

AUDIT, RISK AND COMPLIANCE COMMITTEE

COMMITTEE CHAIRMAN'S REPORT

The committee provides independent oversight and assessment of the Group's risk management processes, legal and regulatory compliance, financial reporting, business and financial controls, internal and external audit processes, and acts as a liaison between the Board and external and internal auditors.

INTRODUCTION

The Group operates in the fast-moving consumer foods industry in Africa and recognises that it will be exposed to certain risks in order to achieve sustainable growth. The focus of the Group's risk management is to ensure that an appropriate balance between risk and reward is maintained while protecting all stakeholders against avoidable risks, and mitigating the impact of unavoidable risks.

The Board is responsible for Group-wide risk governance by ensuring that adequate systems are in place to identify, evaluate and manage key business risks. The Board is assisted in this regard by the audit, risk and compliance committee, whose responsibility it is to develop, communicate and monitor the risk management process across all divisions in the Group.

The committee does not and cannot replace the Board's overall responsibility to review and approve the Group's financial statements.

COMPOSITION AND ACTIVITIES

A standing statutory committee, it is chaired by an independent non-executive director and comprises only independent non-executive directors. In accordance with the requirements of the Companies Act, members of the committee are appointed annually by the Board for the ensuing financial period and are elected by shareholders at the annual general meeting. Fees paid to committee members are disclosed on page 37.

The committee meets formally twice a year with the Chairman, the CEO, the CFO, the head of the internal audit function and the external auditors in attendance. The committee has the right to invite other Board members, executives and external advisors to attend any meeting. Formal minutes are kept and are made available to all members of the committee, and are available on request to all members of the Board. The committee chairman meets with executives, and the external and internal auditors, whenever necessary. The effectiveness of the committee is assessed as part of the annual Board and committee self-evaluation process.

The internal and external auditors have unfettered access to the committee and its members throughout the year.

COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS HELD DURING THE 2018 FINANCIAL PERIOD

MEMBERS	Qualifications and experience	Attendance
Jeff van Rooyen (Chairman)	A chartered accountant with extensive experience in both the private and public sectors, Jeff is Chairman of the committee	2/2
Hugh Herman	An attorney and well-respected businessman, Hugh is honorary life president of the Investec Group	2/2
David Friedland	A chartered accountant, who enjoyed a long career as audit engagement partner and lead partner with Arthur Andersen and KPMG, David is well placed to assist the committee with his auditing experience	2/2
Audrey Mothupi	An Honours graduate with wide business experience in strategy, marketing and banking. Audrey is the CEO of the SystemicLogic Group	2/2

For full details of the members' qualifications and experience refer to their CVs on pages 12 and 13.

RESPONSIBILITIES AND ACTIVITIES PERFORMED

The committee is authorised by the Board to investigate any activity within its terms of reference. The committee has the right to:

- Seek any information that it requires from any employee or director
- Demand unrestricted access to records and information
- Liaise directly with the external auditors and Group internal audit services
- Obtain outside legal or other professional advice
- Have access to the resources it needs to fulfil its responsibilities
- Set and maintain an appropriate mandate for subsidiary company audit committees

INTEGRATED AND FINANCIAL REPORTING AND FINANCE FUNCTION

RESPONSIBILITIES	Activities performed
<ul style="list-style-type: none"> • Providing independent oversight and assessment of the effectiveness of the Group's assurance functions and services, with particular focus on combined assurance arrangements, including external assurance service providers, internal audit and the finance function • Providing independent oversight and assessment of the integrity of the annual financial statements and other external reports issued by the Group • Providing independent oversight and assessment of the management of financial and other risks that affect the integrity of external reports issued by the Group • Ensuring that the necessary internal controls and checks and balances are in place • Establishing that management are enforcing use of the controls • Overseeing any tender process adopted to establish whether new external auditors should be appointed • Acting as a liaison between the external auditors and the Board 	<ul style="list-style-type: none"> • Reviewed and recommended to the Board the annual financial statements, interim results, preliminary results announcement, summarised financial statements and integrated annual report • Ensured and recommended to the Board that financial and integrated reporting was reliable and was in conformity with International Financial Reporting Standards (IFRS), the Companies Act, the Listings Requirements of the JSE and the King IV Code™ on Corporate Governance (King IV Code™) • Reviewed and approved the appropriateness of accounting policies, restatements, disclosure policies and the effectiveness of internal financial controls • Reviewed the sustainability disclosure in the integrated annual report and ensured that it was consistent with financial information reported • Considered the expertise, experience and resources of the Group's finance function • Reviewed the Group's integrated reporting function and progress, considering factors and risks that could impact on the integrity of the integrated annual report • Reviewed and considered representations by management on the going concern statement for the Group and recommended the adoption of the going concern concept to the Board

INTERNAL AUDIT

The internal audit function is independent of business operations and provides assurance on the adequacy and effectiveness of internal controls. In developing its annual combined assurance plan, the internal audit function follows a risk-based methodology to identify material business risks, which are then confirmed and addressed by the relevant individual divisional managers.

RESPONSIBILITIES	Activities performed
<ul style="list-style-type: none"> • Reviews and approves the internal audit charter and audit plans • Evaluates the independence, effectiveness and performance of the internal audit function and compliance with its mandate • Reviews the Group's system of internal control, including financial controls, ensuring that management is adhering to and continually improving these controls • Reviews significant issues raised by the internal audit process • Reviews policies and procedures for preventing and detecting fraud 	<ul style="list-style-type: none"> • Reviewed the internal audit coverage plan • Considered and confirmed the composition, experience, resources, independence and skills of the internal audit function • Considered and confirmed that the head of the internal audit function has the appropriate expertise and experience for the position • Ensured continued progress in integration with the combined assurance model • Reviewed the effectiveness of internal financial controls • Met separately with the internal auditors to confirm that they received the full co-operation of management

EXTERNAL AUDIT

Following a tender process, Ernst & Young Inc. (EY) was appointed as external auditor to the Group in July 2015, bringing their tenure to three years.

The committee annually considers whether a tender process should be adopted to establish whether new external auditors should be appointed. After consideration, the committee concluded that a new tender process was not required in the 2019 financial year.

The designated audit partner will be rotated in the event that EY is auditing the Group in the 2020 financial year.

The committee confirmed its satisfaction with the performance and level of service rendered by EY, for the 2018 financial period.

RESPONSIBILITIES	Activities performed
<ul style="list-style-type: none"> • Act as a liaison between the external auditors and the Board • Nominate the external auditor for appointment by shareholders • Determine annually the scope of audit and non-audit services that the external auditors may provide to the Group • Approve the remuneration of the external auditors and assess their performance • Assess annually the independence of the external auditors • Ensure a process is in place for the committee to be informed of any reportable irregularities identified by the external auditor 	<ul style="list-style-type: none"> • Ensured the appointment as external auditor a registered auditor, who, in the opinion of the committee, was independent of the Group and recommended approval for the re-appointment of EY as external auditors • Ensured that the appointment of the external auditor complied with relevant legislation • Determined the fees to be paid to the external auditor, as well as the terms of engagement • Pre-approved non-audit services provided by the Group's external auditors • Considered and confirmed the independence of the external auditors, taking into account all non-audit services performed and circumstances known to the committee • Reviewed the external audit coverage plan to ensure adequate coverage of critical risk areas and dealt with questions arising from audit activities • Met with management, independently of the auditors, to discuss issues relevant to the audit and for purposes of evaluating the quality and effectiveness of the external audit function • Evaluated the performance, and reviewed the reports, of the external auditors and ensured that the reporting was reliable, transparent and a fair representation for the use by stakeholders • Received and appropriately dealt with any complaints relating to the accounting practices of the Group, the content or auditing of its financial statements, the internal financial controls of the Group or to any related matter • Made submissions to the Board on any matter concerning the Group's accounting policies, financial controls, records and reporting

RISK MANAGEMENT

The Chief Finance Officer serves as the Chief Risk Officer for the Group and attends all audit, risk and compliance committee meetings by invitation. The day-to-day responsibility for identifying, evaluating and managing risk remains the responsibility of senior management, who are supported by the internal audit function. Currently, the combined assurance plan serves as the source for the Group's top-down risk management programme. These risks are typically strategic and operational, and are quantified by the finance function, where relevant.

RESPONSIBILITIES	Activities performed
<ul style="list-style-type: none"> Ensures that the Group has adequate processes in place to identify, monitor and manage all significant business and financial risk areas Assisting management to identify risk areas, and evaluates management in the handling of identified risks Ensures that the Group's assets are secure Ensures that the accounting system and controls are adequate and function effectively Ensures that the effectiveness of the internal control measures are continually evaluated Ensures that systems exist that adequately provide for the Group's conformance with all laws, regulations and codes 	<ul style="list-style-type: none"> Discharged all audit, risk and compliance committee responsibilities of all the subsidiary companies in the Group Together with the external auditors and management reviewed the findings of the financial review committees to the material operating divisions in the Group Ensured that management's processes and procedures were adequate to identify, assess, manage and monitor enterprise-wide risks Reviewed operational risks, in particular how they were managed Met with management to review their progress on identifying and addressing material risk areas within the business Chairman met regularly with key management to keep abreast of emerging issues which, during the 2018 financial period, included: <ul style="list-style-type: none"> Water crisis in the Western Cape, South Africa Listeriosis outbreak in South Africa Recent corporate governance failures in South Africa and their implications for risk management and director responsibilities in oversight of management

POLICY ON NON-AUDIT SERVICES

All non-audit services provided by the Group's external auditors are required to be pre-approved by the committee. The nature and extent of non-audit services provided by the external auditors has been reviewed to ensure that the fees for such services do not become so significant as to call into question their independence. During the year, EY received R0.8 million (2017: R0.4 million) equating to 8.8% (2017: 4.2%) of the total audit remuneration. These services related mainly to agreed-upon procedures for third-party confirmation and assurance. All non-audit services undertaken during the 2018 financial period were approved in accordance with this policy.

EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICE AND FINANCE FUNCTION

The committee, together with the lead external audit partner, has considered and confirmed the composition, experience, resources and skills of the finance function. The committee is satisfied that Bakar Jakoet has the appropriate expertise and experience for the position of Chief Finance Officer of the Group. In addition, the committee is satisfied that the composition, experience and skills of the finance function meet the Group's requirements.

LEGAL REQUIREMENTS

The committee has complied with all applicable legal, regulatory and other responsibilities for the 2018 financial period.

EFFECTIVENESS OF THE DESIGN AND IMPLEMENTATION OF INTERNAL FINANCIAL CONTROLS

The committee has examined the effectiveness of internal financial controls, to assess if there are any significant weaknesses in the design, implementation or execution of internal financial controls that could result in material financial loss, fraud, corruption or error. Through this process no material matter has come to the attention of the audit, risk and compliance committee or the Board that has caused the directors to believe that the Group's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The committee has concluded that the current design of internal financial controls is effective, but will continue to be watchful.

ARRANGEMENTS IN PLACE FOR COMBINED ASSURANCE AND THE COMMITTEE'S VIEW ON ITS EFFECTIVENESS

The committee ensured that the combined assurance model addressed all significant risks facing the Group and monitored the relationship between external and internal assurance providers and the Group. The committee concluded that the arrangements in place for combined assurance were effective. This conclusion was reinforced by the Group receiving an award from the Institute of Risk Management of South Africa in the category *Wholesale & Retail Industry* in "recognition of outstanding contribution towards risk management".

ANNUAL FINANCIAL STATEMENTS AND GOING CONCERN

Following review of the consolidated Group and separate Company annual financial statements for the financial period ended 25 February 2018, the committee is of the opinion that, in all material respects, the financial statements comply with International Financial Reporting Standards and the Companies Act and that they fairly present the financial position of the Group and Company for the 2018 financial year and the results of the operations and cash flows for the year then ended.

The committee reviewed and considered representations by management on the going concern statement for the Group and recommended the adoption of the going concern concept to the Board.

In compliance with the requirements of the King IV Report on Corporate Governance™ for South Africa 2016 (King IV™), an integrated annual report has been compiled for 2018.

APPROVAL OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

The committee confirms that it functioned in accordance with its charter for the 2018 financial period and that its report to shareholders was approved by the Board.

Jeff van Rooyen

Chairman: audit, risk and compliance committee

18 April 2018