OUR AUDIT AND RISK COMMITTEE

for the year ended 31 December 2019

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 2019. This report is prepared in line with the Committee's responsibilities as defined in the Companies Act, No 71 of 2008, as amended, the King IV Report on Corporate Governance™ (King IV™) for South Africa and the JSE Listings Requirements.

Roles and responsibilities

The Committee is governed by formal terms of reference which has been approved by the Board and which is reviewed annually. A copy of the Committee's terms of reference can be found on the Group's website: **www.seaharvest.co.za**.

The terms of reference includes 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 2019 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 BM Rapiya, Mr WA Hanekom and Ms CK Zama will hold office until the upcoming AGM on 26 May 2020, where their re-election to the Committee will be a matter for shareholder consideration.

The Group Chairperson, CEO, CFO, CIO, 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 below.

INDEPENDENT NON-EXECUTIVES

Committee Chairperson



KA LAGLER

CA(SA)

Meetings attended: 3/3



BM RAPIYA

BAdmin

Meetings attended: 2/3



WA HANEKOM

CA(SA)

Meetings attended: 3/3



CK ZAMA

CA(SA)

Meetings attended: 3/3

OUR AUDIT AND RISK COMMITTEE
CONTINUED for the year ended 31 December 2019

Key functions of the Committee

The Committee performed the following duties during the year ended 31 December 2019:

- Reviewed the interim and annual financial statements of Sea Harvest Group Limited and recommended them to the Board for approval
- Satisfied itself with the adequacy of the Group's internal controls, including internal financial controls
- 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
- Considered and nominated for approval at the AGM the external auditors and the designated auditor for the financial year under review
- 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 reports
- Confirmed that there were no concerns or complaints raised in relation to financial reporting matters and internal controls
- Provided oversight of IT governance and 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

Finance function

The preparation of financial reports, including the annual financial statements, were completed under the supervision of Mr JP de Freitas (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™, the Committee reviewed and satisfied itself that the expertise and experience of Mr de Freitas 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 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 "three 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 2019 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.

OUR AUDIT AND RISK COMMITTEE

CONTINUED for the year ended 31 December 2019

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 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 addresses 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 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 2019 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. In terms of the Group's Non-Audit Services Policy, the Committee has pre-approved certain allowable non-audit services up to predetermined limits. This policy requires that all proposed services are assessed prior to commencement of the work, by the Audit Committee Chairperson (as representative of the Committee) to ensure that the proposed service falls within the definition of the pre-approved non-audit services. The fees paid to the external auditors for non-audit services in 2019 related to taxation work and agreed upon procedures in respect of royalty certificates issued to the Marine Stewardship Council 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 and no matters of concern were raised.

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) is the Group's external auditor, was appointed in 2008 and has been the auditor for Sea Harvest Group Limited for 11 years. The Committee will give the matter of audit firm rotation in-depth consideration in due course to comply with the 2023 deadline.

Mr M van Wyk is currently the designated audit partner and was appointed as such in 2018. He 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 codes.

The Committee, after appropriate consideration, has nominated for approval at the upcoming AGM on 26 May 2020, Deloitte & Touche as the external auditor, and Mr M van Wyk as the designated partner.

Key audit matters relating to the 2019 audit

The report of the independent auditors for the year ended 31 December 2019 contained the following key audit matters:

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

The Committee has addressed the key audit matters as follows:

- The Committee has assessed the processes and controls management have designed and implemented to ensure compliance with long-term fishing permits and is satisfied 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.

OUR AUDIT AND RISK COMMITTEE

CONTINUED for the year ended 31 December 2019

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 to be appropriate. The Committee also regularly evaluated the progress made in relation to the internal audit coverage plan for 2019, and is satisfied that significant matters reported to it and management by the internal audit function were 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 financial controls

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 2019 and is satisfied that it complies with IFRS. Accordingly, the Committee recommended the consolidated and separate 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 and recommended to the Board that the Group will continue to be considered on a going concern basis for the foreseeable future 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™. The King IV™ Application Register can be found on the Group's website: **www.seaharvest.co.za**.

JSE proactive monitoring reports

The Committee has received and considered the findings in the following reports on the JSE's proactive monitoring of financial statements for compliance with IFRS:

- Reporting back on proactive monitoring of financial statements in 2019
- Final findings of thematic review for compliance with IFRS 9 and IFRS 15 in 2019
- Activities of the financial reporting investigations panel in 2019
- The following extracts from the combined findings report (2011 to 2018):
  a. Transparency when reporting errors (pages 20 to 21 of our IR)
  b. Statement of cash flows (pages 21 to 31 of our IR)
  c. Income taxes (pages 32 to 34 of our IR)
  d. Impairments (pages 43 to 45 of our IR)

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 2019.

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
Chairperson of the Audit and Risk Committee
24 April 2020