views to the Board as appropriate:

- (i) the consistency, quality and appropriateness of, and any changes to, significant accounting policies both on a year on year basis and across the Group;
- (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
- (iii) whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditors;
- (iv) the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Group's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements) and the longer term viability statement (including an assessment of the prospects of the Group looking forward over an appropriate and justified period);
- (v) the clarity and completeness of financial reporting disclosures in the Group's financial and integrated reports and the context in which statements are made; and
- (vi) all material information comprising the Group's integrated report, including the financial statements, the strategic report, the directors' report including the corporate governance statement (insofar as it relates to the audit and risk

management) and, subject to assurance from the DLC Sustainable Development Committee, the disclosure on sustainability issues.

8.2 Narrative Reporting

When requested by the Board, the Committee shall review the content of the integrated report and financial statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

8.3 Internal Controls and Risk Management Systems

The Committee shall:

- 8.3.1** keep under review the adequacy and effectiveness of the Group's internal financial controls and internal controls and risk management systems, including all key financial, operational and compliance controls and IT risks;
- 8.3.2** oversee the development and annual review of a risk management policy and plan for recommendation to the Board, including consideration of acceptable risk tolerance levels for the Group; and
- 8.3.3** review and approve the statements to be included in the Group's integrated report concerning internal controls, risk management and the viability statement.

8.4 Whistleblowing and fraud

The Committee shall:

- 8.4.1** assist the Board with monitoring the adequacy and security of the Group's arrangements for its employees, contractors and others to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensuring that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- 8.4.2** review the Group's procedures for detecting and preventing fraud and bribery and receiving reports on non-compliance.

8.5 Internal Audit

The Committee shall:

- 8.5.1** monitor and review the effectiveness of the Group's internal audit function in the context of the Group's overall internal controls and risk management systems, including giving consideration to periodic independent quality review of the function as deemed appropriate;
- 8.5.2** approve the appointment and removal of the Head of Internal Audit;
- 8.5.3** 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;

- 8.5.4 approve the annual internal audit plan, ensuring it is aligned to the key risks of the business;
- 8.5.5 review and approve annually the internal audit charter;
- 8.5.6 evaluate the formal review of financial controls conducted annually by the internal audit function on behalf of the Board and report to the Board and shareholders on the effectiveness of the Group's internal controls;
- 8.5.7 review all reports on the Group from the Head of Internal Audit, including managements responsiveness to findings and recommendations; and
- 8.5.8 meet the Head of Internal Audit 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 shall have the right of direct access to the Chairmen of the Board and to the Committee.

8.6 Code of Business Ethics

The Committee shall review:

- 8.6.1 the performance of the Group in implementing the provisions of the Code of Business Ethics relating to Legal Compliance and Honesty and Integrity; and
- 8.6.2 material risks and liabilities relating to the provisions of the Code of Business Ethics relating to Legal Compliance and Honesty and Integrity.

8.7 External Audit

The Committee shall:

- 8.7.1 consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meetings of each of Mondi Limited and Mondi plc, in relation to the appointment, re-appointment and removal of the Group's external auditors. The Committee shall oversee the Competitive Tender 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;
- 8.7.2 ensure that at least once every ten years the audit services contract is put out to a Competitive Tender Process to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such Competitive Tender Process oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the Competitive Tender Process;
- 8.7.3 oversee the relationship with the external auditors including (but not limited to):
 - (i) the negotiation and agreement of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - (ii) the negotiation and agreement of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

- (iii) assessing annually their independence and objectivity 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 and compliance with the UK Financial Reporting Council Ethical Standard;
 - (iv) seeking annual confirmation from the external auditors regarding policies and processes they have in place for maintaining independence and monitoring compliance with relevant requirements;
 - (v) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditors and the Group (other than in the ordinary course of business) which could adversely affect the auditors independence and objectivity;
 - (vi) agreeing with the Board a policy on the employment of former employees of the Group'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 Group compared to the overall fee income of the firm, office and partner and other related requirements;
 - (viii) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditors on their own internal quality procedures and the annual transparency reports; and
 - (ix) evaluating the risks to the quality and effectiveness of the financial reporting process and considering the risk of the withdrawal of the Group's auditors from the market.
- 8.7.4** 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;
- 8.7.5** review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 8.7.6** 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) key accounting and audit judgements,
 - (iii) how any risks to audit quality that had been identified were addressed, and
 - (iv) the level of errors identified during the audit;
- 8.7.7** review the effectiveness of the audit process;

- 8.7.8 review any representation letter(s) requested by the external auditors before they are signed by management, in particular considering matters where representation has been requested that relate to non-standard issues;
- 8.7.9 review the management letter and management's response to the auditors' findings and recommendations; and
- 8.7.10 develop, implement and keep under review a policy on the supply of non-audit services by the external auditors, including the requirement for pre-approval by the Committee of any such services (either collectively or through the chairman of the Committee), to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance and legal requirements on the matter.

8.8 Reporting Responsibilities

- 8.8.1 The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall formally report to the Board on how it has discharged its responsibilities. This report shall include:
 - (i) the significant financial reporting issues and judgements that it considered in relation to the financial statements and how these were addressed;
 - (ii) its assessment of the effectiveness of the external audit process and its recommendation on the reappointment of the external auditor;
 - (iii) its recommendation on the appointment of the external auditor following a Competitive Tender Process; and
 - (iv) any other issues on which the Board has requested the Committee's opinion.
- 8.8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.8.3 The Committee shall consider, on an annual basis, and satisfy itself of the appropriateness of the expertise of the chief financial officer (acting as the financial director) and will report to shareholders in the Group's integrated report that it has executed this responsibility.
- 8.8.4 The Committee shall compile a report to shareholders on its activities to be included in the Group's integrated report. The report shall include:
 - (i) a summary of the role and work of the Committee;
 - (ii) how the Committee composition requirements of the Corporate Governance Codes have been addressed and the names and qualifications of all members of the Committee during the period (if not provided elsewhere in the integrated report);
 - (iii) the number of Committee meetings;
 - (iv) how the performance evaluation of the Committee has been conducted;

- (v) an explanation of how the Committee has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor; the length of tenure of the current audit firm; the current audit partner name(s) and how long they have been in the role; when a tender was last conducted; and advance notice of any retendering plans;
- (vi) if the external auditor provides non-audit services, the Committee's policy for approval of non-audit services; how auditor objectivity and independence is safeguarded; the audit fees for the statutory audit of the Group's consolidated financial statements paid to the auditor and its network firms for audit related services and other non-audit services, including the ratio of audit to non-audit work; and for each significant engagement, or category of engagements, an explanation of what the services are and why the Committee concluded that it was in the interests of the Group to purchase them from the external auditor;
- (vii) an explanation of how the Committee assessed the effectiveness of internal audit and satisfied itself that the quality, experience and expertise of the function is appropriate for the business;
- (viii) the significant issues considered by the Committee, including:
 - (a) issues in relation to the financial statements and how these were addressed having regard to matters communicated to the Committee by the external auditors;
 - (b) the nature and extent of interaction (if any) with the UK Financial Reporting Council's Corporate Reporting Review team; and
 - (c) where the Group's audit has been reviewed by the UK Financial Reporting Council's Audit Quality Review team, the Committee should discuss the findings with the external auditor and consider whether any of those findings are significant and, if so, make disclosures about the findings and the actions the Committee and the external auditor plan to take; and
- (ix) all other information requirements set out in the Corporate Governance Codes as they apply to the Committee.

8.8.5 The Committee shall exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but shall include at least those matters that have informed the Board's assessment of whether the Group is a going concern and its consideration of the longer term viability statement.

8.9 Other Matters

The Committee shall:

- 8.9.1** have access to sufficient resources in order to carry out its duties, including access to the Company Secretaries of both Mondi Limited and Mondi plc for assistance as required;

- 8.9.2 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;
- 8.9.3 give due consideration to laws and regulations, the provisions of the Corporate Governance Codes, the requirements of the UK Listing Authority's Listing, Prospectus and Transparency Rules and Disclosure Guidance and the Listings Requirements of the JSE Limited and the Group's Code of Business Ethics as appropriate;
- 8.9.4 at least once a year, review the appropriateness of the expertise, experience and adequacy of resources of the Group finance function;
- 8.9.5 be responsible for co-ordination of the internal and external auditors;
- 8.9.6 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
- 8.9.7 at least once a year, review its own performance, 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 Authority

The Committee is authorised:

- 9.1 to seek any information it requires from any employee of any company in the Group in order to perform its duties;
- 9.2 to obtain, at the Group's expense, any outside legal, accounting or other professional advice it shall reasonably require in connection with the performance of its duties;
- 9.3 to call any employee to be questioned at a meeting of the Committee as and when required; and
- 9.4 to have the right to publish in the Group's integrated report details of any issues that cannot be resolved between the Committee and the Board.

10 Tenure

- 10.1 The Committee shall remain in existence until the Board determines otherwise.

Adopted: 5 December 2018