

**RAINBOW CHICKEN LIMITED**

**AUDIT & RISK COMMITTEE  
TERMS OF REFERENCE**



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## **RAINBOW CHICKEN LIMITED AUDIT AND RISK COMMITTEE TERMS OF REFERENCE**

### **1. INTRODUCTION**

- 1.1. The Audit and Risk Committee (“Committee”) is constituted as (i) a statutory committee in respect of its statutory duties in terms of the Companies Act no. 71 of 2008 (“Companies Act”), and (ii) a committee of the board of directors (“Board”) of Rainbow Chicken Limited (“the Company”).
- 1.2. The Committee’s charter extends to the Company and to all subsidiaries, affiliates and/or joint ventures of the Company who are required to have an Audit Committee and, save where the context requires otherwise, any reference in this charter to the Company shall be deemed to include a reference to each subsidiary, affiliate and/or joint venture.
- 1.3. The duties and responsibilities of the members of the Committee are in addition to those as members of the Board.
- 1.4. The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgment in accordance with their legal obligations (statutory and otherwise).
- 1.5. These Terms of Reference (TOR) are subject to the provisions of the Companies Act, the Company’s Memorandum of Incorporation (“MOI”), recommendations of the King IV Code of Corporate Governance, the JSE Listing requirements and any other applicable laws or regulations.
- 1.6. The Committee will serve until such time as the Board elects to make changes.

### **2. PURPOSE**

The purpose of the TOR is to outline the Committee’s role and responsibilities, as well as the requirements for its composition and meeting procedures.

### **3. COMPOSITION OF THE COMMITTEE**

The Committee shall consist of a minimum of three independent non-executive directors, appointed by the Board.

- 3.1. The Committee shall be chaired by an independent non-executive director. The Board shall appoint the Chair of the Committee from the elected independent non-executive Committee members.
- 3.2. The Chair of the Board may not be a member of the Committee.
- 3.3. The Executive directors may not be members of the Committee but may attend meetings as invitees.
- 3.4. The members of the Committee are appointed for a specified term as determined by the Board.
- 3.5. The members of the Committee must collectively have the necessary qualifications, financial literacy, skills, and experience required to execute their duties effectively.
- 3.6. The Committee members must keep up to date with developments affecting the required skill set.
- 3.7. The Board shall fill vacancies on the Committee within 40 (forty) business days after the vacancy arises.
- 3.8. The Committee’s composition shall be reviewed annually by the Board.

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- 3.9. The office of a member of the Committee shall be vacated if:
- 3.9.1. He or she resigns his or her office by written notice to the Board and to the Committee; or
- 3.9.2. He or she is removed by the Board as a member of the Committee or ceases to be a director or prescribed officer of the Company, as the case may be.
- 3.10. The Board shall have the power at any time to remove any member from the Committee who has been appointed by the Board, and to fill any vacancy created by such removal.
- 3.11. The following shall be in attendance at meetings:
- 3.11.1. Chief Executive Officer
- 3.11.2. Chief Financial Officer
- 3.11.3. Chief Operating Officer
- 3.11.4. Internal Audit
- 3.11.5. External Audit Partner(s)
- 3.11.6. Head of Legal and Compliance and
- 3.11.7. Head of IT.
- 3.12. The Committee may invite executives and/or specialists to assist with its deliberations and decisions, on a permanent or part-time basis, where appropriate. Such executives and/or specialists shall not have a vote at any meetings of the Committee.
- 3.13. The Company Secretary of the Company shall act as the secretary of the Committee.

### **4. ROLE**

- 4.1. The Committee has an independent role with accountability to the Board.
- 4.2. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers, and other members of senior management.
- 4.3. The role of the Committee is to assist the Board with overseeing and making recommendations to the board for its consideration and final approval:
- 4.3.1. 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;
- 4.3.2. The integrity of the annual financial statements and, to the extent delegated by the Board, other external reports issued by the Company;
- 4.3.3. Legal and regulatory requirements;
- 4.3.4. Risk governance (including insurance); and
- 4.3.5. Technology and Information Governance.

### **5. RESPONSIBILITIES**

The Committee performs all the functions as are necessary to fulfil its role as stated above, including the following:

**Statutory Oversight Areas:**

*5.1. External Audit*

The Committee is responsible to oversee the external audit process and in this regard the Committee:

- 5.1.1. Recommends and nominates the external auditor for appointment, who, in the opinion of the Committee is independent of the Company;
- 5.1.2. Ensures that the appointment of the external auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors;
  - consider the rotation of audit partners as specified in applicable legislation;
  - define a policy for non-audit services provided by the external auditors;
  - determine the nature and extent of any non-audit services that the auditor may provide to the Company;
  - pre-approve any proposed contract with the auditor for the provision of non-audit services;
  - approve, prior to the commencement of the audit, the auditor's engagement letter including the terms, the nature and scope of the audit function, procedures, and the audit fee;
  - ensure that there is a process for the Committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditors;
  - monitor and report on the independence of the external auditor in the annual financial statements;
  - review and report on the quality and effectiveness of the external audit process; and
  - consider whether the audit firm and, where appropriate, the individual auditor that will be responsible for performing the functions of auditor, are accredited as such on the JSE List of Auditors and their advisors as required by the JSE Limited Listings Requirements.

*5.2. Reporting*

The Committee oversees reporting, and in particular the Committee:

- 5.2.1. has regard to all factors and risks that may impact on the integrity of the integrated report, including factors that may predispose management to present a misleading picture, significant judgements 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;
- 5.2.2. reviews the governance report, which includes its report describing the functions carried out and stating whether the Committee is satisfied that the external auditor was independent of the company, and provides assurance to the Board as to the integrity of the content;
- 5.2.3. reviews the annual financial statements, the accounting practices and the effectiveness of the internal financial controls;
- 5.2.4. reviews the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;

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- 5.2.5. recommends to the Board the engagement of an external assurance provider on material sustainability issues;
- 5.2.6. recommends the integrated report, governance report and annual financial statements for approval by Board; and
- 5.2.7. reports to shareholders at AGM on the above.

### 5.3. *Combined assurance*

The Committee is responsible for overseeing the Board arrangements for assurance services and functions are effective in achieving the following outcomes:

- 5.3.1. enabling an effective internal control environment;
- 5.3.2. supporting the integrity of information used for internal decision-making by management, the Board and its committees; and
- 5.3.3. supporting the integrity of external reports.

### 5.4. *Finance Function*

The Committee reviews the effectiveness of the Company's Chief Financial Officer and the finance function annually and discloses the results of the review in the integrated report.

### 5.5. *Internal Audit*

The Committee:

- 5.5.1. Oversees the internal audit function;
- 5.5.2. Approves the plan and scope of internal audit activities;
- 5.5.3. ratifies the appointment, performance assessment and/or dismissal of the Internal Audit function;
- 5.5.4. ensure that the internal audit function is subject to an independent quality review, in accordance with the standards of the Institute of Internal Auditors (IIA), or when the Committee determines it appropriate; and
- 5.5.5. Annually assesses the effectiveness of the internal audit function.

### 5.6. *Internal controls*

The Committee is responsible for overseeing the implementation of internal controls and assessment of these.

## **Non-statutory Duties -**

### 5.7. *Risk Governance*

The Committee oversees all the Company's risk governance and ensures the direction set by the Board is implemented. This should include:

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- 5.7.1. Oversee the development and annual review of a policy and plan for risk management to recommend to the Board for approval;
  - 5.7.2. Monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes;
  - 5.7.3. Review of the Company's risk profile to ensure alignment with strategic objectives and to the changing operating context of the Company;
  - 5.7.4. Make recommendations to the Board concerning the levels of tolerance and appetite against the Company's key risks, and monitor how those risks are managed within the levels of tolerance and appetite as approved by the Board;
  - 5.7.5. Oversee that the risk management plan is widely disseminated through the Company and integrated into the day-to-day activities of the Company;
  - 5.7.6. Ensure that risk and opportunity assessments are performed on a continuous basis;
  - 5.7.7. Ensure that business continuity arrangements are assessed;
  - 5.7.8. Ensure the Company's dependencies on resources and relationships in the context of the various capitals used, are assessed;
  - 5.7.9. Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
  - 5.7.10. Ensure that management considers and implements appropriate risk responses;
  - 5.7.11. Ensure that continuous risk monitoring by management takes place;
  - 5.7.12. Express the Committee's formal opinion to the Board on the effectiveness of the system and process of risk management;
  - 5.7.13. Review reporting concerning risk management that is to be included in the integrated report, ensuring that it is timely, comprehensive, and relevant;
  - 5.7.14. Review, together with the Company's legal advisor, any legal matters that could have a significant impact on the Company's business;
  - 5.7.15. Assess any significant risk control findings or weaknesses identified and their potential impact, and confirm that appropriate action has been or is being taken;
  - 5.7.16. Review the adequacy of insurance coverage;
  - 5.7.17. Monitor procedures to deal with, and review the disclosure of information to customers, and the resolution of major customer complaints; and
  - 5.7.18. Review the need to receive periodic independent assurance of the effectiveness of risk management within the Company.
- 5.8. Considering *Information and Technology risk*, the Committee shall:
- 5.8.1. Ensure that IT principles, policies, procedures, and standards are defined in terms of the law and implemented thereof;
  - 5.8.2. Ensure that the IT strategy is aligned with the performance and sustainability objectives of the company;
  - 5.8.3. Ensure that management have been delegated the responsibility for the implementation of the IT governance framework;

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- 5.8.4. Monitor and evaluate significant IT investments and expenditure and ensure that appropriate processes are followed for the identification, assessment, and management of IT risks as part of the enterprise-wide risk management framework (including third parties and out-sourced service providers);
- 5.8.5. Ensure that information assets are effectively managed and safeguarded;
- 5.8.6. Obtaining assurance on the IT governance and controls supporting significant IT process; and
- 5.8.7. Monitor managements implementation and execution of the IT governance framework to ensure the effectiveness of technology and information management within the Company.
- 5.8.8. Complaints - The Committee shall receive, and deal appropriately with, any complaints relating to accounting practices, internal audit, content, or auditing of financial statements, or to any related matter.

### **6. AUTHORITY**

#### 6.1. The Committee:

- 6.1.1. shall act in accordance with the delegated authority of the Board as recorded in these terms of reference;
- 6.1.2. shall have the power to investigate any activity within the scope of its terms of reference;
- 6.1.3. in its fulfilment of its duties, may call upon other directors, Company officers or assurance providers to provide it with information, subject to a Board approved process;
- 6.1.4. shall have reasonable access to the Company's records, facilities, employee and any other resources necessary to discharge its duties and responsibilities, subject to following a Board approved process;
- 6.1.5. The Committee may form, and delegate authority to, sub-committees, and may delegate authority to one or more designated members of the Committee;
- 6.1.6. Has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Company's cost, subject to a Board approved process being followed, as provided for in the Board Charter.

### **7. MEETINGS AND PROCEDURES**

#### 7.1. Frequency

- 7.1.1. The Committee shall hold sufficient scheduled meetings to discharge all its duties as set out in these terms of reference and annual work plan but subject to a minimum of 4 (four) meetings per year.
- 7.1.2. The Chairperson of the Committee may meet with the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Internal Audit, External Audit Partner and/or the Company Secretary prior to a Committee meeting to discuss important issues and agree on the agenda.
- 7.1.3. The Committee shall meet annually with the internal and external auditors, respectively; without management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum.



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7.1.4. The Chairperson of the Committee or any member of the Board or Committee, or a member of senior management or the external and internal auditors, may request, through the Chairperson, a meeting at any other time.

### 7.2. Attendance

7.2.1. Representatives from the internal and external auditors, professional advisors and management may be in attendance at Committee meetings at the discretion of the Chairperson, but by invitation only and they may not vote on matters before the Committee. In addition, the Chairperson may request such invitees to leave the meeting at any time should there be matters on the agenda that are confidential and which they may not be present for.

7.2.2. Any other members of the Board shall be entitled to attend the Committee meetings as an observer.

7.2.3. Committee members should attend all scheduled meetings of the Committee, including meetings called on an *ad hoc* basis for special matters, unless prior apology, with reasons, has been submitted to the Chairperson or Company Secretary.

7.2.4. Where the elected Chairperson of the Committee is absent from a meeting, the members present shall elect one of the members present to act as Chairperson for the duration of that meeting.

7.2.5. Committee members must be fully prepared for meetings in order to provide appropriate and constructive input on matters discussed.

### 7.3. Agenda and Minutes

7.3.1. The Committee shall establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual plan must ensure proper coverage of the matters laid out in these terms of reference. The number, timing and length of meetings, and agendas, are to be determined in accordance with the annual plan.

7.3.2. Unless agreed otherwise, notice of each meeting confirming the venue, time and date together with an agenda and supporting documents shall be forwarded to each member of the Committee, and any other person required/invited to attend, at least one (1) week prior to the date of the meeting, i.e., not less than seven calendar days prior to the date of the meeting.

7.3.3. Resolutions of the Committee shall be by majority vote. Should any disagreement arise, the issue shall be referred to the Board for decision.

7.3.4. The Chairperson may exclude any person from a specific meeting or item under consideration before the Committee, if in his/her opinion, good cause to do so exists.

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

7.3.6. The meetings of the Committee may be held in person, by telephone or other form of long-distance conference facility as circumstances may require (such a person shall be deemed to be present at the meeting) provided that the quorum is met.

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- 7.3.7. The minutes of a meeting should include an accurate record of member attendance, the proceedings, key discussion items and all resolutions made.
- 7.3.8. The minutes must be formally approved by the Board at its next scheduled meeting or via email communication.
- 7.3.9. The company secretary shall attend and minute all meetings.
- 7.3.10. Minutes of meetings signed by the Chairperson are sufficient evidence that the matters referred to therein have been fully discussed and agreed, whether by way of a formal meeting or otherwise.
- 7.3.11. A resolution in writing signed by a majority of the Board shall be as valid and effectual as if it had been passed at a duly constituted meeting of the Board, provided each member had been afforded a reasonable opportunity to express an opinion on the resolution.

### **7.4. Declaration of Interest**

- 7.4.1. At the commencement of each meeting, all Committee members should declare whether they have any conflict of interest in respect of any matter on the agenda.
- 7.4.2. Such conflict should be recorded in the minutes and conflict of interest register (where applicable).
- 7.4.3. The Committee should discuss the conflict and decide upon its severity, impact and determine the appropriate management of such.
- 7.4.4. Depending on the outcome of Clause 7.4.3, when that agenda item arises the member should be recused from the meeting for the duration of that matter being discussed and shall not have a vote on the matter.

### **7.5. Quorum and Voting**

- 7.5.1. A quorum required for a meeting shall be a majority of members present. Meetings should be organised so that attendance is maximised.
- 7.5.2. Individuals in attendance at Committee meetings by invitation, may participate in discussions, but do not form part of the quorum for Committee meetings.
- 7.5.3. A written resolution circulated by round robin and adopted by the majority of the Committee members is valid and effective as if it had been passed at a duly called and constituted meeting, provided that each director has received notice of the matter to be decided. Such resolution shall be presented at the next meeting for noting and signature by the Chairperson.

## **8. MEMBERS SKILLS AND TRAINING**

- 8.1. The Committee's effectiveness in performing its functions depends on its members' knowledge and competence in business matters, financial reporting, internal controls, and auditing.
- 8.2. Every member should have experience in some area pertinent to the business, and at least one member should be familiar with the Company's industry.

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- 8.3. All members must have basic financial literacy, i.e., the ability to read and understand the fundamentals of financial statements, including a Group balance sheet, income statement and cash flow statement.
- 8.4. At a minimum, one member should have a solid background in finance, accounting, or auditing, to be able to act as guide for the Committee during technical discussions.
- 8.5. All members should be adept at communicating with management and the auditors, ready to ask probing questions relating to the Company's financial risks and accounting.
- 8.6. New members should receive an orientation that allows them to function effectively.

### 9. EVALUATION

- 9.1. The Committee shall perform a self-evaluation of its effectiveness every year and report the results thereof to the Board. The Board may elect to conduct an independent evaluation of the Committee's performance from time to time.

### 10. REVIEW OF TERMS OF REFERENCE

- 10.1. These terms of reference shall be updated at least annually, or more frequently as circumstances may necessitate, subject to the approval of the Board.

### 11. APPROVAL

These terms of reference were recommended to the Board for approval by the Chairperson of the Committee on 27 May 2024.	These terms of reference were approved by the Board on 27 May 2024.
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