



PREMIER GROUP AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

1 Constitution

- 1.1 The Audit and Risk committee (**Committee**) is constituted as a statutory committee of Premier Group Limited's (**Company**) Board (**Board**) in respect of its statutory duties in terms of section 94(7) of the Companies Act of 2008 (**Act**), and as a Committee of the Board in respect of all other duties assigned to it by the Board. The Committee's mandate extends to include subsidiaries, divisions and business units that fall within the responsibility of the Company and these terms of reference apply to them.
- 1.2 The Committee shall be a standing committee, with the composition and membership reviewed by the Board annually.
- 1.3 The Committee shall report to shareholders in terms of its statutory responsibilities and to the Board on all other duties assigned to it.
- 1.4 The duties and responsibilities of the members of the Committee as set out in these terms of reference are in addition to those duties and responsibilities they have as members of the Board. The deliberations of the Committee do not reduce the individual or collective responsibilities of the Board members regarding their fiduciary duties and responsibilities, and members must exercise due care, skill, and diligence in accordance with their legal obligations.
- 1.5 These Terms of Reference (**TOR**) are subject to the provisions of the Act, the company's memorandum of incorporation and any other applicable law or regulatory provision including, among others, the JSE Listings requirements, and has been drafted with due consideration of the King IV™ Report on corporate governance for South Africa, 2016 (**King IV**).

2 Composition

- 2.1 The Committee shall be appointed by shareholders annually at the Company's annual general meeting.

- 2.2 The Board, on the recommendation of the Remuneration and Nomination Committee (**Remuneration and Nomination Committee**), shall identify and nominate suitably skilled and experienced directors for appointment by shareholders as set out above. The Committee shall comprise not less than three non-executive directors of the Company, all of whom shall be independent.
- 2.3 If the number of members on the Committee falls below the required minimum, the Board will fill such vacancy within 40 business days after the vacancy arises. The failure by the Committee to have the minimum number of members during the said 40 business day period does not limit or negate the authority of the Committee or invalidate anything done by the Committee while their number is below the required minimum.
- 2.4 Subject to annual approval by shareholders, membership of the Committee shall be for a period of three years, at the expiration of which, members may be re-elected or replaced by the Board. The maximum tenure for Committee members is three terms of three years. New members may be appointed outside the three-year cycle should a change in the business environment demand it.
- 2.5 The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties. In particular, this includes commensurate financial literacy, skills, knowledge, and experience.
- 2.6 A member of the Committee shall, in the event that he/she ceases for whatsoever reason, to be a director of the Company, also resign as a member of the Committee.
- 2.7 The chief executive officer (CEO), chief financial officer (CFO) and other senior executives, members of management and/or professional advisors may attend meetings of the Committee by invitation from the Committee Chair but shall not be appointed members of the Committee. The invitation to attend Committee meetings may be a standing invitation. The external auditors and internal auditors shall be invited to attend meetings of the Committee on a regular basis.
- 2.8 Individuals in attendance at Committee meetings by invitation may participate in discussions but may not vote on resolutions nor form part of the quorum for Committee meetings.
- 2.9 A quorum of the Committee shall be two members. A quorum shall be required for any decision or resolution to be made at a meeting or otherwise.
- 2.10 The chairman of the Committee shall be appointed by the Board, from its members, and shall be an independent non-executive director. The chairman of the Board should not be a member of the Committee.
- 2.11 In the absence of the chairman, the members present may nominate and elect one of their members to chair the meeting.
- 2.12 The Group Company Secretary shall be the secretary to the Committee.

3 Role of the Committee (in addition to its statutory duties)

- 3.1 The role of the Committee is to provide independent oversight of the effectiveness of the internal financial controls and the system of internal controls to assist the Board in ensuring and monitoring the integrity of the annual financial statements of the company, its subsidiaries, and affiliated companies (where applicable) (**Group**) and related external reports. The Committee further oversees the effectiveness of the Group's external and internal assurance, risk management, information technology and procurement functions, which contribute to ensuring the integrity of the Group's financial and integrated reporting.

4 Responsibilities

The Committee shall operate within the Board's delegation of authority.

Section 94(7) of the Act assigns specific duties to an audit committee. The Committee is responsible for reporting to shareholders on how it has carried out these duties.

In discharging its responsibilities to the Board and shareholders, the Committee will:

4.1 Group financial reports

- (a) oversee the direction and approach for financial reporting and review the quality of the Company and consolidated Group financial statements, interim reports, preliminary results announcements, summarised financial information, the financial content of trading updates, prospectuses, listing documents and/or circulars (**related external reports**);
- (b) in accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements, oversee the establishment and operation of appropriate financial reporting procedures that consider the financial information of all entities included in the consolidated group financial statements;
- (c) have regard to all factors and risks that may impact on the integrity of the financial statements and related external reports;
- (d) review the solvency and liquidity, working capital and going concern statements and monitor compliance with the financial conditions of loan covenants;
- (e) review trading statements in the event that there is reasonable certainty that the interim and/or final Group results differ by at least 20% from the previous corresponding reporting period;
- (f) review any financial documents, due diligence reports and/or price sensitive information in the event of acquisitions, takeovers, or mergers;
- (g) review and approve key financial and accounting policies;

- (h) oversee the Group's compliance with relevant tax legislation in accordance with the Group's compliance policy;
- (i) review and approve the Group's tax policy, ensuring that same is compliant with applicable legislation and regulation and congruent with responsible corporate citizenship;
- (j) review the content of the CEO and FD responsibility statement as detailed in paragraph of 3.84(k) of the JSE Listings Requirements, and
- (k) review and approve the report of the Committee to be included in the financial statements;

4.2 Internal financial controls

- (a) review the report from internal audit to the Board assessing the effectiveness of the design and the operation of the Group's system of internal controls;
- (b) consider the effectiveness of the design and implementation of the Group's internal financial controls;
- (c) comment in the annual financial statements on the effectiveness of the internal financial controls; and
- (d) report any material weakness in internal financial controls that resulted in actual material financial loss to the Board;

4.3 Annual Integrated report (Integrated Report)

- (a) oversee the preparation and integrity of information to be published in the Integrated Report of the Company and recommend such to the Board for approval;
- (b) in conjunction with the Social and Ethics Committee, review the disclosure of sustainability issues in the Integrated Report to ensure that it does not conflict with the financial information;
- (c) approve the scope of assurance and the engagement of external service providers, as appropriate, on material sustainability and other issues in the Integrated Report;
- (d) approve the engagement of the external auditors to provide assurance over the summarised financial information; and
- (e) review the resources and experience of the finance function, together with the appropriateness of the experience and expertise of the Group Finance Director;

4.4 External audit

- (a) annually consider and recommend the appointment, re-appointment and/or removal of the independent external auditor and lead engagement partner, in compliance with the Act and other applicable legislation;
- (b) conduct the process/es relating to the tender, rotation and/or selection of the independent external auditor;
- (c) ensure that the lead engagement partner within the appointed independent external audit firm is rotated in accordance with legislation;
- (d) if and when necessary, consider any questions arising from the resignation of the independent external auditor;
- (e) approve the engagement letter, scope of audit and fees of the external auditor;
- (f) determine the nature and extent of non-audit services which can be provided by the external auditors and develop and implement a policy with regard thereto;
- (g) pre-approve the provision of non-audit services where required. The Committee may delegate the pre-approval responsibility to the Committee chair or another member of the Committee, however all decisions must be formally tabled at the next Committee meeting for ratification;
- (h) review and consider the external auditor's determination and communication of key audit matters;
- (i) annually review the performance and evaluate the effectiveness of the external auditor against appropriate audit quality indicators;
- (j) annually assess the suitability of the audit firm and the designated individual audit partner, and for this purpose, consider the requisite documentation detailed in paragraph 22.15(h) of the JSE Listings Requirements;
- (k) monitor and report on the independence of the external auditor in the annual financial statements;
- (l) convene a separate meeting with the external auditors to discuss any matters that the Committee members or the auditors believe should be discussed privately;

4.5 Internal audit

- (a) annually approve an Internal Audit Charter that defines the role, responsibilities, and authority of the internal audit function, including the internal audit standards to be adopted;
- (b) approve the appointment and/or removal of the Internal Audit service provider;

- (c) ensure that the internal audit function has access to the Chairman of the Committee;
- (d) evaluate the effectiveness of the internal audit process in terms of its scope, execution, and coverage, as well as the independence, skills, performance, and position of the Internal Audit service provider;
- (e) satisfy itself that the internal audit function is sufficiently resourced to provide adequate assurance to the Committee, and/or has access to specialist skills should these be required;
- (f) approve the risk-based internal audit coverage plan and ensure that same is reviewed should a change in of the Group's risk profile require adaptation of the plan during the financial year. In doing so, review the co-operation and co-ordination between the internal and external audit functions to avoid an unnecessary duplication of work;
- (g) review, as part of the process to recommend the interim and annual financial statements, the interim and annual assessment of the design, implementation and effectiveness of internal financial controls provided by the internal audit function;
- (h) ensure that the Internal Audit Service Provider is subject to an external, independent quality review at least once every five years;
- (i) receive and consider an annual overall statement on the governance, risk management and assessment of design, implementation, and effectiveness of the internal control environment of the Group;
- (j) obtain annual confirmation from the Internal Audit service provider that it conforms to a recognised industry code of ethics; and
- (k) convene a separate meeting with the internal audit function to discuss any matters that the Committee members or the auditors believe should be discussed privately;

4.6 Combined assurance

- (a) annually approve the Group's combined assurance model and satisfy itself that same is applied to provide a co-ordinated approach to all assurance activities;
- (b) oversee that the combined assurance model enables an effective internal control environment; supports the integrity of information used for internal decision making; and supports the integrity of related external reports;
- (c) satisfy itself that the combined assurance model incorporates and optimises various internal and external assurance services and functions as appropriate and ensures a co-ordinated approach to assurance;

- (d) oversee that the combined assurance model is designed and implemented to effectively cover the Group's significant risks and material matters through the use of internal and external assurance services and functions;
- (e) satisfy itself that the financial risks and financial reporting risks are appropriately reflected in the combined assurance model; and
- (f) satisfy itself as to the independence and effectiveness of the internal and external assurance providers;

4.7 Risk management

- (a) oversee the development, review and implementation of the Company's risk policy and enterprise risk management framework and recommend same to the Board for approval;
- (b) recommend risk appetite and tolerance levels to the Board for approval;
- (c) assess whether there are appropriate processes and controls in place to manage the risks down to an appropriate level and thereafter monitor that the risks are managed accordingly;
- (d) review the adequacy of the Group's insurance cover;
- (e) oversee business resilience and continuity arrangements, including the IT disaster recovery plan;
- (f) oversee that the following processes are adequately managed:
 - (i) management of financial and other risks that affect the integrity of external reports issued by the Group;
 - (ii) internal financial controls;
 - (iii) information technology risks as it relates to financial reporting; and
 - (iv) fraud and corruption risks in relation to financial reporting;

4.8 Information and Technology Governance

- (a) oversee the Group's technology and/or information management strategy and the governance thereof;
- (b) monitor responses to developments in technology;
- (c) approve a policy, framework, and implementation plan to set direction on the management of technology and information and oversee management's implementation thereof;
- (d) monitor policy for responsiveness to cyber security; and

- (e) make recommendations to the Board, where appropriate, on independent assurance on the effectiveness of information technology controls.

4.9 Grain Procurement

- (a) oversee the effectiveness of the design and implementation of the Group's internal controls insofar as they relate to compliance with the Grain Procurement Policy, as approved by the Board;

4.10 Reporting

- (a) advise the Board of matters which may significantly impact the financial position of the Group;
- (b) consider management's basis for determining materiality for external reporting and recommend the same to the Board for approval;
- (c) make any submission to the Board on accounting policies, financial controls, and reporting; and
- (d) report to shareholders on how it has carried out its duties contained in section 94(7) of the Act, the JSE Listings Requirements and King IV;
- (e) All fraudulent/corruption related matters reported to the Company's independent service provider's tip off/whistleblowing hotline ("the hotline") by any employee or third party, shall be reported to the chairman of this committee. The chairman shall exercise his judgement as to whether the reported incident should be investigated. In addition, a copy of all matters reported to the hotline, shall be made available to the company secretary on a confidential basis.

4.11 Governance

- (a) accept the role of the audit committee for the Company and, if and when applicable, those members of the Group that are required to have an audit committee in terms of their Memorandum of Incorporation;
- (b) ensure that there is a process in place to be informed of any reportable irregularities (as defined in the Auditing Profession Act, 2005) identified and reported by the external auditor;
- (c) ensure that there is a process in place to deal with any concerns and/or complaints (whether from within or outside the Group) relating to accounting policies, financial statements, internal financial controls and/or violations of law.

5 Meetings of the Committee

- 5.1 Committee meetings shall be held quarterly. The Committee chairman shall report on key matters addressed by the Committee at each Board meeting.

- 5.2 Additional meetings may be held at the request of the chairman, or any member of the Committee or Board as required.
- 5.3 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.
- 5.4 All directors of the Board are entitled to attend the Committee meetings.
- 5.5 The Committee shall 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.
- 5.6 Minutes of the Committee meetings shall be distributed timeously. The minutes must be formally approved by the Committee at its next scheduled meeting. Minutes of the meeting, signed by the chair, are sufficient evidence that the matters referred to therein have been fully discussed and agreed, whether by way of formal meeting or otherwise.
- 5.7 At the commencement of each meeting, all members of the Committee shall declare any conflict of interest in respect of matters on the agenda and such declarations shall be managed as deemed necessary.
- 5.8 The chairman of the Committee shall attend the annual general meeting of the company and be prepared to respond to any shareholder questions on the Committee's activities.
- 5.9 Round robin approvals may be obtained where there is a business requirement for a decision which cannot reasonably be held over until the next scheduled Committee meeting. Decisions must be received from at least a majority of the members, being not less than the quorum requirement. This may be achieved by electronic means and will be of full force and effect as if passed by a majority of members personally present. All Committee round robin resolutions shall be tabled at the next Committee meeting for noting.

6 Authority of the Committee

- 6.1 The Committee shall have authority to:
 - (a) access any information it needs to fulfil its responsibilities;
 - (b) seek outside legal or other independent professional advice at the Company's expense; and
 - (c) investigate matters within its mandate.
- 6.2 The Committee shall have the ability to consult with and receive the full cooperation of any employee where necessary to fulfil its responsibilities.

7 Remuneration of Members

Members of the Committee shall be paid such remuneration in respect of their appointment as recommended by the Board and approved by shareholders.

8 Review of Terms of Reference

The Committee shall review this TOR annually, to ensure that it remains consistent with its statutory duties and the Board's objectives and responsibilities. The TOR may be amended as required, subject to the approval of the Board.

9 Evaluation of the Committee's performance

The Committee shall ensure that a formal process, recommended by the Remuneration and Nomination Committee and approved the Board, is followed for evaluating the performance of the Committee, at least every second year.