



CLOVER INDUSTRIES LIMITED

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

1. INTRODUCTION

The Board of Directors (hereinafter referred to as the "Board") of Clover Industries Limited (hereinafter referred to as "CIL" or as "the Company") has resolved to establish a Committee of the Board to be known as the "Clover Group Audit and Risk Committee" (hereinafter referred to as "the Committee") to act in the capacity of an audit and risk committee for CIL and all of its subsidiaries.

The Committee is constituted as a statutory Committee of the Company in respect of its statutory duties in terms of section 94(7) of the Companies Act and a sub-Committee of the Board in respect of all other duties assigned to it by the Board.

The Committee should assist the Board in carrying out its functions relating to the safeguarding of assets, the operation of adequate risk management and control processes and the preparation of financial statements in compliance with all applicable legislation and regulations, and the oversight of the external and internal audit appointments and function.

These terms of reference are subject to the provisions of the Companies Act no 71 of 2008, the Company's Memorandum of Incorporation and any other applicable law or regulatory provision, including the JSE Listing Requirements and the King IV Report on Corporate Governance for South Africa, 2016. Where these terms of reference transgress legislation and/or rules of the Companies Act, that legislation and/or regulation takes precedence over the Charter.

2. ROLE OF THE COMMITTEE

- 2.1 The establishment of a Committee is a statutory requirement. The role of the Committee is to provide independent oversight of, amongst others:
 - 2.1.1 The effectiveness of the Company's assurance functions and services, with particular focus on combined assurance arrangements, including external assurance service providers, internal audit and the finance function; and
 - 2.1.2 The integrity of the annual financial statements and, to the extent delegated by the Board, other external reports issued by the Company.
- 2.2 The Committee has the power to make decisions regarding statutory duties, and is accountable for its performance in this regard. In addition to its statutory duties, the Board may delegate other responsibilities to the Committee, such as the approval of the annual financial statements, but the Board remains ultimately accountable for such delegated responsibilities.
- 2.3 If the the Board delegates risk governance to the Committee, the Committee should satisfy itself that it dedicates sufficient time to this responsibility.
- 2.4 The Committee should oversee the management of financial and other risks that effect the integrity of external reports issued by the Company.

3. STATUTORY RESPONSIBILITIES

To ensure sound financial and risk governance, this Committee does also act as the Company's (and its subsidiaries) statutory audit committee as required by section 94 of the Companies Act 71 of 2008 ("**the Act**") and shall perform the statutory audit committee functions in respect of CIL and all of its subsidiaries required under section 94(7) of the Act, which functions are: -

- (a) to nominate, for appointment as external auditor of the company under section 90 of the Act, a registered external auditor who, in the opinion of the Committee, is independent of the Company;
- (b) to determine the fees to be paid to the external auditor and the external auditor's terms of engagement;
- (c) to ensure that the appointment of the external auditor complies with the provisions of the Act and any other legislation relating to the appointment of external auditors;
- (d) to determine, subject to the provisions of the Act, the nature and extent of any non-audit services that the external auditor may provide to the Company, or that the external auditor must not provide to the Company, or a related Company;
- (e) to pre-approve any proposed agreement with the external auditor for the provision of non-audit services to the Company;
- (f) to prepare a report, to be included in the annual financial statements for that financial year-
 - (i) describing how the Committee carried out its functions;
 - (ii) stating whether the Committee is satisfied that the external auditor was independent of the Company;
 - (iii) significant matters that the Committee has considered in relation to the annual financial statement and how these were addressed by the Committee;
 - (iv) the Committee's view on the quality of the External Audit, and
 - (v) commenting in any way the Committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the Company;
- (g) to receive and deal appropriately with any concerns of complaints, whether from within or outside the Company, or on its own initiative, relating to-
 - (i) the accounting practices and internal audit of the Company;
 - (ii) the content or auditing of the Company's financial statements;
 - (iii) the internal financial controls of the Company; or
 - (vi) any related matter;
- (h) make submissions to the Board on any matter concerning the Company's accounting policies, financial control, records and reporting; and
- (i) to perform such other oversight functions determined by the Board.

The Committee will assist the Board in ensuring compliance with the financial and risk requirements of the: -

- i. Companies Act no 71 of 2008;
- ii. any requirements of any other regulatory/supervisory authority (i.e. JSE Listing Requirements);
- iii. King IV Code of Governance for South Africa, as amended; and
- iv. any other applicable legislation.

4. OTHER RESPONSIBILITIES OF THE COMMITTEE

The Committee is responsible for overseeing the Company's risk management process and internal control structure including financial control, accounting systems and reporting, operational controls and compliance with regulations. The Committee has the following responsibilities:

4.1 Financial control, accounting systems and reporting

- Review the accounting policies adopted or any changes made or contemplated for adequacy within a company context.
- Review any significant matters which are not a normal part of the Company's business which are referred to the Committee by the Board, Management or any other committee of the Clover Group.
- Review the measures introduced by Management to enhance the accuracy and fair presentation of the annual financial statements.
- Review any reports prepared with reference to the affairs of the Company for external distribution or publication, including those required by any regulatory/supervisory authority.
- Review drafts of the annual financial statements of the Company, any annual or interim profit and dividend announcements or any other reports or financial information (as applicable within the scope of the Committee's authority) with Management and the auditors prior to their submission to the Board for approval and release to the shareholders and other stakeholders, the public and/or any regulatory/supervisory authority.
- Review the risk management within the Company and the steps taken by Management to control, manage and reduce the risk profile.

4.2 Financial Function

- Consider and be satisfied with the appropriateness of the expertise and adequacy of resources of the financial function and experience of the senior members of Management responsible for the financial function.
- Evaluate the suitability of the expertise and experience of the Chief Financial Officer and recommend to the Board if any changes are necessary.

4.3 Internal Audit and Controls

The Committee is responsible for overseeing the Internal Audit function and in so doing; it must do the following:

- Appoint suitable persons or auditors to perform internal audit functions as determined by the Committee.
- Approve the internal audit fee and budget.
- Approve the internal audit plan.
- Obtain feedback from the internal auditors at every meeting of the Committee.
- Review and consider Management and the External and Internal Auditors' Internal Control Reports, where applicable.
- Meet separately with internal auditors (without management being present) where necessary, at least once a year.
- Review the performance, competency and independence of the internal auditors every year to ensure that the internal auditors are fulfilling its responsibilities to assist and advise the Committee and the Board.
- Review arrangements made by the Company to enable employees and the outside whistle-blowers to report, in confidence, their concerns about possible improprieties in matters of financial and sustainability reporting, or non-compliance with laws and regulations.

4.4 External Audit

In conjunction with its Statutory Duties the Committee must perform the following duties with regard to the External Audit: -

- Ensure that the external auditors are able to carry out their audit free from any restrictions, and that their appointment complies with the Act, as amended and any other legislation relating to the appointment of the external auditors.
- Review and make recommendations regarding the nature, timing and extent of the work performed and the services to be provided by the external auditors (external audit plan).
- Review any significant matters, illegal acts or reportable irregularities reported to or to be reported by the external auditors either to the Independent Regulatory Body for Auditors in terms of the Auditing Profession Act, or in terms of any other legal or statutory requirement applicable or any local or foreign operations and the steps taken by management to rectify the situation.
- Review, resolve and/or make recommendations regarding any significant accounting or auditing problems encountered during the annual audit to the Board.
- Address any disagreement on auditing or accounting matters between Management and the external auditors.

- Ensure that the audit firm and where appropriate, the individual auditor responsible for the audit function is accredited as such on the JSE List of Auditors and their advisors as required by the Listing Requirements of the JSE.
- Review the external auditors' report, management letters and their statutory report on the annual financial statements and the Company's annual financial statements.
- Meet separately with external auditors (without management being present) where necessary, at least once a year.
- Annually review and satisfy itself as to the independence of the external auditors and the designated auditor.

4.5 Risk Management

The Committee should:

- recommend to the Board the risk strategy policies to be followed by the Company, in liaison with the Chief Executive and Senior Management. These policies will include the Company's tolerance for the risks it will take and those it will not take in the pursuit of its goals and objectives;
- monitor, based on reports from Management the manner in which Management has implemented an effective ongoing process to identify, manage and report on risks, to measure its potential impact against a broad set of assumptions, and to proactively manage those risks;
- consider the risks affecting the Company under *inter alia* the following headings:
 - effectiveness and efficiency of operations;
 - safeguarding the Company's assets (including information);
 - compliance with applicable laws, regulations and supervisory requirements;
 - supporting business sustainability under normal as well as adverse operating conditions;
 - reliability of reporting; and
 - behaving responsibly towards all stakeholders.
- ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken, at least annually, for the purpose of making its public statement on risk management. It should receive periodic risk assessments from Management covering at least:
 - physical and operational risks;
 - human resource risks;

- technology risks;
- business continuity and disaster recovery;
- credit and market risks;
- compliance risks;
- a summary of the reports made to Tapp-Offs Anonymous and investigations conducted; and
- significant fraud uncovered.
- annually receive and review a report on:
 - IT risks; and
 - adequacy of the Company's insurance cover.
- review and discuss, with internal and external auditors, as applicable, the extent and alignment of their audits with the risks faced by the Company.
- Express the Committee's formal opinion to the Board regarding the effectiveness of the system and process of risk management in the Company.
- Review reporting concerning risk management that is to be included in the Integrated Annual Report for it being timely, comprehensive and relevant

4.6 Regulatory

- Review and be satisfied with all taxation, foreign exchange and treasury related matters.
- Consider legal and regulatory requirements which may have an impact on the integrated reporting.
- Meet with regulators when required.
- Liaise with the compliance function/officer where necessary.
- Assist the Board in ensuring compliance with the financial and risk requirements of the: -
 - Companies Act no 71 of 2008;
 - any requirements of any other regulatory/supervisory authority (i.e. JSE Listing Requirements);
 - King IV Code of Governance for South Africa, as amended; and
 - any other applicable legislation (i.e. the Consumer Protection Act, 2008).

4.7 Corporate Governance

The Committee will review compliance with sound Corporate Governance and propose actions to adhere to the recommendations.

4.8 Integrated Reporting

In terms of good corporate governance and King IV, companies should produce an Integrated Annual Report, which the Committee must oversee. The Committee must review the integrity of the Integrated Annual Report including all the necessary reporting requirements in terms of King IV, as included in this Charter. This shall include, *inter alia*:

- To ensure that an integrated report that conveys adequate information about the social, economic and environmental impact of the Company on the community, in which it operates, is disclosed annually.
- In its consideration of the Integrated Annual Report, the Committee should consider any factors that may predispose the Management to present an incomplete or misleading picture of the Company's position, performance or sustainability.
- Carefully review forward-looking statement of financial or sustainability information to ensure that the information provides a proper appreciation of key drivers that will enable the Company to achieve forward-looking goals.

4.9 Combined Assurance

The Committee must ensure that a Combined Assurance Model is applied to provide a coordinated approach to all assurance activities, and in particular, the Committee shall:

- 2.9.1 Ensure that the combined assurance received is appropriate to address all the significant risks facing the Company; and
- 2.9.2 Monitor the relationship between the external assurance providers of the Company.

4.10 Any other matters referred to the Committee by the Board

Consider any other matters which may be referred to the Committee by the Board from time to time, including but not limited to the following:

- consult with specialists or consultants where necessary;
- review any significant cases of director, officer or employee conflict of interest, misconduct or fraud and the steps being taken by the Board and Management to rectify the situation; and
- liaise with other Board committees where necessary.

5. COMPOSITION AND MEETING OF THE COMMITTEE

5.1 Composition of Committee

The Committee shall comprise of at least 3 (three) independent non-executive Board members elected by shareholders on the recommendation of the Nomination Committee. All members of the Committee must be independent, non-executive Board members, meet all applicable independence requirements, and be appropriately qualified as required by King IV.

The Chairman of the Committee shall be appointed by the Board, from its members, and shall be an independent non-executive director. The Chairperson of the Board is not eligible to be Chairperson, or a member of this Committee

Collectively, members of this Committee must have the appropriate mix of qualifications and experience in order to fulfil their duties adequately.

5.2 Meetings of the Committee

The Committee will meet formally at least 4 (four) times per year.

The meetings of the Committee will be attended by the Chief Executive, the Chief Financial Officer and any other members of Management as nominated by Chief Executive and approved by the Committee, together with an auditing partner of the Company's external and internal auditors.

In addition, the Committee may invite any other person they deem appropriate to attend the official Committee meetings or any additional meeting convened by the Committee to address any specific concerns.

The Company Secretary will be in attendance as Secretary to the Committee.

5.3 Quorum

At least 2 (two) members of the Committee must be present physically or through telephone/video conference to constitute a quorum at any Committee meeting.

5.4 Agenda and minutes

A detailed agenda, together with supporting documentation, must be circulated, at least one week prior to each meeting to the members of the board and other invitees.

It is envisaged that the following meetings be held with specific agenda items as detailed in workplan of the Committee attached hereto as annexure "A".

Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.

The minutes must be completed as soon as possible after the meeting and circulated to the chairman and the Committee members for review thereof. The minutes must be formally approved by the Committee at its next scheduled meeting.

6. ACCOUNTABILITY OF THE COMMITTEE

The Committee is accountable to the Board and must submit reports to the Board of its meetings, including any recommendations it may wish to make, provided that the Committee is accountable to the shareholders with regard to its Statutory Duties.

7. AUTHORITY TO SEEK ANY REQUIRED INFORMATION

The Committee shall have the authority to seek any information that it requires from any officer or employee of the Company.

8. INDEPENDENT PROFESSIONAL ADVICE

The Committee is authorised to take such independent professional advice as it considers necessary, the costs of which shall be for the account of the Company, provided the Committee follow the procedure set out in Annexure "B" to the Board Charter.

9. REPORTING

9.1 The Chairman of the Committee shall make a brief report of the findings and recommendations of the Committee to the Board after each Committee meeting.

9.2 The Chairman of the Committee to prepare a report –

- to be included in the annual financial statements for that financial year describing how the Committee carried out its functions, stating whether the Committee is satisfied that the auditors was independent of the Company and commenting on the appropriateness of the financial statements, the accounting practises and the internal controls of the Company; and
- to the shareholders, including, inter alia, a summary of the role of the Committee, the names and qualifications of the members of the Committee, a description of the working relationship between the Committee and the Chief Financial Officer and a statement on whether or not the Committee recommended the Integrated Annual Report to the Board for approval.

10. NO EXECUTIVE POWERS

Save for its duties provided for in the Act, the Committee shall have no executive powers with regard to its findings and recommendations.

11. ANNUAL EVALUATION

The Committee shall ensure that a formal process, as recommended by the Nominations Committee and approved by the Board, is followed for evaluating the performance of the Committee, at least every second year.

12. APPROVAL OF THESE TERMS OF REFERENCE

These terms of reference were approved by the chairman of the board and chairman of the Committee on 28 November 2017 and will be due for review on 26 November 2018.

AUDIT AND RISK COMMITTEE WORK PLAN

Duties & Responsibilities	February meeting	May meeting	August meeting	November meeting	Ad Hoc	Annual/ Integrated report	Confirmation
1. Financial control, accounting systems and reporting							
Review the accounting policies adopted or any changes made or contemplated for adequacy within a company context.	X		X		X		
Review any significant matters which are not a normal part of the Company's business which are referred to the Committee by the Board, Management or any other committee of the Clover Group.					X		
Review the measures introduced by Management to enhance the accuracy and fair presentation of the annual financial statements.			X			X	
Review any reports prepared with reference to the affairs of the Company for external distribution or publication, including those required by any regulatory/supervisory authority.					X		
Review drafts of the annual financial statements of the Company, any annual or interim profit and dividend							

Duties & Responsibilities	February meeting	May meeting	August meeting	November meeting	Ad Hoc	Annual/ Integrated report	Confirmation
Announcements or any other reports or financial information (as applicable within the scope of the Committee's authority) with Management and the auditors prior to their submission to the Board for approval and release to the shareholders and other stakeholders, the public and/or any regulatory/supervisory authority.	X		X		X	X	
Review the risk management within the Company and the steps taken by Management to control, manage and reduce the risk profile.	X	X	X	X			
2. Financial Function							
Consider and be satisfied with the appropriateness of the expertise and adequacy of resources of the financial function and experience of the senior members of Management responsible for the financial function.	X		X			X	
Evaluate the suitability of the expertise and experience of the Chief Financial Officer and recommend to the Board if any changes are necessary.			X			X	
3. Internal Audit and Controls							
Appoint suitable persons or auditors to perform internal audit functions as		X					

Duties & Responsibilities	February meeting	May meeting	August meeting	November meeting	Ad Hoc	Annual/ Integrated report	Confirmation
Determined by the Committee.							
Approve the internal audit fee.				X			
Approve the internal audit plan.				X			
Obtain feedback from the internal auditors at every meeting of the Committee.	X	X	X	X			
Review and consider Management and the External and Internal Auditors' Internal Control Reports, where applicable.					X		
Meet separately with internal auditors (without management being present) where necessary, at least once a year.	X	X	X	X	X		
Review the performance, competency and independence of the internal auditors every year to ensure that the internal auditors are fulfilling its responsibilities to assist and advise the Committee and the Board.			X			X	
Review arrangements made by the Company to enable employees and the outside whistle-blowers to report, in confidence, their concerns about possible improprieties in matters of financial and sustainability reporting, or non-compliance with laws and		X		X	X		

Duties & Responsibilities	February meeting	May meeting	August meeting	November meeting	Ad Hoc	Annual/ Integrated report	Confirmation
Regulations.							
4. External Audit							
Evaluate the performance of the external auditors and make recommendations to the Board for recommendation to the Shareholders in General Meeting regarding the appointment of suitable independent external auditors, and the Designated Auditor.			X			X	
Ensure that the external auditors are able to carry out their audit free from any restrictions, and that their appointment complies with the Companies Act of 2008, as amended and any other legislation relating to the appointment of the external auditors.		X				X	
Review and make recommendations regarding the nature, timing and extent of the work performed and the services to be provided by the external auditors (external audit plan).		X			X		
Approve the budget and the final audit fee to be paid to the external auditors.		X		X			
Review any significant matters,							

Duties & Responsibilities	February meeting	May meeting	August meeting	November meeting	Ad Hoc	Annual/ Integrated report	Confirmation
illegal acts or reportable irregularities reported to or to be reported by the external auditors either to the Independent Regulatory Body for Auditors in terms of the Auditing Profession Act, or in terms of any other legal or statutory requirement applicable or any local or foreign operations and the steps taken by management to rectify the situation.					X	X	
Review, resolve and/or make recommendations regarding any significant accounting or auditing problems encountered during the annual audit to the Board.			X			X	
Address any disagreement on auditing or accounting matters between Management and the external auditors.					X		
Review the external auditors' report, management letters and their statutory report on the annual financial statements and the Company's annual financial statements.			X			X	
Determine and pre- approve the nature and extent of any non-audit services which the auditors may							

Duties & Responsibilities	February meeting	May meeting	August meeting	November meeting	Ad Hoc	Annual/ Integrated report	Confirmation
Provide to the Company, and prescribe which services the auditor must not provide to the company or its subsidiaries.					X		
Meet separately with external auditors (without management being present) where necessary, at least twice a year.	X		X	X			
Annually review and satisfy itself as to the independence of the external auditors and the designated director.			X			X	
Receive and deal appropriately with any complaints relating either to accounting practices and external or internal audit, or to the contents of the financial statements or related matters.	X		X				
5. Risk Management							
The Committee should:							
Recommend to the Board the risk strategy policies to be followed by the Company, in liaison with the Chief Executive and Senior Management. These policies will include the Company's tolerance for the risks it will take and those it will not take in the pursuit of its goals and objectives;					X		
monitor, based on reports from							

Duties & Responsibilities	February meeting	May meeting	August meeting	November meeting	Ad Hoc	Annual/ Integrated report	Confirmation
Management the manner in which Management has implemented an effective ongoing process to identify, manage and report on risks, to measure its potential impact against a broad set of assumptions, and to proactively manage those risks;	X	X	X	X			
Review adequacy of the Company's insurance cover; and				X			
Review and discuss, with internal and external auditors, as applicable, the extent and alignment of their audits with the risks faced by the Company.				X	X		
6.Regulatory							
Review and be satisfied with all taxation, foreign exchange and treasury related matters.					X		
Consider legal and regulatory requirements which may have an impact on the integrated reporting.			X		X	X	
Meet with regulators when required.					X		
Liaise with the compliance function/officer where necessary.					X		
7. Corporate Governance							
The Committee will review compliance with sound Corporate Governance and propose actions to adhere to the recommendations.					X		

Duties & Responsibilities	February meeting	May meeting	August meeting	November meeting	Ad Hoc	Annual/ Integrated report	Confirmation
8.Integrated Sustainability Reporting							
Ensure that an integrated report that conveys adequate information about the social, economic and environmental impact of the Company on the community, in which it operates, is disclosed annually.	X		X		X		
In its consideration of the integrated report, the Committee should consider any factors that may predispose the Management to present an incomplete or misleading picture of the Company's position, performance or sustainability.					X		
Carefully review forward-looking statement of financial or sustainability information to ensure that the information provides a proper appreciation of key drivers that will enable the Company to achieve forward-looking goals.	X		X		X		
Prepare a report for inclusion in the annual integrated report setting out the scope of duties of the committee and the manner in which it has performed its responsibilities			X			X	
9. Any other matters referred to the Committee by the Board							

Duties & Responsibilities	February meeting	May meeting	August meeting	November meeting	Ad Hoc	Annual/ Integrated report	Confirmation
Consider any other matters which may be referred to the Committee by the Board from time to time, including but not limited to the following:							
consult with specialists or consultants where necessary;					X		
Review any significant cases of director, officer or employee conflict of interest, misconduct or fraud and the steps being taken by the Board and Management to rectify the situation;	X	X	X	X		X	
Confirmation by Management that all decisions regarding the procurement of raw milk were made independently without an undue pressure from any producer director	X			X			
Disclosure of raw milk supply and quota holdings of Directors	X				X		
Annually review all material litigation matters impacting the company (exceeding R 2 million)			X				
Review internal auditors report on status of the company's Competition Law Centre of Excellence		X		X			

Review of JSE report on monitoring of Financial Statements				X			
Review and consider Management reporting on Company's involvement in Government Incentive Scheme	X	X	X	X			
Review and consider Cyber Risks facing the Company		X		X			
IBM Project Review		X		X			