



AGRARIUS SUSTAINABILITY ENGINEERED (RF) LIMITED
(Registration number 2022/521382/06)
(the "**Company**")

AUDIT AND RISK COMMITTEE CHARTER

1. INTRODUCTION

- 1.1. The Audit and Risk Committee ("**the Audit and Risk Committee**") is a statutory committee of the Agrarius board of directors ("**Board**"), appointed in terms of section 94(7) of the Companies Act, No 71 of 2008, as amended ("**Companies Act**") and as a committee of the Board in respect of all duties assigned to it by the Board.
- 1.2. This charter is mandated in accordance with the Companies Act, King IV Report on Corporate Governance for South Africa ("**King IV**"), the Company's memorandum of incorporation ("**MOI**") and the JSE Limited ("**JSE**") Debt Listings Requirements ("**JSE Debt LR**"), among other statutory frameworks.

2. PURPOSE OF THIS DOCUMENT

The purpose of this document is to detail the terms of reference of Agrarius' Audit and Risk Committee.

3. FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

- 3.1. Set out below are the functions of the Agrarius Audit and Risk Committee:
 - 3.1.1. to assist the Board in discharging its duties relating to the safeguarding of assets and the evaluation of internal control frameworks within the Company;
 - 3.1.2. to review and assess the integrity and effectiveness of the accounting, financial, compliance, operational, technology and other control systems;
 - 3.1.3. to consider the internal and external audit process and the accounting principles and policies;
 - 3.1.4. to strengthen the independence of the internal and external audit functions to ensure their effectiveness;
 - 3.1.5. to ensure effective communication between the Internal Auditors, the External Reporting Accountants and Auditors, the executive management, the Board and any regulators;
 - 3.1.6. to ensure compliance and adherence to applicable legal, regulatory and accounting requirements through an independent review; and
 - 3.1.7. to receive and deal appropriately with any concerns or complaints, whether from within or outside the Company, or on its own initiative relating to:
 - 3.1.7.1. the accounting practices and internal audit of the Company;
 - 3.1.7.2. the content or auditing of the Company's financial statements;

- 3.1.7.3. the internal financial, operational, technology, compliance and other controls systems of the Company; and
- 3.1.7.4. any other related and/or incidental matter.

4. COMPOSITION OF THE AUDIT AND RISK COMMITTEE

- 4.1. In accordance with section 94(4) (a) and (b) of the Companies Act, the provisions of King IV and the JSE Debt LR, the Audit and Risk Committee shall, at all times, have at least 3 (three) independent, non-executive directors appointed by the ordinary shareholder of the Company at every annual general meeting of the Company. The chairperson of the Board shall not be a member of the Audit and Risk Committee.
- 4.2. The chairperson of the Audit and Risk Committee shall be an independent non-executive director.
- 4.3. The majority of the members of the Audit and Risk Committee must be financially literate, must collectively have sufficient qualifications and experience to fulfil their duties including an understanding of the following:
 - 4.3.1. financial and sustainability reporting; internal financial, operational, technology and compliance controls;
 - 4.3.2. external and internal audit procedures;
 - 4.3.3. corporate law; risk management;
 - 4.3.4. sustainability;
 - 4.3.5. fraud and corruption risk;
 - 4.3.6. this Audit and Risk Committee charter;
 - 4.3.7. management; compliance related matters; information technology governance; and
 - 4.3.8. governance processes within the Company.
- 4.4. If necessary, and in accordance with the MOI of the Company, specialists may be co-opted to the Audit and Risk Committee as attendees.
- 4.5. The secretary shall be the Company secretary or his/ her designate.
- 4.6. The following persons shall be in attendance at all Audit and Risk Committee meetings:
 - 4.6.1. the chief executive officer of the Company or a duly authorised designate;
 - 4.6.2. the part-time financial director of the Company or a duly authorised designate;
 - 4.6.3. the external auditors and reporting accountants;
 - 4.6.4. the internal chief audit executive and other representatives from the internal audit function;
 - 4.6.5. the chief legal officer/advisor of the Company;
 - 4.6.6. the debt officer of the Company; and
 - 4.6.7. such other persons determined by the Audit and Risk Committee, who may include, where deemed necessary by the Audit and Risk Committee, members of senior management and independent investment, legal and financial experts.
- 4.7. Attendees at the Audit and Risk Committee meetings by invitation may participate in discussions but do not form part of the quorum, and may not vote.
- 4.8. Other independent non-executive directors may attend the Audit and Risk Committee's meetings in consultation with the chairperson of the Audit and Risk Committee, but may not be remunerated for such attendance.

5. QUORUM REQUIREMENTS

The quorum requirements that needs to be satisfied for a meeting of the Audit and Risk Committee to be properly constituted shall be 50% (fifty percent) of the members of the Audit and Risk Committee (present in person or via electronic participation as may be permitted in terms of the Company's MOI).

A duly constituted meeting shall be competent to exercise all or any of the authorities, powers and responsibilities vested in or exercisable by the Audit and Risk Committee.

6. TERM

The Audit and Risk Committee members' terms shall be linked to the Board members' terms, and the members of the Audit and Risk Committee shall be appointed by the ordinary shareholder of the Company at the Company's annual general meeting in accordance with the Company's MOI.

7. REPORTING RESPONSIBILITIES

- 7.1. The Audit and Risk Committee reports to the Board through its chairperson, and to the ordinary shareholder and noteholders in the Audit and Risk Committee report to be incorporated in the Company's annual financial statements, which must include an account of how the Audit and Risk Committee has performed its duties during the financial year under review.
- 7.2. Minutes of the meetings of the Audit and Risk Committee must be submitted to the Board for information purposes.
- 7.3. The Audit and Risk Committee chairperson, alternatively a member of the Audit and Risk Committee, shall be present at meetings of the Company's ordinary shareholder and noteholders.
- 7.4. Should the Audit and Risk Committee receive a report implicating the chief executive officer, any member of the Board, or any prescribed officer of the Company in financial misconduct, fraud, corruption or gross negligence, the Audit and Risk Committee chairperson must promptly report this to the chairperson of the Board and the Company's reporting accountant and auditor.
- 7.5. The Audit and Risk Committee shall ensure that reporting requirements to regulatory bodies, including the JSE, the CIPC and law enforcement agencies are complied with.

8. AUTHORITY

- 8.1. The Audit and Risk Committee has –
 - 8.1.1. authority to access any information it requires to fulfill its responsibilities pursuant to this Audit and Risk Committee Charter;
 - 8.1.2. authority to seek independent advice and to consult with specialists or consultants, facilitated through the Company secretary;
 - 8.1.3. authority to investigate matters within its mandate;
 - 8.1.4. direct access to the chairperson of the Board, chief executive officer, the chief internal audit executive and external reporting accountants and auditors;
 - 8.1.5. authority to ask the chairpersons of other Board committees, any executive directors, prescribed officers, the company secretary or assurance provider to provide it with information, subject to a Board approved process in order to fulfill its duties;
 - 8.1.6. authority to form, and delegate authority to, steering committees comprised of designated members of the Audit and Risk Committee;
 - 8.1.7. decision-making authority in regard to its statutory duties and is accountable in this regard to both the Board, the ordinary shareholder and the noteholders;
 - 8.1.8. authority to monitor the relationship between executive management and the stakeholders of the Company;
 - 8.1.9. authority to monitor the solvency and liquidity of the Company and consider business rescue proceedings in the event of the financial distress of the Company; and
 - 8.1.10. authority to make recommendations for the Board's consideration in regards to the delegation of authority.

9. ROLES AND RESPONSIBILITIES

9.1. The Audit and Risk Committee has an independent role, overseeing and recommending matters within its ambit to the Board for consideration in line with applicable legislation governing such roles and responsibilities.

9.2. External reporting accountants and auditors & external audit function

The Audit and Risk Committee must in terms of the Companies Act:

9.2.1. nominate external reporting accountants and auditors for appointment by the ordinary shareholder at the annual general meeting, who must ensure the proper disclosure of material sustainability issues;

9.2.2. request relevant information from the reporting accountant and auditors in order to assess the suitability for appointment of the audit firm and designated individual partner, both when they are appointed for the first time and thereafter annually for every re-appointment;

9.2.3. ensure that the proposed individual auditor does not appear on the JSE's list of disqualified individual auditors when recommending an auditor for appointment or re-appointment at the annual general meeting;

9.2.4. notify the JSE of the termination or the appointment of the audit firm; and/or the resignation of the audit firm; without delay, and by no later than 2 (two) business days following the decision by the Company to terminate or appoint the audit firm or after receipt of the audit firm's resignation;

9.2.5. review and approve the Company's audit plan with the external reporting accountants and auditors, with specific reference to:

9.2.5.1. the terms of engagement;

9.2.5.2. the proposed audit scope and approach to the Company's risk activities; and

9.2.5.3. the effectiveness of the audit and the audit fee.

9.2.6. consider the quality and effectiveness of the external audit process, areas of special concern, the procedures being developed to monitor and contain risks in those areas, and the audit approach for those areas;

9.2.7. approve the guidelines for using the external reporting accountants and auditors for non-audit work, pre-approve all the agreements for non-audit services, annually assess the work done to ensure that the independence of the external reporting accountants and auditors is retained and ensure full disclosure of these services in the annual financial statements of the Company;

9.2.8. where necessary, make recommendations to the Board for the dismissal of the external reporting accountants and auditor(s);

9.2.9. review, with executive management, reports and letters received from the auditors concerning deviations from, and weaknesses in, financial and operational controls, and ensure that management takes prompt action and ensures that issues are satisfactorily resolved;

9.2.10. monitor the relationship between the external auditors and reporting accountants and the Company;

9.2.11. meet with the external reporting accountants and auditors at least once a year, without executive management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum;

9.2.12. review significant differences of opinion between the external reporting accountants and auditors and executive management on the application of the International Financial Reporting Standards ("IFRS") or any other applicable accounting standard;

9.2.13. consider and approve, any significant changes proposed in the accounting policy, the external audit fee and budgeted audit fee;

9.2.14. ensure that there is a process in place for the Audit and Risk Committee to be informed of reportable irregularities identified and reported by the external reporting accountants and auditor;

- 9.2.15. advise the Board of potential risks in irregular, fruitless and wasteful expenditure;
- 9.2.16. receive assurance from executive management regarding the effectiveness of the risk management and compliance processes; and
- 9.2.17. review all cross-cutting matters emanating from other Board committees;

9.3. Financial Reporting and Financial Control

9.3.1. The Audit and Risk Committee shall –

- 9.3.1.1. ensure that the Company has established appropriate financial reporting procedures and that those procedures are operating effectively;
- 9.3.1.2. confirm, by reporting to the noteholders in its annual financial statements, that the Audit and Risk Committee has executed the responsibilities with regard to the appointment of a debt officer;
- 9.3.1.3. receive and review reports of the finance function of the Company, including reports on the adequacy of capital, impairment of receivables and other assets and the formulae for the determination of provisions;
- 9.3.1.4. review the accounting policies adopted by the Company and all proposed changes in accounting policies and practices, and recommend such changes as may be considered appropriate in terms of IFRS;
- 9.3.1.5. consider the adequacy of disclosures and the reasons for fluctuations in ratios reported in published documentation;
- 9.3.1.6. review the effectiveness of financial management and the quality of internal accounting control systems and reports produced by financial management;
- 9.3.1.7. review reports on major embezzlements;
- 9.3.1.8. review and comment on the Company's interim and audited annual financial statements, distribution announcements and all financial information for distribution to the ordinary shareholder and noteholders, prior to submission to the Board;
- 9.3.1.9. consider all related party transactions and ensure disclosure thereof in the annual financial statements;
- 9.3.1.10. consider whether or not the interim report should be subject to an independent review by the external reporting accountants and auditors, and if not, provide reasons to the Board;
- 9.3.1.11. introduce such measures as, in the Audit and Risk Committee's opinion, may serve to enhance the credibility and objectivity of financial statements and reports prepared with reference to the Company's affairs, including in respect of the sustainability report to be included in the Company's annual financial statements;
- 9.3.1.12. consider and satisfy itself on an annual basis, of the appropriateness of the expertise and experience of the Company's part-time financial director;
- 9.3.1.13. report to the ordinary shareholder and noteholders on its statutory duties, particularly regarding how the Audit and Risk Committee carried out its duties, any issues pertaining to the independence of the external reporting accountants and auditor, the performance of the Company's part-time financial director and its views on the Company's financial statements and accounting policies, and the effectiveness of the Company's financial controls;
- 9.3.1.14. compile a summary of its role and details of its composition, meetings and activities, and ensure that such report is included in the annual financial statements;

- 9.3.1.15. review the content of information included in the annual financial statements to determine if it provides a balanced view; and engage the external reporting accountants and auditors to provide assurance on the summarised financial information;
- 9.3.1.16. review the expertise, resources and experience of the Company's finance function and disclose the results of the review in the annual financial statements;
- 9.3.1.17. recommend the annual financial statements for approval by the Board;
- 9.3.1.18. consider factors and risks that may impact on the annual financial statements integrity, including factors that may predispose management to present a misleading picture, significant judgments and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward-looking statements or information;
- 9.3.1.19. determine how the external assurance providers evaluate materiality for financial reporting purposes;
- 9.3.1.20. review forward-looking information of a financial or sustainability nature to ensure that the information provides a "*proper appreciation of the key drivers that will enable the Company to achieve these forward looking goals.*";
- 9.3.1.21. consider ICT as it relates to audit coverage and efficiency, financial reporting and the going concern of the Company through the following:
- receiving and reviewing reports on control effectiveness and efficiency within ICT for oversight, guidance and input purposes; and
 - requiring regular assurance on the ICT infrastructure processes and practices implemented across the Company; and
- 9.3.1.22. review significant financial transactions entered into by the Company; *inter alia*, transactions that change the control structure of the company, acquisitions and disposal of the Company's investments.

9.4. INTERNAL AUDIT

9.4.1. The Audit and Risk Committee shall –

- 9.4.1.1. oversee, evaluate and approve the Company's internal audit function including the following:
- the rolling 3-year strategic risk- based internal audit plan;
 - the internal audit plan for the first year of the rolling plan; and
 - any other audit plans including the changes to the approved annual internal audit plan.
- 9.4.1.2. be responsible for the appointment, performance assessment and/or dismissal of the chief internal audit executive;
- 9.4.1.3. ensure that the chief internal audit executive reports functionally to the chairperson of the Audit and Risk Committee;
- 9.4.1.4. ensure that the internal audit function report at all of the Audit and Risk Committee's meetings;
- 9.4.1.5. meet with the internal audit function at least once a year, without executive management being present;
- 9.4.1.6. review written reports furnished periodically and annually by the Company's internal auditors, detailing the adequacy and overall effectiveness of the Company's internal audit function, the scope and depth of audit coverage, reports on internal control and any recommendations, and confirm that appropriate action has been taken;

- 9.4.1.7. review significant differences of opinion between executive management and the internal audit function;
- 9.4.1.8. annually evaluate the independence and effectiveness of the internal audit function and ensure that the function is adequately resourced and has appropriate standing within the Company;
- 9.4.1.9. review the internal audit mandate annually, which should formally define the purpose, authority and responsibility of the internal audit function;
- 9.4.1.10. ensure that the internal audit function is subject to a 5 (five) year, independent quality review, which is in line with the Institute of Internal Auditors Standards;
- 9.4.1.11. oversee, evaluate and approve the Company's combined assurance plan and its implementation;
- 9.4.1.12. the Audit and Risk Committee will review the combined assurance model and ensure that it is applied, to provide a coordinated approach to all assurance activities; and
- 9.4.1.13. monitor the relationship between the related assurance providers and the Company.

9.5. **RISK MANAGEMENT**

9.5.1. The Audit and Risk Committee shall –

- 9.5.1.1. prepare a report detailing any matters which have implications for the Company's system of internal control;
- 9.5.1.2. understand and obtain comfort regarding the Company's processes for identifying, managing and reporting on risk;
- 9.5.1.3. have oversight of financial reporting risks, internal financial controls and fraud and ICT risks, as they relate to financial reporting;
- 9.5.1.4. have oversight of IT, operational, compliance and other financial controls; and
- 9.5.1.5. consider whether there are any matters arising from the review of internal controls and the reports of internal and external auditors which require their attention.

9.6. **Sustainability**

The Audit and Risk Committee, in conjunction with the Board, will oversee the engagement of external assurance providers to report on material sustainability issues and evaluate the independence and credentials of those assurance providers.

10. **RECUSAL**

- 10.1. At the commencement of each Audit and Risk Committee meeting, members should declare whether they have any conflict of interest in respect of any matter on the agenda.
- 10.2. Where a member of the Audit and Risk Committee has been or can be deemed to have a conflict of interest he/she shall recuse him/herself from taking a decision on the matter at hand.
- 10.3. The conflict of interest and the recusal shall be minuted by the remaining members of the Audit and Risk Committee.
- 10.4. Where a member of the Audit and Risk Committee has been recused for part of the meeting, such a member is to be regarded as being present for the entire duration of the meeting for the purpose of determining a quorum.

- 10.5. Where a conflict of interest exists, a member shall not receive information either in the meeting pack or minutes that relate to the matter or company that he has declared an interest on as per the declaration of interest form.

11. WRITTEN RESOLUTIONS

A resolution in writing approved and signed by 75% or more of the members of the Audit and Risk Committee within 10 (ten) business days after submission to all members of the Audit and Risk Committee, shall be as valid as a resolution passed at a meeting of the Audit and Risk Committee.

12. AUDIT AND RISK COMMITTEE OPERATION

- 12.1. The Audit and Risk Committee shall hold a minimum of 2 (two) scheduled meetings per financial year.
- 12.2. Informal and *ad hoc* meetings may be convened, as and when required, by the Chairperson of the Audit and Risk Committee.
- 12.3. Papers for consideration by the Audit and Risk Committee will be submitted, in the normal course, at least 7 (seven) business days before the meeting, to enable members to study the documentation and allow adequate opportunity for formal and informal discussions.
- 12.4. The chairperson of the Audit and Risk Committee may meet with the chief executive officer, the part-time financial director, chief internal audit executive, external audit partner and the Company secretary or his/her designate prior to an Audit and Risk Committee meeting to discuss important issues and agree on the agenda.
- 12.5. If the chairperson of the Audit and Risk Committee is absent from a meeting, the members present must elect one of the members present to act as chairperson for that meeting.
- 12.6. Audit and Risk Committee members must attend all scheduled meetings of the Audit and Risk Committee, including meetings called on an *ad hoc* basis for special matters, unless prior apology, with reasons, has been submitted to the chairperson or the Company secretary or his/her designate.
- 12.7. The Audit and Risk Committee must establish an annual work plan for each financial year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual work plan must ensure proper coverage of the matters laid out in this Charter. The annual work plan shall be recommended to the Board for approval.
- 12.8. Audit and Risk Committee members must be fully prepared for Audit and Risk Committee meetings to be able to provide appropriate and constructive input on matters for discussion.
- 12.9. The minutes must be completed within 10 (ten) business days after the date of the meeting and circulated to the chairperson and members of the Audit and Risk Committee for review thereof.
- 12.10. Where the Audit and Risk Committee holds an in-committee meeting that excludes the Company secretary or his/her designate, members of the Audit and Risk Committee shall elect a member to record the minutes and/or decisions of that In-Committee meeting for record purposes. Such resolutions shall be communicated to the Company secretary through the chairperson, within 10 (ten) business days, and adopted at the next meeting for record purposes.
- 12.11. The minutes must be formally approved by the Audit and Risk Committee at its next scheduled meeting.