OUR AUDIT AND RISK COMMITTEE REPORT

for the year ended 31 December 2022

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 2022. This report is prepared in line with the Committee's responsibilities as defined in the Companies Act, the King IV Report on Corporate Governance™ (King IV™) for South Africa and the JSE Listings Requirements.

Chairperson:

Meetings attended: X/X

MEMBERSHIP AND COMPOSITION OF THE COMMITTEE



3/3

KA Lagler
CA(SA)



3/3

CK Zama
CA(SA)



3/3

WA Hanekom
CA(SA)



3/3

BM Rapiya
BAdmin



2/3

F Robertson
Honorary Doctorate in Philosophy



3/3

MI Khan
CA(SA)



2/3

F Ratheb
BSc (Hons) (Eng), MBA



3/3

M Brey
CA(SA)

COMMITTEE INVITEE

ROLES AND RESPONSIBILITIES

The Committee is governed by a formal terms of reference which has been approved by the Board and is reviewed annually; it was last reviewed in November 2022. 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 Companies Act, King IV™, the JSE Listings Requirements, and the additional responsibilities assigned to it by the Board. In addition to its statutory duties prescribed in the Companies 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 2022 financial year.

The Nominations 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 Companies Act and regulation 42 of the Companies Regulations, 2011.

The Committee Chairperson, Ms KA Lagler, and members Mr BM Rapiya, Mr WA Hanekom and Ms CK Zama will hold office until the upcoming AGM on 18 May 2023, where their re-election to the Committee will be a matter for shareholder consideration.

The Group Chairman, CEO, CFO, Mr MI Khan (Non-executive Director), Ms T Moodley (Non-executive Director), the Brimstone Financial 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 is based on the formal terms of reference, ensuring 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 open discussion. 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 on **page 98**.

KEY FUNCTIONS OF THE COMMITTEE

The Committee performed the following duties during the year ended 31 December 2022

- Reviewed the interim and annual financial statements of Sea Harvest Group Limited and recommended them to the Board for approval;
- Reviewed the solvency and liquidity, working capital, and going concern position;
- Reviewed and recommended the annual dividend proposal to the Board for approval;
- Considered the independence and effectiveness of the external auditors and received and considered the external auditor's reports;
- Considered and nominated for approval at the AGM the external auditors and the designated auditor for the financial year under review;
- Determined the fees paid to the external auditors and the auditors' terms of engagement;
- Reviewed the expertise and experience of the Group's CFO and finance function;
- Satisfied itself with the adequacy of the Group's internal controls, including internal controls over financial reporting;
- Reviewed reports from the established subsidiary companies' Finance and Risk Committees;
- Reviewed the strategic risk register and mitigation plans put in place by management;
- Reviewed goodwill impairment assessment calculations and considerations;
- 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, Non-audit Services Policy and Fraud Prevention Policy inclusive of the Whistle-blowing Policy;
- 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 and received and considered the internal auditor's reports;
- Received and considered the JSE Proactive Monitoring Reports, and satisfied itself with the responses provided to the Committee by management;
- 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 application of the King IV™ principles as set out in the King IV™ Application Register and Report on Corporate Governance;
- Received reports detailing the tax status of each company within the Group and compliance with tax laws and regulations;
- Reviewed the Group's framework for determining materiality, which is applied to ensure that significant areas of risk, complexity and judgement are included for the evaluation of internal financial reporting controls; and
- Considered the Group structure and the nature and size of the components forming part thereof to ensure that management has established appropriate procedures to ensure that all relevant components has submitted audited or reviewed financial reporting packages, prepared in accordance with International Financial Reporting Standards (IFRS), which have been included in the consolidated financial statements of Sea Harvest as required by paragraph 3.84(g)(ii) of the JSE Listings Requirements.



OUR AUDIT AND RISK COMMITTEE REPORT

for the year ended 31 December 2022 CONTINUED

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 on its objectives and the related mitigation plans and considers 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 2022 financial year, the Committee considered the risk assessments and mitigation plans presented by management and evaluated and approved the plans of the internal and external audit functions.

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 IT risk management. IT governance and IT risk management are managed through various charters, plans, policies, procedures and practices. An IT Steering Committee meets regularly to monitor IT governance and risk-related matters as well as 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.

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 Companies Act and therefore able to express an independent opinion on the Group's annual financial statements. The Committee, in consultation with management, agreed to the audit fee for the 2022 financial year and evaluated the extent of non-audit work in accordance with the established policy in this regard. The policy of non-audit services establishes that non-audit work performed by the external auditor beyond an agreed rand quantum is approved by the Committee chairperson and tabled at Committee meetings at set intervals. The fees paid to the external auditors for non-audit services in 2022 related to due diligence for specific business acquisitions, taxation work and agreed upon procedures in respect of royalty certificates issues to the Marine Stewardship Council.

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

Mr P du Plessis was the designated audit partner for the year ended 31 December 2022. Mr P du Plessis has confirmed to the Committee that Ernst & Young Inc. have complied with the independence requirements in terms of the Independent Regulatory Board for Auditors and the South African Institute of Chartered Accountants standards.

Key audit matters relating to the 2022 audit

The report of the independent auditors for the year ended 31 December 2022 contained the following key audit matter

- Provisional purchase price allocation and goodwill recognition of MG Kailis acquisition.

The Committee addressed the key audit matter as follows

- The Committee assessed procedures followed by management in accounting for acquisitions governed by IFRS3: Business Combinations, which requires judgement in the identification and valuation of assets acquired and liabilities assumed. The Committee is satisfied with the outcomes of the purchase price allocation performed by management and assessed by the auditors.

INTERNAL AUDITORS

The Group's in-house internal audit function operates in accordance with the terms of reference that 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 regularly evaluated the progress made in relation to the internal audit coverage plan for 2022 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 is aligned with 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.

ANNUAL FINANCIAL STATEMENTS

The Committee reviewed the annual financial statements for the year ended 31 December 2022 and is satisfied that it complies with IFRS. Accordingly, 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 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. 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™ Codes. The King IV™ Application Register, which can be found in the Environmental, Social and Governance Report, published on the Group's website: **www.seaharvestgroup.co.za.**

JSE proactive monitoring report

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

- Report on proactive monitoring of financial statements in 2022 (issued 4 November 2022);
- The Audit Committee Briefing Document issued on 6 October 2022: Proactive monitoring limited scope thematic review: Cash flow information and disclosures of liquidity and going concern; and
- The following sections from the Combined Findings Report issued in October 2022:
  - Income Tax (pages 36 to 37 – matters 3 and 5);
  - Revenue (page 40 – matters 1 and 2); and
  - Interim Financial Reporting (pages 49 to 52 – matters 1 and 2).

The Committee ensured that, where applicable, the contents of these reports were appropriately actioned in the preparation of the consolidated and separate annual financial statements for the year ended 31 December 2022.

JSE reporting requirements 3.84(k)

The Committee 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 JSE Listings Requirement 3.84(k) is appropriately supported.

The Committee, in satisfying itself in this regard, evaluated:

- The consistency of the processes adopted in respect of risk assessment and scoping, 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; and
- At each reporting period, the assessment of controls following a combined assurance approach, including management declarations and internal audit findings, following their assessment of the operating effectiveness of internal financial reporting controls.

The Committee is satisfied that this aforementioned process was applied to all material subsidiaries, including those acquired during the reporting period.

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

The Committee discussed and documented the basis for its conclusion, which includes discussions with internal audit, external auditors and 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 annual financial statements.

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 also to thank the invitee non-executive and executive directors, management and assurance providers for their contributions to the Committee this year.



KARI ANN LAGLER

31 March 2023

Independent Non-executive Director