REPORT OF THE AUDIT AND RISK COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2018

The Audit and Risk Committee ("the Committee") is pleased to present its report to the shareholders of the Sea Harvest Group Limited for the year ended 31 December 2018. 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"), the King IV™ Report on Corporate Governance™ ("King IV™") for South Africa and the JSE Listings Requirements.

THE COMMITTEE'S TERMS OF REFERENCE

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

The Committee is satisfied that it has satisfactorily discharged all of its responsibilities as mandated by its terms of reference.

ROLES AND RESPONSIBILITIES

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 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 functions and services that contribute to the Group's financial and integrated reporting.

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 4 (four) independent non-executive directors. Mr LJ Penzhorn retired as Chairperson and member of the Committee on 2 July 2018. Ms KA Lagler was appointed as Chairperson of the Committee with effect from 2 July 2018. In addition, Ms CK Zama was appointed as a member of the Committee on 2 July 2018.

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 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 Annual General Meeting on 27 May 2019, where their re-election will be a matter for shareholder consideration.

The Group Chairman, Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Investment Officer ("CIO"), Mr MI Khan (Non-Executive Director), senior executives, internal auditors and external auditors attend the meetings 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 ensure 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 had 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 outcome 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 in the table below.

MEMBERS	ATTENDANCE
LJ Penzhorn (Committee Chairperson) BCom Retired 2 July 2018	Attended 1 of 1 meetings
KA Lagler (Committee Chairperson) CA(SA) Appointed 2 July 2018	Attended 2 of 2 meetings
WA Hanekom CA(SA)	Attended 3 of 3 meetings
BM Rapiya BAdmin	Attended 2 of 3 meetings
CK Zama CA(SA) Appointed 2 July 2018	Attended 2 of 2 meetings

KEY FUNCTIONS OF THE COMMITTEE

The Committee performed the following duties during the year under review:

- 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 financial internal controls;
- Reviewed the solvency and liquidity, working capital, and going concern statements;
- Reviewed the annual dividend proposal;
- Reviewed the expertise and experience of the Group's Chief Financial Officer and finance function;
- Considered and nominated for appointment at the Annual General Meeting (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 to be paid to the external auditors and the auditor's terms of engagement;
- Determined the nature and extent of non-audit services and pre-approval of such services as the Committee deemed appropriate, in accordance with the Non-Audit Services approved 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 Proactive Monitoring report of general findings from the JSE;
- Confirmed that there were no concerns nor complaints raised in relation to financial reporting matters and internal controls;
- Provided oversight of Information Technology governance and risk management;
- Assessed the Group's combined assurance model and risk management framework; and
- 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 the Group's Chief Financial Officer, Mr JP de Freitas CA(SA). The Committee reviewed and satisfied itself that the expertise and experience of Mr de Freitas, is appropriate. The Committee further reviewed and was satisfied that the expertise and resources within the finance function were appropriate.

COMBINED ASSURANCE

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 "3 lines of defence" strategy. Assurance is obtained from various assurance providers in a coordinated manner, to avoid duplication of effort. The Combined Assurance framework was presented to and evaluated by the Committee during the reporting period and deemed to be appropriate.

The internal audit plan is compiled using a risk-based methodology, in consultation with management. In addition, internal and external auditors work in a collaborative manner. For the 2018 financial year, the Committee has considered the risk assesments 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 is satisfied that the combined assurance framework is appropriate and provides sufficient assurance over the Group's risk universe.

The Committee meets with the 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.

RISK MANAGEMENT AND FRAUD PREVENTION

The Group has developed a Risk Management Framework which was presented to the Committee during the year and deemed appropriate for the size and complexity of the Group. In accordance with this framework the Committee reviewed the strategic risks which could materially impact the ability of the Group to deliver its objectives and the related mitigation plans and considers these appropriate.

The Committee has also evaluated the fraud prevention strategies adopted by the Group. In the fulfilment of its oversight function the Committee is satisfied that the reported risks and fraud prevention strategies adopted are appropriate.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

The Committee has oversight responsibility for IT governance and risk management. IT governance is managed through various charters, plans, policies, procedures and practices. The IT policies, in particular those pertaining to disaster recovery, have been presented and approved by the Committee. An IT Steering Committee has been established to actively manage the IT governance and risk management matters and is responsible for the Group's adherence to the various IT policies and procedures. The IT Steering Committee meets quarterly and provides formal feedback to the Committee in the form of an IT Steering Committee feedback report. The Committee is satisfied that the report of the IT Steering Committee adequately addresses IT governance and risk management requirements, including the appropriateness of IT strategies and policies, systems and network architecture, applications, disaster recovery and security management.

EXTERNAL AUDITORS

Deloitte & Touche ("Deloitte") are the Group's external auditors and were appointed in 2008. Mr M van Wyk is currently the designated audit partner and was appointed as such in 2018. Mr M van Wyk has confirmed to the Committee that Deloitte have complied with the independence requirements in terms of the Independent Regulatory Board for Auditors and the South African Institute of Chartered Accountants standards.

The Committee gave due consideration to the external auditors and is satisfied that Deloitte is independent of the Group, executive and senior management and therefore able to express an independent opinion on the Group's annual financial statements.

The Committee approved the level of scope, external audit fees and extent of non-audit services for the 2018 audit. In accordance with the approved policy in respect of non-audit services performed by Deloitte, the Committee is satisfied that the fees paid to the external auditors did not exceed approved limits. The fees paid to Deloitte for non-audit services in 2018 related to taxation work and agreed upon procedures in respect of royalty certificates issued to the Marine Stewardship Council and the application for Fish Processing Establishment Rights within Cape Harvest Foods Proprietary Limited.

The Committee has evaluated the performance and conduct of the external auditor for the reporting period and is satisfied with the quality of the external auditors.

The Committee, after appropriate consideration, has nominated for approval at the upcoming AGM on 27 May 2019, Deloitte as the external auditor, and Mr M van Wyk as the designated audit partner.

SUITABILITY OF EXTERNAL AUDITOR AND DESIGNATED PARTNER

The Committee reviewed and was comfortable with the performance of the external auditor during the reporting period and with the quality of the external audit process and have obtained the confirmation required in terms of section 3.84 (g) and 22.15 (h) of the Listings Requirements of the JSE.

KEY AUDIT MATTERS RELATING TO THE 2018 AUDIT

The report of the independent auditors for the year ended 31 December 2018 contained the following key audit matters and the responses to these matters by management in relation to the 2018 annual financial statements were considered by the Committee:

- Acquisition of Viking Fishing and Viking Aquaculture and application of purchase price allocation and valuation; and
- Long-term fishing permit conditions;

Within the context of the audit of the annual financial statements, the Committee is satisfied that these items were suitably addressed.

INTERNAL AUDITORS

The Committee has considered the independence and effectiveness of the in-house internal audit function. The Committee has reviewed and approved the internal audit terms of reference and the coverage plans for 2018 and is satisfied, through the declarations made by the internal auditors, that the assurances provided to the Committee is aligned to the Code of Ethics of the Institute of Internal Auditors.

The head of internal audit reported to the Committee at each meeting and through these reports provided the Committee with a detailed evaluation of the internal control environment within the Group.

INTERNAL FINANCIAL CONTROLS AND FINANCIAL REPORTING PROCEDURES

The Committee has reviewed the written assessment performed by internal audit on the design, implementation and effectiveness of the Group's internal financial controls and financial reporting procedures. 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 and financial reporting procedures are suitable and effective and provide a sound basis for the preparation and reporting of reliable financial information.

ANNUAL FINANCIAL STATEMENTS

The Committee reviewed the annual financial statements for the year ended 31 December 2018 and are satisfied that they comply with International Financial Reporting Standards. 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 and recommended to the Board that the Group is expected to operate on a going concern basis for the foreseeable future and that the Company is considered solvent and able to distribute its proposed dividend to shareholders.

JSE AND ASX REPORTING REQUIREMENTS

The Committee is satisfied that the Group has met the JSE Listings Requirements and the requirements of King IV™ and is satisfied with the disclosures contained in the King IV™ Application Register, which can be found on the Group's website: www.seaharvest.co.za.

The governance of the Group's Australian Securities Exchange (ASX) listed subsidiary, Mareterram, is managed through representation of the Group's Chairman, CEO and CIO as non-executive directors on the Mareterram Board and Audit Committee. The Committee is satisfied that the necessary governance standards as promulgated by the ASX Listing Rules and the ASX Corporate Governance Council have been materially complied with and where not so, appropriately disclosed.

CONCLUSION

I wish to extend my thanks to my fellow committee members for the work undertaken during this exciting 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 during the year.



KA Lagler
CA(SA)
29 March 2019