



## THE AUDIT AND RISK COMMITTEE CHARTER

### Index

1. Introduction
2. Purpose of the Charter
3. Composition of the Committee
4. Role of the Committee
5. Responsibilities
6. Authority
7. Meetings and Procedures
  - 7.1 Frequency
  - 7.2 Attendance
  - 7.3 Agenda and Minutes
  - 7.4 Quorum
  - 7.5 Evaluation
  - 7.6 Approval of the terms of reference

### 1 Introduction

- 1.1 The Audit and Risk Committee (“the Committee”) is constituted as a statutory committee of Quantum Foods Holdings Ltd and its subsidiaries (hereafter referred to as “the Company”), in respect of its statutory duties in terms of section 94(7) of the Companies Act, Act No. 71 of 2008 (hereafter referred to as “the Companies Act) and a Committee of the board in respect of all other duties assigned to it by the board.
- 1.2 The duties and responsibilities of the members of the Committee as set out in this document (“the Charter”) are in addition to those duties and responsibilities that they have as members of the board.
- 1.3 The deliberations of the Committee do not reduce the individual and collective responsibilities of board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their legal obligations.
- 1.4 This Charter is subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation and any other applicable law or regulatory provision.

### 2 Purpose of the Charter

- 2.1 The purpose of the Charter is to set out the Committee's role and responsibilities as well as the requirements for its composition and meeting procedures.

### 3 Composition of the Committee

- 3.1 The Committee comprises at least three members.

- 3.2 Members of this Committee are to be elected by the shareholders on recommendation by the board.
- 3.3 The board will appoint the Committee Chairman and determine the period for which s/he will hold office
- 3.4 As per section 94 (4) of the Companies Act, each member of the Audit and Risk Committee must:
  - 3.4.1 be a director of the Company, who satisfies any applicable requirements prescribed in terms of section 94 (5)
  - 3.4.2 not be -
    - 3.4.2.1 involved in the day-to-day management of the Company's business or have been so involved at any time during the previous financial year;
    - 3.4.2.2 a prescribed officer, or full-time employee, of the Company or another related or inter-related company, or have been such an officer or employee at any time during the previous three financial years; or
    - 3.4.2.3 a material supplier or customer of the Company, such that a reasonable and informed third party would conclude in the circumstances that the integrity, impartiality or objectivity of that director is compromised by that relationship; and
  - 3.4.3 not be related to any person who falls within any of the criteria set out in paragraph 3.2.
- 3.5 All members of the Committee must be suitably skilled and experienced independent non-executive directors.
- 3.6 The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties, including an understanding of the following:
  - 3.6.1 financial and sustainability reporting;
  - 3.6.2 internal financial controls;
  - 3.6.3 external audit processes;
  - 3.6.4 internal audit processes;
  - 3.6.5 economics and commerce;
  - 3.6.6 finance and accounting;

- 3.6.7 law;
  - 3.6.8 risk management;
  - 3.6.9 sustainability issues;
  - 3.6.10 industry, public affairs and human resources;
  - 3.6.11 information technology governance as it relates to integrated reporting; and
  - 3.6.12 corporate governance processes within the Company.
- 3.7 The Chairman of the board is not eligible to be the Chairman or a member of the Committee.
- 3.8 The Committee is chaired by an independent non-executive director.
- 3.9 The board must fill vacancies on the Committee within 40 business days after the vacancy arises.
- 3.10 The Committee members must keep up-to-date with developments affecting the required skill-set.

#### **4 Role of the Committee**

- 4.1 The Committee has an independent role with accountability to both the board and the shareholders.
- 4.2 The Committee is operating as an overseer and a maker of recommendations to the board for its consideration and final approval.
- 4.3 The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.
- 4.4 In addition, the role of the Committee is to assist the board to ensure that:
- 4.4.1 the Company has implemented an effective policy and plan for risk management that will enhance the Company's ability to achieve its strategic objectives; and
  - 4.4.2 that the disclosure regarding risk is comprehensive, timely and relevant.

#### **5 Responsibilities**

- 5.1 The Committee has the following specific responsibilities:
- 5.2 Integrated Reporting

- 5.3 The Committee oversees integrated reporting, and in particular the Committee must:
- 5.3.1 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;
  - 5.3.2 review the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents;
  - 5.3.3 comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls;
  - 5.3.4 review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
  - 5.3.5 recommend to the board the engagement of an external assurance provider on material sustainability issues;
  - 5.3.6 recommend the integrated report for approval by the board;
  - 5.3.7 consider the frequency for issuing interim results;
  - 5.3.8 consider whether the external auditor should perform assurance procedures on the interim results
  - 5.3.9 review the content of the summarised information for whether it provides a balanced view; and
  - 5.3.10 engage the external auditors to provide assurance on the summarised financial information.
- 5.4 Combined Assurance
- 5.4.1 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:
    - 5.4.1.1 ensure that the combined assurance received is appropriate to address all the-
    - 5.4.1.2 significant risks facing the Company; and

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

#### 5.5 Finance function and Financial Director

5.5.1 The Committee reviews the expertise, resources and experience of the Company's finance function, and discloses the results of the review in the integrated report.

5.5.2 The Committee also considers and satisfies itself of the suitability of the expertise and experience of the financial director on an annual basis.

#### 5.6 Internal Audit

The Committee is responsible for the overseeing of the internal audit function and, in particular, the Committee must:

5.6.1 be responsible for the appointment, performance assessment and/or dismissal of the Chief Audit Executive or outsourced service provider;

5.6.2 approve the internal audit plan; and

5.6.3 ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate.

#### 5.7 Risk Management

5.7.1 The Committee is an integral component of the risk management process and specifically the Committee must oversee:

5.7.1.1 financial and operational risk reporting;

5.7.1.2 internal controls and risk control framework ;

5.7.1.3 fraud risk as it relates to financial reporting;

5.7.1.4 Information and Technology Risks; and

5.7.1.5 Risk appetite and risk profile

5.7.2 In addition, the Committee must perform all the functions as is necessary to fulfil its role as stated afore and including the following:

5.7.2.1 Oversee the development and annual review of a policy and plan for risk

management to recommend for approval to the board.

- 5.7.2.2 Monitor the implementation of the policy and plan for risk management taking place by means of risk management systems and processes.
- 5.7.2.3 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.
- 5.7.2.4 Oversee that the risk management plan is widely disseminated throughout the Company and integrated in the day-to-day activities of the Company.
- 5.7.2.5 Ensure that risk management assessments are performed on a continuous basis
- 5.7.2.6 Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
- 5.7.2.7 Ensure that management considers and implements appropriate risk responses
- 5.7.2.8 Ensure that continuous risk monitoring by management takes place.
- 5.7.2.9 Express the Committee's formal opinion to the board on the effectiveness of the system and process of risk management.
- 5.7.2.10 Review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant.
- 5.7.2.11 Review business continuity capability, disaster management plans and insurance cover.

## 5.8 External Audit

- 5.8.1 The Committee is responsible for recommending the appointment of the external auditor and to oversee the external audit process and in this regard the Committee must:
  - 5.8.1.1 nominate the external auditor for appointment by the shareholders, who is in the opinion of the Audit and Risk Committee an independent registered auditor;
  - 5.8.1.2 ensure that the appointment of the external auditor complies with the provisions of the Companies Act as well as any other legislation relating to the appointment of auditors;

- 5.8.1.3 approve the terms of engagement and remuneration for the external audit engagement;
- 5.8.1.4 monitor and report on the independence of the external auditor in the annual financial statements;
- 5.8.1.5 define a policy for non-audit services provided by the external auditor;
- 5.8.1.6 pre-approve the contracts for non-audit services to be rendered by the external auditor;
- 5.8.1.7 ensure that there is a process for the Audit and Risk Committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor;
- 5.8.1.8 review the quality and effectiveness of the external audit process; and
- 5.8.1.9 assess the suitability of the audit firm and individual auditor, and in such assessment, consider whether the audit firm and, where appropriate, the individual auditor that will be responsible for performing the functions of auditor, are accredited as such on the JSE list of Auditors and their advisors and make any other considerations as required by the JSE Limited Listings Requirements.
- 5.8.2 Furthermore, and in addition to the abovementioned roles and responsibilities, the Audit and Risk Committee has also the duty to receive and deal appropriately with any concerns or complaints, whether from within or outside the Company, or on its own initiative, relating to—
  - 5.8.2.1 the accounting practices and internal audit of the Company;
  - 5.8.2.2 the content or auditing of the Company's financial statements;
  - 5.8.2.3 the internal financial controls of the Company;
  - 5.8.2.4 or any related matter;
  - 5.8.2.5 preparing a report, to be included in the annual financial statements for that financial year,
  - 5.8.2.6 describing how the Audit and Risk Committee carried out its functions;
  - 5.8.2.7 stating whether the Audit and Risk Committee is satisfied that the external auditor was independent of the Company; and

5.8.2.8 commenting in accordance with the applicable guidelines on the financial statements, the accounting practices and the internal financial control of the Company.

## **6 Authority**

6.1 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.

6.2 The Chairman of the Committee or his representative must be present at all annual general meetings.

6.3 On all responsibilities delegated to it by the board outside of the statutory duties, the Committee makes recommendations for approval by the board.

6.4 The Committee acts in accordance with its statutory duties and the delegated authority of the board as recorded in this Charter.

6.5 It has the power to investigate any activity within the scope of its terms of reference.

6.6 The Committee, in the fulfilment of its duties, may call upon the chairmen of the other board committees, any of the executive directors, company officers, company secretary or assurance providers to provide it with information subject to board approved process being followed.

6.7 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 a board approved process being followed.

6.8 The Committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee.

6.9 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.

6.10 The Committee makes the recommendations to the board that it deems appropriate on any area within the ambit of its terms of reference, where action or improvement is required.

## **7 Meetings and Procedures**

### **7.1 Frequency**

7.1.1 The Committee must hold sufficient scheduled meetings to discharge all its duties

as set out in this Charter, but subject to a minimum of three meetings per year. One of the meetings will solely focus on risk matters.

7.1.2 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, chief financial officer, chief audit executive or other members of senior management or at the instance of the board.

7.1.3 The Chairman of the Committee may meet with the chief executive officer, chief risk officer and/or the company secretary prior to a Committee meeting to discuss important issues and agree on the agenda.

7.1.4 The Committee must provide the internal and external auditors with an opportunity to meet at least once a year without management being present.

## 7.2 **Attendance**

7.2.1 The chief executive officer, chief financial officer, chief audit executive, chief risk officer or other members of senior management as may be required, representatives from the external auditors, assurance providers, professional advisors and board members may be in attendance at Committee meetings, but by invitation only and they may not vote.

7.2.2 Committee members must attend all scheduled meetings of the Committee, including meetings called on an ad hoc-basis for special matters, unless prior apology, with reasons, has been submitted to the Chairman or company secretary.

7.2.3 The company secretary is the secretary to this Committee.

7.2.4 If the nominated Chairman of the Committee is absent from a meeting, the members present shall elect one of the members present to act as Chairman.

## 7.3 **Agenda and Minutes**

7.3.1 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.

7.3.2 The annual plan must ensure proper coverage of the matters laid out in this Charter provided that 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.

7.3.3 The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual work plan.

7.3.4 A detailed agenda, together with supporting documentation, must be circulated, at least one week prior to each meeting to the members of the Committee and other invitees.

7.3.5 Committee members must be fully prepared for Committee meetings, to provide appropriate and constructive input on matters for discussion.

7.3.6 The minutes must be completed as soon as possible after the meeting and circulated to the Chairman and members of the Committee for review thereof.

7.3.7 The minutes must be formally approved by the Committee at its next scheduled meeting.

#### 7.4 **Quorum**

7.4.1 A representative quorum for meetings is a majority of members present.

7.4.2 Individuals in attendance at Committee meetings by invitation may participate in discussions, but do not form part of the quorum for Committee meetings.

#### 7.5 **Evaluation**

The board must perform a formal evaluation of the effectiveness of the Committee every second year.

#### 7.6 **Approval of the terms of reference**

This Charter was approved by resolution of the Board on 29 July 2014.

Reviewed: 20/11/2015

Reviewed: 21/11/2016

Reviewed 08/08/2017

Reviewed: 21/11/17

Amended: 22/05/18