



## **AUDIT COMMITTEE TERMS OF REFERENCE ("Terms of Reference")**

### **Index**

1. Introduction
2. Purpose of the Terms of Reference
3. Composition
4. Role of the Committee
5. Responsibilities of the Committee
6. Authority
7. Meeting Procedures
  - 7.1 Frequency
  - 7.2 Attendance
  - 7.3 Agenda and Minutes
  - 7.4 Quorum
8. Evaluation
9. Approval of the Terms of Reference

### **1. Introduction**

- 1.1 The Audit Committee (the "Committee") is constituted as a statutory committee of Pioneer Foods Group Ltd and its subsidiaries (the "Company"), in respect of its statutory duties in terms of section 94(7) of the Companies Act, No. 71 of 2008 (the "Companies Act").
- 1.2 It is, furthermore, also a Committee of the board of directors of the Company (the "Board") in respect of all other duties assigned to it by the Board.
- 1.3 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 that they have as members of the Board.
- 1.4 The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities, who must continue to exercise due care and judgement in accordance with their legal obligations.
- 1.5 These Terms of Reference are subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation, the JSE Listings Requirements, the King IV Report on Corporate Governance for South Africa (2016) ("King IV") (to the extent that its recommended practices have been adopted by the Company) and any other applicable law or regulatory provision.
- 1.6 The Committee's mandate extends to the Company and all its subsidiaries who are required to have an Audit Committee and, save where the context indicates



otherwise, any reference in this Charter to the Company shall be deemed to include a reference to each such subsidiary.

## 2. Purpose of these Terms of Reference

The purpose of these Terms of Reference is to *inter alia* set out the Committee's role and responsibilities as well as the requirements for its composition and meeting procedures.

## 3. Composition

- 3.1 The Committee must comprise not less than 3 (three) members, to be elected by the shareholders of the Committee, on recommendation by the Nominations Committee of the Company at the annual general meeting of the Company, who comply with the applicable requirements of the Companies Act and King IV (where applicable).
- 3.2 All members of the Committee must be suitably skilled and experienced independent, non-executive directors. The Committee members must, as a whole, have the necessary financial literacy, skills and experience to execute their duties effectively.
- 3.3 The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties, including an understanding of the following:
  - 3.3.1 Financial and sustainability reporting;
  - 3.3.2 Internal financial controls;
  - 3.3.3 External audit process;
  - 3.3.4 Internal audit process;
  - 3.3.5 Corporate law;
  - 3.3.6 Risk management;
  - 3.3.7 Sustainability issues;
  - 3.3.8 Information and technology governance as it relates to integrated reporting; and
  - 3.3.9 Governance processes within the Company.
- 3.4 The Committee members must keep up-to-date with developments affecting their required skill-set.

The Committee must be chaired by an independent non-executive director, who is elected by the Board ("**Chairperson**").
- 3.5 The chairperson of the Board is not eligible to be the chairperson or a member of the Committee.
- 3.6 The Board must fill vacancies on the Committee within 40 (forty) business days after a vacancy arises. Such an appointment must be ratified by the shareholders of the Company at the subsequent annual general meeting of the Company.

## 4. Role of the Committee



4.1 The Committee has an independent role with accountability to both the Board and the Company's shareholders.

4.1 The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

4.2 The role of the Committee includes the provision of independent oversight of, *inter alia*, the effectiveness of the Company's assurance functions and services and the integrity of the financial statements and external reports of the Company.

## 5. Responsibilities of the Committee

5.1 The Committee must perform all the required functions as is necessary to fulfil its role as stated afore, including but not limited to the following:

### 5.1.1 General

Reporting to the Board in respect of:

5.1.1.1 Its overall role and associated responsibilities and functions.

5.1.1.2 Its composition, including each member's qualifications and experience.

5.1.1.3 Any external advisers or invitees who regularly attend meetings of the Committee.

5.1.1.4 Key areas of focus during the reporting period.

5.1.1.5 The number of meetings held during the reporting period and attendance at those meetings.

5.1.1.6 Whether the Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

5.1.1.7 Any matter concerning the Company's accounting policies, financial control, records and reporting.

### 5.1.2 Integrated Reporting

The Committee oversees integrated reporting and, in particular, the Committee must:

5.1.2.1 Satisfy itself that the external auditor of the Company is independent of the Company, as determined by the Committee in terms of the Companies Act and any other applicable legislation, specifically, in respect of:



- 5.1.2.1.1 The policy and controls that address the provision of non-audit services by the external auditor, and the nature and extent of such services rendered during the relevant financial year;
- 5.1.2.1.2 The tenure of the relevant external audit firm and, in the event of the firm having been involved in a merger or acquisition, including the tenure of the predecessor firms;
- 5.1.2.1.3 The rotation of the designated external audit partner of the Company; and
- 5.1.2.1.4 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 of the Company;
- 5.1.2.2 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;
- 5.1.2.3 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;
- 5.1.2.4 Comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls;
- 5.1.2.5 Disclose its views on the effectiveness of the design and implementation of the 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;
- 5.1.2.6 Review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- 5.1.2.7 Recommend to the Board, the engagement of an external assurance provider on material sustainability issues;
- 5.1.2.8 Recommend the annual integrated report for approval by the Board;
- 5.1.2.9 Consider the frequency for issuing interim results;
- 5.1.2.10 Consider whether the external auditor should perform assurance procedures on the interim results;



- 5.1.2.11 Review the content of the summarised information for whether it provides a balanced view; and
- 5.1.2.12 Engage the external auditors to provide assurance on the summarised financial information.

### **5.1.3 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 should:

- 5.1.3.1 Oversee that the arrangements in place for combined assurance are effective in achieving an effective control environment; supporting the the integrity of information used for internal decision making by management, the Board and its committees; and supporting th integrity of external reports;
- 5.1.3.2 Ensure that the combined assurance received, is appropriate to address all the significant risks facing the Company;
- 5.1.3.3 Monitor the relationship between the external assurance providers and the Company;
- 5.1.3.4 Disclose the arrangements in place for combined assurance and the Committee's views on its effectiveness; and
- 5.1.3.5 Assess the output of the Company's combined assurance with objectivity and professional scepticism, and by applying an enquiring mind, form its opinion on the integrity of information and reports, and the degree to which an effective control; environment has been achieved.

### **5.1.4 Finance Function and Financial Director**

- 5.1.4.1 The Committee [annually] reviews the expertise, resources and experience of the Company's finance function, and discloses its views on the effectiveness of the finance function and the results of the review in the integrated report.
- 5.1.4.2 The Committee also considers and satisfies itself of the suitability of the expertise and experience of the Financial Director ("CFO") every year and discloses its views on the effectiveness of the CFO.
- 5.1.4.3 The Committee ensures that the Company has established appropriate financial reporting procedures and that those procedures are operating.

### **5.1.5 Internal Audit**



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

- 5.1.5.1 Be responsible for the appointment, performance assessment and/or dismissal of the chief audit executive ("CAE"), which CAE should have access to the Chairperson ;
- 5.1.5.2 Ensure that the CAE reports to the Chairperson on the performance of duties and functions that relate to internal audit;
- 5.1.5.3 Obtain confirmation from the CAE annually that the internal audit conforms to a recognised industry code of ethics;
- 5.1.5.4 Disclose its views on the effectiveness of the CAE and the arrangements for internal audit;
- 5.1.5.5 Obtain an overall statement from internal audit as to the effectiveness of the Company's governance, risks management and controls processes;
- 5.1.5.6 Approve the internal audit plan; and
- 5.1.5.7 Ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate, but at least once every 5 years.

#### **5.1.6 Risk Management**

- 5.1.6.1 The Committee is an integral component of the risk management process and specifically the Committee must oversee:
  - 5.1.6.1.1 Financial reporting risks;
  - 5.1.6.1.2 Internal financial controls;
  - 5.1.6.1.3 Fraud risks as it relates to financial reporting; and
  - 5.1.6.1.4 Information and Technology risks as it relates to financial reporting.

#### **5.1.7 External Audit**

- 5.1.7.1 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:
  - 5.1.7.1.1 Nominate the external auditor for appointment by the shareholders;
  - 5.1.7.1.2 Approve the terms of engagement and remuneration for the external audit engagement;



- 5.1.7.1.3 Monitor and report on the independence of the external auditor in the annual financial statements;
- 5.1.7.1.4 Define a policy for non-audit services provided by the external auditor;
- 5.1.7.1.5 Pre-approve the contracts for non-audit services to be rendered by the external auditor;
- 5.1.7.1.6 Ensure that there is a process for the Audit Committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor;
- 5.1.7.1.7 Review and disclose the quality and effectiveness of the external audit process, with reference to audit quality indicators such as those that may be included in inspection reports issued by external audit regulators;
- 5.1.7.1.8 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 as required by the JSE Limited Listings Requirements; and
- 5.1.7.1.9 Request from the audit firm (and if necessary consult with the audit firm on) the information detailed in paragraph 22.15(h) of the JSE Listings Requirements, in their assessment of the suitability for appointment of their current or a prospective audit firm and designated individual partner both when they are appointed for the first time and thereafter annually for every re-appointment.

## **6. Authority**

- 6.1 The Committee has decision-making authority in regard to its statutory duties. To this end the Chairperson must be present at all annual general meetings.
- 6.2 In respect of all responsibilities delegated to it by the Board outside of its statutory duties, the Committee makes recommendations for approval by the Board.
- 6.3 The Committee acts in accordance with its statutory duties and the delegated authority of the Board as recorded in these Terms of Reference.
- 6.4 The Committee has the power to investigate any activity within the scope of its terms of reference.
- 6.5 The Committee, in the fulfilment of its duties, may call upon the chairpersons of the other Board committees, any of the executive directors, company officers, and



the company secretary or assurance providers, to provide it with information, at the Company's cost, subject to following the relevant Board-approved process.

- 6.6 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 the relevant Board-approved process.
- 6.7 The Committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee.
- 6.8 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 the relevant Board-approved process being followed.

## **7. Meeting Procedures**

### **7.1 Frequency**

- 7.1.1 The Committee must hold sufficient scheduled meetings to discharge all its duties as set out in these Terms of Reference, but subject to a minimum of 2 (two) meetings per year.
- 7.1.2 Meetings in addition to those scheduled may, with approval of the Chairperson, be held at the request of the external auditor, chief executive officer, the CFO, the chief risk officer, the CAE or any other members of senior management or at the instance of the Board.
- 7.1.3 The Committee must meet with internal and external auditors at least once a year without management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum.

### **7.2 Attendance**

- 7.1.1 The chief executive officer, CFO, CAE, representatives from the external auditors, other assurance providers, professional advisors and Board members may be in attendance at Committee meetings, but by invitation only and they may not vote.
- 7.1.2 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 Chairperson or company secretary.
- 7.1.3 The company secretary of the Company is the secretary to this Committee.
- 7.1.4 If the nominated Chairperson of the Committee is absent from a meeting, the members present must elect one of the members present to act as Chairperson.



### **7.3 Agenda and Minutes**

- 7.3.1 The Committee must establish an annual work plan to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.
- 7.3.2 The annual work plan must ensure proper coverage of the matters laid out in these Terms of Reference. The more critical matters will need to be attended to each year, whilst 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 Committee's 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, in order to provide appropriate and constructive input on matters tabled for discussion.
- 7.3.6 The minutes of each Committee meeting that is held, must be completed as soon as possible after the meeting and circulated to the Chairperson and the 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.

## **8. Evaluation**

The Board must perform an evaluation of the effectiveness of the Committee every year.

## **9. Approval of the Terms of Reference**

- 9.1 These Terms of Reference were recommended to the Board by the Chairperson and subsequently approved by the chairperson of the Board, on 17 May 2018, and will be due for review annually thereafter.



## **PIONEER FOODS**

- 9.2 These Terms of Reference shall be published on Pioneer's website, or such other platforms or through media as is appropriate.