



ASTRAL FOODS LIMITED

AUDIT AND RISK MANAGEMENT COMMITTEE MANDATE AND TERMS OF REFERENCE

References to “the Committee” shall mean the Company’s Audit and Risk Management Committee.

References to “the Board” shall mean the Company’s board of directors.

References to “Astral” or “the Company” shall mean Astral and its subsidiary companies as contemplated in the Companies Act, 2008.

1. Introduction

The Committee is constituted as a statutory committee of Astral in respect of its statutory duties in terms of section 94(7) of the Companies Act, 2008, (“the Companies Act”) and as a committee of the board in respect of all other duties assigned to it by the board.

The duties and responsibilities of the members of the Committee as set out in this mandate and terms of reference are in addition to those duties and responsibilities that they have as members of the board. The deliberations of the Committee do not reduce the individual and collective responsibilities of the Board in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their legal obligations.

This mandate and terms of reference are subject to the provisions of the Companies Act, the Company’s memorandum of incorporation and any other applicable law or regulatory provision.

2. Mandate and purpose of the terms of reference

To assist the board in discharging its responsibilities for reporting financial information by playing a pro-active role in enhancing the credibility of financial reporting and to provide a channel of communication between the board, internal and external auditors and management. To ensure that an effective control environment in the Astral group is thereby maintained by supporting the Board in the discharge of its duties relating to the safeguarding of assets, the operation of adequate systems and controls, risk management and the integrity of financial statements and reporting.

The purpose of this mandate and terms of reference is to set out the Committee's role and responsibilities as well as the requirements for its composition and meeting procedures.

3. Membership and quorum

The Committee, to be elected by shareholders on recommendation by the Nomination Committee, shall comprise a Chairman and minimum of two other members, all of whom shall be independent non-executive directors. The quorum shall be a majority of the members elected.

The members of the Committee must collectively have sufficient qualifications, skill and experience to fulfil their duties, including an understanding of the following:-

- Financial and sustainability reporting;
- Internal financial controls;
- External audit process;
- Internal audit process;
- Corporate law;
- Risk management;
- Sustainability issues;
- Information technology governance as it relates to integrated reporting; and
- Governance processes within the company.

The committee must keep up-to-date with developments affecting the required skill-set.

The chairman of the committee shall be an independent non-executive director of the company. The Board shall appoint the chairman who shall not be the chairman of the board but the chairman of the board will be eligible to be a member of the committee.

The nominations section of the human resources, remuneration and nominations committee, at its October / November meeting each year, will recommend to the board the membership of the committee for finalisation by the board at its November meeting. This is necessary to fit in with the February annual general meeting where shareholders will vote on the committee.

Other directors and senior executives may, at the chairman of the committee's discretion, be invited to attend meetings of the committee from time to time.

The chief executive officer and financial director shall be required to attend meetings of the committee as invitees only but they may not vote at these meetings.

The committee shall require that the lead audit partner of the external auditor and the head of internal audit attend all meetings of the committee as invitees only but they may not vote at these meetings.

A member of the committee shall, in the event that he/she ceases for whatsoever reasons to be a director of the Company, also resign as a member of the Committee. Notwithstanding anything to the contrary contained herein, the board shall have the power at all times to remove any member from the Committee and to fill any vacancies created by such removal. The board must fill vacancies on the committee within 40 business days after the vacancy arises.

The committee shall be entitled to co-opt specialists as invitees on the committee, but this should be an exception rather than the rule and such specialists should comprise a minority at committee meetings.

The committee chairman should, subject to satisfactory performance and being re-elected as a member of the committee after each annual general meeting of the company, not hold office as the chairman of the committee for a period exceeding 5 consecutive years.

While there may be instances in which it is appropriate for an independent non-executive director to serve as chairman of the committee for longer than 5 consecutive years, the reasons therefore should be carefully considered and disclosed by the committee (in conjunction with the Nomination Committee and the board) prior to such re-election.

4. Role

The committee has an independent role with accountability to both the board and the 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.

5. Attendance at meetings

At least once per annum the committee shall meet with external auditors with or without other board members, as the committee may elect. Likewise the committee should meet at least once per annum with the head of internal audit without the external auditors, other executive board members or the company's financial director being present.

The company secretary of the board shall be the secretary of the committee.

If the nominated chairman of the committee is absent from a meeting, the members present must elect one of the members present to act as chairman.

6. Frequency of meetings, agenda and minutes

Meetings shall be held not less than three times per annum. These meetings should preferably take place:-

- a) Once in May each year to inter alia approve the external auditors year end audit plan and review the statutory, governance and other regulatory requirements affecting the committee and its members as well as keeping members up to date on new accounting and related developments, review and recommend to the company's board for approval, the company's interim financial statements for the half year ended 31 March and review the internal and external audit reports;
- b) Once in October of each year to inter alia review and recommend to the company's board for approval, the risk management processes and outcomes affecting the group; and
- c) Once in November of each year to inter alia review and recommend to the company's board for approval, the company's audited financial statements for the previous financial year ended 30 September.

Meetings in addition to those scheduled may, with approval of the chairman, be held at the request of the external auditor, the chief executive officer, the financial director, head of internal audit or other members of senior management or at the instance of the board.

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 the committee's mandate and terms of reference : 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.

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, at least 7 days prior to each meeting.

Members and/or invitees of the committee may participate in and act at any meeting of the committee through the use of a conference telephone or other communication equipment by means of which all persons participating in the meeting can hear each other. Participation in such meeting shall constitute attendance and presence in person at the meeting by the person or persons so participating.

7. Authority

The committee has decision making authority in regard to its statutory duties and is accountable in this respect to both the board and the shareholders. To this end the chairman of the committee must be present at all annual general meetings (AGM's) to answer questions, through the chairman of the board, on the report on the committee's activities and matters within the scope of the committee's responsibilities. On all responsibilities delegated to it by the board outside of the statutory duties, the committee makes recommendations for approval by the board.

The committee acts in accordance with its statutory duties and the delegated authority of the board as recorded in this mandate and terms of reference. It has the power to investigate any activity within the scope of its mandate and terms of reference.

The committee, in the fulfilment of its duties, may call upon the chairman of the other board committees, any of the executive directors, company officers, company secretary, other company employees or assurance providers to provide it with information, subject to a board approved process.

The committee has reasonable access to the company's records, facilities, employees and any other resources necessary to discharge its duties and responsibilities subject to following a board approved process.

The committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Company's cost, subject to a board approved process being followed.

8. Responsibilities

The responsibilities of the committee shall include:-

Integrated reporting

The committee oversees integrated reporting, and in particular the committee must:-

- a) Have regard to all factors and risks that may impact on the integrity of the integrated report, including factors that may predispose management to present a misleading picture, significant judgements and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward-looking statements or information;

- b) Review the annual financial statements, interim reports, preliminary or provisional results announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents;
- c) Comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls;
- d) Review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- e) Recommend to the board, if necessary, the engagement of an external assurance provider on material sustainability issues;
- f) Recommend the integrated report for approval by the board;
- g) Consider the frequency for issuing interim results;
- h) Consider whether the external auditor should perform assurance procedures on the interim results;
- i) Review the content of the summarised information to assess whether it provides a balanced view; and
- j) Engage the external auditor to provide assurance on the summarised financial information.

Combined assurance

The committee will ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the committee should:-

- a) Ensure that the combined assurance received is appropriate to address all the significant risks facing the company; and
- b) Monitor the relationship between the external assurance providers and the company.

Finance function and financial director

The committee is responsible for reviewing the expertise, resources and experience of the company's finance function, and for disclosing the results of the review in the integrated report on an annual basis.

The committee also considers and satisfies itself annually of the appropriateness of the expertise and experience of the company's financial director, who shall be an executive director.

Internal audit

The committee is responsible for overseeing internal audit, and in particular the committee must:-

- a) Be responsible for the appointment, performance assessment and/or dismissal of the head of internal audit;
- b) Approve the internal audit plan, as well as the internal audit charter;
- c) Ensure that the internal audit function is subject to an independent quality review, as and when the committee determines it appropriate; and
- d) Review the functioning of the internal audit programme and department, ensure co-ordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the company.

Risk management

The committee is an integral component of the risk management process and specifically the committee must oversee:-

- a) Financial reporting risks;
- b) Internal financial controls;
- c) Fraud risks as it relates to financial reporting;
- d) IT risks as it relates to financial reporting; and
- e) Business risks.

The committee shall furthermore review the risk areas of the company's operations to be covered in the scope of the internal and external audits.

Due to the fact that audit and risk management forms the basis of the same committee, the committee should make recommendations to the board regarding the effectiveness of risk management. The company's degree of risk management maturity should be assessed and the findings should be published in the integrated report to stakeholders. In its statement on how the company has dealt with risk management the board should:-

- a) Provide a statement that the board is responsible for the total process of risk management as well as forming its opinion on the effectiveness of the process. The system that it has put in place to support its opinion on the effectiveness of the company's risk management, including independent and objective reviews of the

risk management processes within the company should be disclosed;

- b) Confirm that, for the period under review, the board maintained a reporting system that enabled it to monitor changes in the company's risk profile and gain an assurance that risk management was effective;
- c) Disclose that the company has and maintains an efficient and effective process of risk management to manage key risks, and, accordingly, the committee, and therefore the board is not aware of any key risk current, imminent or forecast that may threaten the sustainability of the company;
- d) Having given due regard to the company's commercially privileged information, disclose any material losses and their causes that the company has suffered for the period under review. The materiality of losses should be in relation to the predetermined and communicated materiality levels in line with the company's risk appetite. In disclosing the material losses, the committee and therefore the board, should endeavour to quantify and disclose the effect that these losses have had on the company and the steps taken by the board and the management to prevent a recurrence.
- e) Disclose where it cannot make any of the disclosures set out above, and provide a suitable explanation for the benefit of shareholders and relevant stakeholders.

External audit

The committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process and in this regard the committee must:-

- a) Nominate the external auditor for appointment by the shareholders;
- b) Approve the terms and remuneration for the external audit engagement;
- c) Ensure that the appointment or re-appointment of the external auditor complies with the Companies Act;
- d) Monitor and report on the independence and objectivity of the external auditor in the annual financial statements;
- e) Comply with those statutory obligations required of the committee in terms of Section 94 of the Companies Act 71 of 2008 (*dealing with the appointment of and specific duties of the Audit and Risk Management Committee*) vis-à-vis the company;

- f) Set mandatory term limits on the length of time the lead audit partner of the external auditor may serve the company, which term limits shall not exceed 5 consecutive financial years;
- g) Define a policy for board approval, addressing the use of the external auditor for non-audit related services. ; (Note: Change in IFRS therefore not a requirement any more)
- h) Pre-approve any proposed agreements for non-audit services to be rendered by the external auditor;
- i) Determine and agree with the external auditor before the annual audit commences the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- j) Ensure that there is a process for the audit committee to be informed of any Reportable Irregularities (as identified in the Audit Profession Act, 2005) identified and reported by the external auditor;
- k) Review the quality control procedures and effectiveness of the external audit process;
- l) Consider whether the external auditor is accredited by the JSE Limited as required in terms of the JSE Limited Listings Requirements;
- m) Review the external auditor's management letter and management's response, if available, and/or consider the matters to be dealt with therein;
- n) Every other year evaluate the external auditor performance and effectiveness taking into consideration factors such as inter alia audit planning, technical abilities, audit process/outputs and quality control, business insight, consultancy abilities and independence; and
- o) Discuss problems and reservations (if and when applicable) arising from the annual audit and any matters incidental thereto which the external auditor may wish to discuss (in the absence of management where necessary).

Information Technology Governance

The committee is responsible to inform the board regularly regarding information technology governance and must:

- a) Ensure that prudent steps are taken to ensure the integrity of the company's information and information technology systems;

- b) Assess information technology risk including reviewing regular reports on disaster recovery plans, data security and the integrity of information technology systems should be presented to and noted by the board.

Compliance

Without derogating from the generality of any of the aforementioned responsibilities, the committee must:

- a) Retain a copy of the current mandate and terms of reference of the committee at the registered office of the company and provide shareholders with a copy of the same if requested;
- b) Review the company's compliance with legal and regulatory provisions, its Memorandum of Incorporation, by-laws and the rules established by the board and any significant breaches thereof;
- c) Consider other topics, as defined by the Board;
- d) Review any legal matters that could have a significant impact on the company's financial statements;
- e) Review the findings of any examination by regulatory agencies such as the JSE Limited and the Registrar of Companies;
- f) If necessary, institute special investigations and if appropriate, hire special counsel or experts to assist;
- g) Review policies on sensitive issues or practices such as environmental issues;
- h) Review the company's procedure for handling allegations from whistleblowers; and
- i) Review and monitor management's compliance with the Astral group's code of conduct and code of ethics and consider and recommend to the board management's plans to address and/or amend these codes.

9. Reporting

- 9.1 The chairman of the committee shall make a brief report of the findings and recommendations of the committee to the board after each committee meeting. Supporting schedules and information reviewed by the committee will be available for examination by any director upon request to the Secretary. The minutes are tabled at the next board meeting for noting by all directors.

- 9.2 The external and internal auditors shall have unrestricted access to the committee and its chairman.
- 9.3 The committee must also report to the shareholders at the company's AGM on how it has fulfilled its duties in terms of the Companies Act during the financial year. The committee's report at the AGM must:-
 - 9.3.1 Describe how the committee carried out its functions in terms of the Act;
 - 9.3.2 State whether the committee is satisfied that the external auditor was independent of the company; and
 - 9.3.3 Contain comment in any way the committee considers appropriate on the financial statements, the accounting practices and the internal controls of the company.
- 9.4 As a minimum, the committee should provide the following information in the integrated report:-
 - 9.4.1 A summary of the role of the committee;
 - 9.4.2 A statement on whether or not the committee has adopted a formal mandate and terms of reference that have been approved by the board and if so, whether the committee satisfied its responsibilities for the year in compliance with its mandate and terms of reference;
 - 9.4.3 The names and qualifications of all members of the committee during the period under review, and the period for which they serve on the committee;
 - 9.4.4 The number of committee meetings held during the period under review and members' attendance at these meetings;
 - 9.4.5 A statement on whether or not the committee considered and recommended the internal audit charter for approval by the board;
 - 9.4.6 A description of the working relationship with the head of internal audit;
 - 9.4.7 Information about any other responsibilities assigned to the committee by the board;
 - 9.4.8 A statement on whether the committee complied with its legal, regulatory or other responsibilities; and
 - 9.4.9 A statement on whether or not the committee recommended the integrated report to the board for approval.
 - 9.4.10 A statement as to whether the committee is satisfied that the external auditor is independent of the company. The statement should specifically address:
 - a) the policy and controls that address the provision of non-audit services by the external auditor, and the

nature and extend of such services rendered during the financial year;

- the tenure of the external audit firm and, in the event of the firm having been involved in a merger or acquisition, including the tenure of the predecessor firm;
 - the rotation of the designated external audit partner; and
 - significant changes in the management of the company during the external audit firm's tenure which may mitigate the attendant risk of familiarity between the external auditor and management.
- b) Significant matters that the committee has considered in relation to the annual financial statements, and how these were addressed by the committee.
- c) The committee's views on the quality of the external audit, with reference to audit quality indicators such as those that may be included in inspection reports issued by external audit regulators.
- d) The committee's views on the effectiveness of the chief audit executive and the arrangements for internal audit.
- e) The committee's views on the effectiveness of the design and implementation of internal financial controls, and on the nature and extent of any significant weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error.
- f) The committee's views on the effectiveness of the Chief Financial Officer and the finance function.
- g) The arrangements in place for combined assurance and the committee's views on its effectiveness.

10. Review and assessment

- 10.1 The committee's activities and effectiveness should be assessed periodically and reviewed by the board.
- 10.2 This mandate and terms of reference may, from time to time, be amended as required subject to the approval of the board.