

# Corporate governance report

## Introduction

Rhodes Food Group is committed to adopting high standards of corporate governance by entrenching the values of responsibility, accountability, fairness and transparency in all its business activities.

The board is accountable to shareholders and is ultimately responsible for ensuring the group complies with legislation, regulation and corporate governance codes and policies. Management aims to create and maintain a culture of good governance across the business.

## Application of King III principles

The group subscribes to the spirit of good corporate governance contained in the King Report on Corporate Governance (King III). Governance processes were enhanced ahead of the group's listing on the JSE to ensure alignment with the requirements of King III. These include the following developments:

- The board was restructured with the appointment of three additional independent non-executive directors, namely Dr Yvonne Muthien, Mark Bower and Thabo Leeuw. Two non-executive directors, Lindsay Robertson and Jimmy Shahim, stood down from the board.
- Dr Muthien was appointed as independent non-executive chairperson of the board, replacing Garth Willis, a non-executive director, who remains on the board.
- The board committees were reconstituted and are all now chaired by independent non-executive directors.
- Following the decision to list, the terms of reference of each committee have been reviewed.

The directors confirm that the group has in all material respects applied the principles of King III. A schedule detailing the group's application of each King III principle, as required in terms of the JSE Listings Requirements, is available on the website at [www.rhodesfoodgroup.com](http://www.rhodesfoodgroup.com).

## Board of directors

### Board charter

The board has a formal charter which details the scope of authority, responsibility and functioning of the board. In terms of the charter the directors retain overall responsibility and accountability for the following:

- Managing the group's strategy, performance and sustainability
- Promoting the interests of stakeholders through ethical leadership
- Ensuring effective risk management and internal controls
- Complying with legislation, regulation and governance codes
- Appointing and evaluating directors
- Evaluating the performance of senior management and considering succession plans
- Ensuring appropriate remuneration policies and practices
- Shareholder communications and stakeholder engagement.

### Board composition

Rhodes Food Group Holdings has a unitary board structure with six non-executive directors and two executive directors.

Four of the non-executive directors, including the chairperson, are classified as independent in terms of King III and the JSE Listings Requirements. Garth Willis and Chad Smart are not considered to be independent owing to their shareholding in Capitalworks, a significant investor in the group. However, these directors continue to exercise independent judgement at board level. The independence of non-executive directors will be reviewed annually.

Directors are appointed by the board in a formal and transparent manner.

The executive directors are subject to a notice period of two months.

### Functioning of the board

The board meets at least five times a year, while additional meetings may be convened to consider specific business issues arising between scheduled meetings.

The roles of the board chairperson, Dr Muthien, and the chief executive officer (CEO), Bruce Henderson, are separate and clearly defined. This division of responsibilities ensures a balance of authority and power, with no individual having unrestricted decision-making powers.

Owing to the changes in the composition of the board during the year, the evaluation of the board, committees and individual directors will be undertaken in the new financial year.

The group has a formal induction programme for new directors. The chairperson of the board will meet with new directors and together with the company secretary identify assistance that may be required.

### Executive committee

The board has delegated authority to the CEO and the executive committee for the implementation of the strategy and the ongoing management of the business. The executive committee comprises the CEO, chief financial officer (CFO), head of the fresh foods division, head of the long life foods division, head of commercial and head of human resources.

### Company secretary

The company secretarial function is outsourced to Statucor Proprietary Limited represented by Alun Rich. The board is satisfied that Statucor is suitably qualified, competent and experienced to perform the role. The board has considered the individuals at Statucor who perform the company secretarial functions, as well as the directors and shareholders of Statucor, and is satisfied that there is an arms-length relationship between the company secretary and the board.

Based on the annual evaluation of the company secretary, the board has determined that it is satisfied with Statucor's current competence, qualifications and experience.

The company secretary provides guidance to directors on governance, compliance and their fiduciary duties. Directors have unrestricted access to the advice and services of the company secretary.

### Board committees

The directors have delegated responsibility to three committees to support the board in meeting its oversight responsibilities. The directors confirm that the committees have functioned in accordance with their terms of reference during the financial year. These terms of reference are reviewed annually.

The audit and risk committee is appointed by the board and approved by shareholders at the annual general meeting.

## AUDIT AND RISK COMMITTEE

Role and responsibilities	Composition
<ul style="list-style-type: none"> <li>Ensure the group has adequate and appropriate financial and operating controls</li> <li>Ensure the group has an effective policy and plan for risk management</li> <li>Maintain oversight for financial results and integrated reporting</li> <li>Ensure satisfactory standards of governance, reporting and compliance.</li> </ul>	<p>Chairperson: Mark Bower</p> <p>The committee comprises three independent non-executive directors.</p>

Refer to the Audit and Risk Committee Report in the annual financial statements.

## REMUNERATION COMMITTEE

Role and responsibilities	Composition
<ul style="list-style-type: none"> <li>Ensure the group has a remuneration policy which is aligned with the strategic objectives and goals</li> <li>Determine remuneration of executive directors</li> <li>Propose fees for non-executive directors for shareholder approval.</li> </ul>	<p>Chairperson: Andrew Makenete</p> <p>The committee comprises two independent non-executive directors and a non-executive director.</p>

## SOCIAL AND ETHICS COMMITTEE

Role and responsibilities	Composition
<ul style="list-style-type: none"> <li>Monitor the group's activities relating to social and economic development, stakeholder and consumer relationships, and labour issues</li> <li>Monitor adherence to corporate citizenship principles and ethical behaviour</li> <li>Ensure the group's interactions with stakeholders are guided by legislation and regulation.</li> </ul>	<p>Chairperson: Thabo Leeuw</p> <p>The committee comprises an independent non-executive director, a non-executive director and the head of human resources.</p>

# Corporate governance report continued

## BOARD MEETING ATTENDANCE

Number of meetings	7
Dr Yvonne Muthien**	3/3
Mark Bower*	3/3
Bruce Henderson	7
Thabo Leeuw*	3/3
Andrew Makenete	7
Lindsay Robertson**	4/4
Tiaan Schoombie	7
Jimmy Shahim**	4/4
Chad Smart	6
Garth Willis	7

+ Chairperson

\* Appointed 1 August 2014

\*\* Resigned 10 July 2014

Owing to the change in the composition of the board committees during the year, the committee attendance has not been reported.

## Compliance

### Risk reporting

Details on the internal audit function, systems of internal control, the external audit function and risk management are outlined in the Audit and Risk Committee Report in the annual financial statements. The pre-listing statement published by the group in September 2014 provides further information on corporate governance, compliance and risk management, and can be accessed on the website.

Risks are monitored in the group on a regular basis but risk reporting is being reviewed following the group's listing. The directors undertake to expand the reporting on the material risks which could impact on the strategy, performance and sustainability of the group. This will include reporting on risk levels, impact and strategies to mitigate risks.

### Legislative and regulatory compliance

Legislative and regulatory compliance is monitored by the company secretary working together with the head of human resources. An analysis of current and pending legislation and regulation relevant to the group is presented at board meetings.

New and amended legislation and regulations which could impact on the group's business was reviewed and analysed during the year. This legislation includes the amendments to the

Employment Equity Act, Basic Conditions of Employment Act and the proposed amendments contained in the Labour Relations Bill. External consultants have been engaged to assist in developing a revised employment equity structure, in line with the legislative requirements, and to review the current employment practices and policies.

In 2009 the Competition Commission initiated a complaint against the group for a possible contravention in terms of the Competition Act in relation to the supply of canned fruit for export. The alleged conduct took place in 2006 and the group had taken legal advice at the time that the Competition Act did not apply to exports. Ahead of the listing on the JSE, the group entered into a settlement agreement with the Competition Commission and agreed to an administrative penalty of R1.2 million. The Competition Tribunal confirmed the agreement as an order on 8 October 2014.

### Investor relations

An investor relations policy was developed prior to listing to provide guidelines for executives and employees on operating in a listed company environment.

The policy is aimed at ensuring compliance with all legislation, regulation and voluntary codes in relation to disclosure, communication and dissemination of information, while also protecting management and limiting reputational risk for the group.

Management is committed to engaging with local and international analysts and fund managers to enable informed decisions to be made about investing in the group. The CEO and CFO are the only designated investor spokesmen and all investor meetings are attended by at least two people. An investor relations consultancy is contracted to advise the group on its investor relations strategy and activities.

The group aims to ensure pro-active and timely communication with the investment community, while protecting the rights of all shareholders by providing equal access to information, with simultaneous release of information and no selective disclosure of information.

### Ethics

The group subscribes to the highest standards of business practice. The group has implemented various documented policies which set stringent standards relating to the acceptance of gifts from suppliers and other third parties, confidentiality of information, protection of information, trademarks and intellectual property, declarations of potential conflicts of interest, as well as policies relating to discrimination and sexual harassment.