OUR AUDIT AND RISK COMMITTEE REPORT

for the year ended 31 December 2020

The Audit and Risk Committee (the Committee) is pleased to present its report to the shareholders of Sea Harvest Group Limited for the year ended 31 December 2020. This report is prepared in line with the Committee's responsibilities as defined in the Companies Act of South Africa, No 71 of 2008 (the Act), King IV™ and the JSE Listings Requirements.

INDEPENDENT NON-EXECUTIVES

Committee Chairperson



KA LAGLER

CA(SA)
Meetings attended: 3/3



WA HANEKOM

CA(SA)
Meetings attended: 3/3



BM RAPIYA

BAdmin
Meetings attended: 3/3



CK ZAMA

CA(SA)
Meetings attended: 3/3

ROLES AND RESPONSIBILITIES

The Committee is governed by a formal terms of reference which has been approved by the Board and which is reviewed annually; it was last reviewed in November 2020. A copy of the Committee's terms of reference can be found on the Group's website: **www.seaharvestgroup.co.za**.

The terms of reference include the Committee's statutory duties as described in the Act, King IV™ and the additional responsibilities assigned to it by the Board. In addition to its statutory duties prescribed in the Act, the Committee is required to provide independent oversight of the system of internal controls and risk management, and the effectiveness of the internal financial controls to assist the Board in monitoring the integrity of the Group's interim and annual financial statements and other performance-related external reports. The Committee further oversees the effectiveness and independence of the Group's external and internal assurance providers and services that contribute to the integrity of the Group's financial and integrated reporting.

The Committee is satisfied that it has discharged all of its responsibilities as mandated by its terms of reference. This report sets out the manner in which the Committee has fulfilled these responsibilities during the year under review.

COMPOSITION OF THE COMMITTEE

The Committee comprises four independent non-executive directors. The members of the Committee have remained unchanged for the 2020 financial year.

The Nomination Committee and the Board are satisfied that the members of the Committee have the requisite knowledge and experience as set out in section 94(5) of the Act and Regulation 42 of the Companies Regulations, 2011.

The Committee Chairperson, Ms KA Lagler, and members Mr WA Hanekom, Mr BM Rapiya and Ms CK Zama will hold office until the upcoming AGM on 26 May 2021, where their re-election to the Committee will be a matter for shareholder consideration.

The Group Chairperson, CEO, CFO, Mr MI Khan (Non-executive Director), senior executives, internal auditors and external auditors attend the meeting of the Committee by invitation.

MEETINGS AND WORK PLAN

The agenda of the meetings are derived from the adopted work plan of the Committee, which ensures that the Committee discharges its responsibilities in a structured manner.

The external and internal auditors attend Committee meetings and have unrestricted access to the Committee and its Chairperson, and have the opportunity to address the Committee and its Chairperson without management being present to ensure their independence. The Committee reviewed detailed reports from the external auditors and internal auditors, the outcomes of which were reported to the Board by the Chairperson of the Committee.

Three Audit and Risk Committee meetings were held during the year under review and the members' attendance records are set out to the left.

KEY FUNCTIONS OF THE COMMITTEE

The Committee performed the following duties during the year ended 31 December 2020:

- Reviewed the interim and annual financial statements of Sea Harvest Group Limited and recommended them to the Board for approval;
- Satisfied itself as to the adequacy of the Group's internal controls, including internal controls over financial reporting;
- Reviewed the solvency and liquidity, working capital, and going concern position;
- Reviewed and recommended the annual dividend proposal to the Board for approval;
- Reviewed the expertise and experience of the Group's CFO and finance function;
- Undertook a process of selection of new auditors in terms of mandatory audit firm rotation;
- Considered and nominated for approval at the AGM the external auditors and the designated auditor for the financial year under review;
- Reviewed reports from the established subsidiary companies' Finance and Risk Committees;
- Reviewed the fraud and defalcation reports;
- Reviewed insurance renewal terms;
- Conducted a self-assessment evaluation in accordance with the terms of reference;
- Reviewed the Insider Trading Policy;
- Reviewed impairment assessment calculations and considerations;
- Considered the independence and effectiveness of the external auditors;
- Determined the fees paid to the external auditors and the auditor's terms of engagement;
- Determined the nature and extent of non-audit services and the pre-approval of such services as the Committee deemed appropriate in accordance with the approved Non-Audit Services Policy;
- Reviewed and approved the internal audit terms of reference and annual audit plan;
- Considered the effectiveness and independence of the head of internal audit and the internal audit function;
- Received and considered the JSE Proactive Monitoring of Financial Statements report in relation to the 2019 AFS and 2020 interim financial statements, and satisfied itself with the responses provided;
- Confirmed that there were no concerns or complaints raised in relation to financial reporting matters and internal controls;
- Provided oversight of IT governance and IT risk management;
- Assessed the Group's combined assurance model and risk management framework;
- Assessed the Group's application of the King IV™ principles as set out in the King IV™ Application Register and Report on Corporate Governance; and
- Received reports detailing the tax status of each company within the Group and compliance with tax laws and regulations.

FINANCE FUNCTION

The preparation of financial reports, including the annual financial statements, were completed under the supervision of Mr M Brey (CA)SA, the Group's CFO. As required by paragraph 3.84(g) of the JSE Listings Requirements, as well as the recommended practices of the King IV Code™, the Committee reviewed and satisfied itself that the expertise and experience of Mr Brey is appropriate to meet his responsibilities in that position. The Committee further reviewed and was satisfied that the expertise and resources within the finance function were appropriate.

RISK MANAGEMENT AND COMBINED ASSURANCE

The Committee reviewed the strategic risks that could materially impact the ability of the Group to deliver its objectives and the related mitigation plans and considered these appropriate.

The Committee continues to have oversight of the Group's approach to combined assurance in response to the risks facing the Group and which incorporates the "lines of defence" strategy. Assurance is obtained from several assurance providers in a co-ordinated manner to avoid duplication of effort. The internal audit plan is compiled in consultation with management, using a risk-based methodology. In addition, internal and external auditors work in a collaborative manner. For the 2020 financial year, the Committee considered the risk assessments and mitigation plans presented by management, evaluated and approved the plans of the internal audit function and the external auditors, and the outcomes of the audit work performed.

The Committee meets with the internal and external auditors without management's presence and the Chairperson of the Committee has regular meetings with the Head of Internal Audit. The Committee is satisfied that the independent assurance providers' work undertaken, together with the internal controls designed by management, are adequate.

The Committee is satisfied that the combined assurance framework implemented by the Group is appropriate and provides sufficient assurance over the Group's risk universe.

IT GOVERNANCE

The Committee has oversight responsibility for IT governance and risk management. IT governance and risk management are managed through various charters, plans, policies, procedures and practices. An IT Steering Committee meets quarterly to monitor IT governance and risk-related matters and the adherence to various policies and procedures, and provides written feedback to the Committee at each meeting. The Committee is satisfied that the reports of the IT Steering Committee adequately address IT governance and risk management requirements, including the appropriateness of the IT strategy and policies, systems and network architecture, applications, disaster recovery and cyber security management.

OUR AUDIT AND RISK COMMITTEE REPORT
CONTINUED for the year ended 31 December 2020

EXTERNAL AUDITORS

The Committee has satisfied itself, through the evaluation of submissions made, that the external auditors of the Group and its subsidiaries are independent as defined by the Act and therefore are able to express an independent opinion on the Group's annual financial statements. The Committee, in consultation with management, has agreed to the audit fee for the 2020 financial year and has evaluated the extent of non-audit work in accordance with the established policy in this regard. This policy establishes that non-audit work performed by the external auditor beyond an agreed rand quantum is approved by the Committee Chairperson and communicated to other members of the Committee. The fees paid to the external auditors for non-audit services in 2020 related to taxation work and agreed-upon procedures in respect of royalty certificates issued to the Marine Stewardship Council, agreed-upon procedures and advice for specific business transactions, and taxation training for members of the finance department.

At each meeting of the Committee, the external auditor is provided the opportunity to engage with the Committee without management's presence.

The Committee has evaluated information relevant to the external auditor in terms of paragraph 22.15(h) of the JSE Listings Requirements. Deloitte & Touche (Deloitte) are the Group's external auditors and were appointed in 2008 and have been the auditors for Sea Harvest Group for 12 years. The Committee participated, in an oversight capacity, in the process to appoint the new auditors for the year ended 31 December 2021.

Mr M van Wyk was the designated audit partner for the financial year ended 31 December 2020 and was appointed as such in 2018. Mr M van Wyk has confirmed to the Committee that Deloitte has complied with the independence requirements in terms of the Independent Regulatory Board for Auditors and the South African Institute of Chartered Accountants standards.

Mandatory audit firm rotation

The Committee satisfied itself as to the appointment of Ernst & Young as the Group's external auditors for the year ending 31 December 2021, subject to shareholder approval at the upcoming AGM.

Key audit matters relating to the 2020 audit

The report of the independent auditors for the year ended 31 December 2020 contained the following key audit matters:

- Compliance with long-term fishing permit conditions in South Africa and Australia
- Viking Aquaculture's goodwill impairment assessment

The Committee has addressed the key audit matters as follows:

- The Committee has assessed the processes and controls that management has designed and implemented to ensure compliance with long-term fishing permits, and is satisfied that these controls are working as assessed by management, internal auditors and the external auditors.
- The Committee has also considered the level of impairment testing performed by management and agreed with the conclusions reached by both management and the external auditor that no impairment of goodwill is required.

INTERNAL AUDITORS

The Group's in-house internal audit function operates in terms of a charter which the Committee reviewed and approved during the reporting period. The Committee has considered the independence and effectiveness of the in-house internal audit function and considered these appropriate. The Committee has also regularly evaluated the progress made in relation to the internal audit coverage plan for 2020, and is satisfied that significant matters reported to it and management by the internal audit function are appropriately remediated.

The Head of Internal Audit has the opportunity to meet with the Committee at each meeting without management being present. On a regular basis, the Chairperson of the Committee also meets with the Head of Internal Audit and provides feedback to the Committee as appropriate. The Committee is satisfied, through the declarations made by the internal auditors, that the assurances provided to the Committee are aligned to the Code of Ethics of the Institute of Internal Auditors.

ACCOUNTING PRACTICES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Group has designed internal financial controls and systems to provide reasonable assurances as to the integrity and reliability of the interim and annual financial information, and to safeguard and maintain the assets of the Group.

The Committee has reviewed the written assessment performed by internal audit on the design, implementation and effectiveness of the Group's internal financial controls. Based on the results of this review, information provided by management, and in conjunction with the independent assurance providers, the Committee believes the internal financial controls are suitable and effective and provide a sound basis for the preparation of reliable financial information.

The 3.84k attestation completed by the CEO and CFO was evaluated by the Committee in conjunction with the feedback received from management and the internal auditors on the adequate functioning of the designed financial reporting controls.

ANNUAL FINANCIAL STATEMENTS

The Committee reviewed the annual financial statements for the period ending 31 December 2020 and is satisfied that it complies with IFRS, the Committee recommended the annual financial statements to the Board for approval, which the Board subsequently approved.

GOING CONCERN, SOLVENCY AND LIQUIDITY

The Committee reviewed the going concern status of the Group, taking into account the impact of COVID-19 which took into account cash flow analysis, operational analysis and available funding facilities. The cash flow analysis considered material factors impacting the ability of the Group to generate or preserve cash. Such factors included limitations of COVID-19 on production and the resulting sales, fixed costs and capital expenditure plans that would require funding, as well as available facilities. The result of these analyses was that the Group will have sufficient cash resources to sustain operations. An analysis of the potential impact of COVID-19 on funding covenants was also considered and the Committee is of the view that funding covenants will not be breached. The Committee recommended to the Board that the going concern basis of accounting is considered appropriate, and that the Group is considered solvent and able to distribute its proposed dividend to shareholders.

JSE REPORTING REQUIREMENTS

The Committee evaluated the submissions made to it by the Company Secretary and management and is satisfied that the Group has met the JSE Listings Requirements and the requirements of the King IV Code™. The King IV™ application code can be found on the Group's website: **www.seaharvestgroup.co.za.**

JSE proactive monitoring reports

The Committee has received and considered the findings in the JSE's reports for compliance with IFRS:

- Report back on proactive monitoring of financial statements in 2020;
- The following sections from the Combined Findings Report:
  - Going concern (pages 12, 59 and 60);
  - Statement of cash flows (pages 19 to 25);
  - Income taxes (pages 26 to 28);
  - Related party disclosures (page 31);
  - Impairment of assets (pages 36 to 38); and
  - Fair value measurement (pages 55 to 57);
- The following JSE COVID-19 letters:
  - Financial reporting (issued April 2020);
  - Reflecting the impact of COVID-19 in financial results (issued May 2020);
  - Effective communication with investors (issued September 2020); and
- The IASB COVID-19 documents:
  - Going concern – a focus on disclosure; and
  - Applying IFRS standards in 2020 – impact of COVID-19.

The Committee has ensured that, where applicable, the contents of these reports have been appropriately actioned in the preparation of the consolidated and separate annual financial statements for the year ended 31 December 2020.

JSE reporting requirements 3.84(k)

The Committee has considered the approach adopted by management to ensure that the CEO and CFO responsibility statement sign-off on the annual financial statements and internal financial reporting controls in terms of the JSE Listings Requirement 3.84(k) is appropriately supported. In satisfying itself in this regard, the Committee has evaluated:

- the risk assessment and scoping framework, including the determination of materiality applied to ensure that significant areas of risk, complexity and judgement are included for the evaluation of internal financial reporting controls;
- the process followed for the evaluation of the design of existing internal financial reporting controls and the need for amending and/or supplementing those controls;
- the ongoing implementation of the aforementioned controls and whether they have operated effectively during the reporting period under review; and
- the findings of assurance providers, including management declarations and internal audit findings, following their assessment of the operating effectiveness of internal financial reporting controls.

The Committee will continue to monitor progress in the implementation of amended and supplementary controls over financial reporting, and formal remediation plans have been developed to address control deficiencies identified, where noted, in operating effectiveness and design.

The Committee has discussed and documented the basis for its conclusion, which includes discussions with internal and external auditors as well as management.

The Committee believes that the Group's internal financial reporting controls can be relied upon as a reasonable basis for the preparation of the AFS.

CONCLUSION

I wish to extend my thanks to my fellow Committee members for the work undertaken during this reporting period. On behalf of the Committee, I wish to also thank the invitee non-executive and executive directors, management and assurance providers for their contributions to the Committee this year.



Kari Ann Lagler
CA(SA)
31 March 2021