

CORPORATE GOVERNANCE REPORT 2019

Introduction

RFG is committed to achieving high standards of corporate governance by entrenching the values of integrity, competence, responsibility, accountability, fairness and transparency in all its business activities.

The board is accountable to shareholders and is ultimately responsible for ensuring that 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.

The directors confirm that the group has in all material respects applied the principles of the King IV Code on Corporate Governance (King IV) for the reporting period. A schedule detailing the group's application of the King IV principles is available on the website at www.rfg.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:

- Overseeing 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
- Nominating directors for appointment and evaluating board and director performance
- Evaluating the performance of senior management and considering succession plans
- Ensuring appropriate remuneration policies and practices
- Shareholder communications and stakeholder engagement.

The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

BOARD COMPOSITION

RFG has a unitary board structure with seven non-executive directors and two salaried executive directors. Biographical details on the directors appear on pages 16 and 17 of the 2019 integrated report, including the tenure, experience and expertise of each director.

Black directors account for 44% of the board compared to a voluntary target of 40% outlined in the board's diversity policy. Female composition is 22% relative to a voluntary target of 30%.

The board is satisfied that its composition reflects an appropriate mix of knowledge, skills, experience, diversity and independence.

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

The tenure of the chairperson and lead independent director is limited to a maximum of four three-year terms.

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

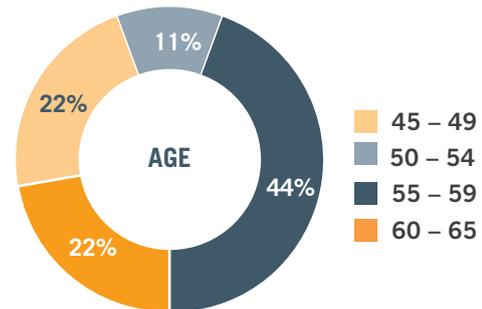
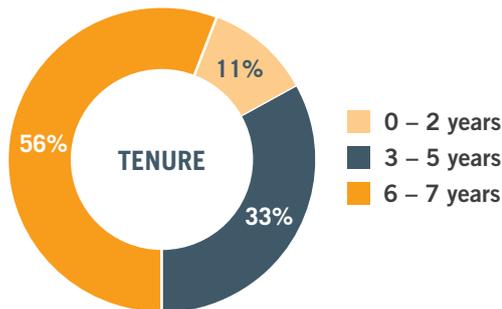
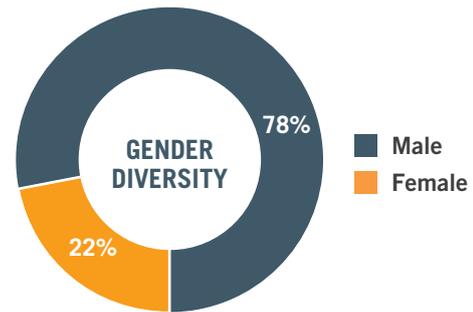
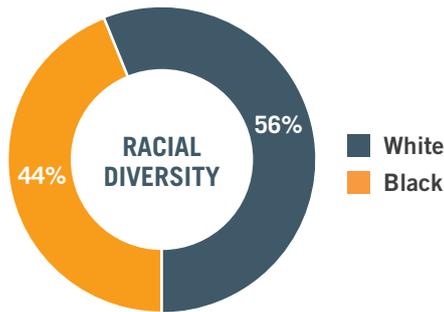
INDEPENDENCE OF DIRECTORS

Five of the non-executive directors, including the chairperson, are classified as independent in terms of King IV 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.

During the period, the board assessed the independence of Andrew Makenete, who has been a director within the group since 2008 and has therefore had a reasonably long relationship with executive management. The board determined that there are no relationships or circumstances appearing to affect Mr Makenete's judgement and concluded that he is appropriately categorised as an independent director.



BOARD INFORMATION



FUNCTIONING OF THE BOARD

The board meets six times each year. Additional meetings may be convened to discuss urgent or specific business.

The roles of the board chairperson, Dr Yvonne 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.

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

BOARD EVALUATION

Evaluation questionnaires were prepared by the company secretary for peer and self-evaluation by members of the board. The evaluations were aligned to the recommendations of the King IV code. No major areas of concern were identified and the results were reviewed by the nominations committee. The issues raised by board members through the evaluation process will be further considered in 2020 to ensure continued improvement in the board's performance and effectiveness. Action plans drawn up from the 2018 evaluation process were reviewed in 2019 to ensure that these were adequately addressed.

KEY ISSUES ADDRESSED IN 2019

In addition to meeting its required governance and oversight responsibilities during the year, the board addressed the following key issues:

- Monitored the group's performance against key performance measures and targets
- Approved the group's short-, medium- and long-term strategy as formulated and developed by management
- Monitored the implementation and execution of the strategic plan by management
- Approved the acquisition of the protein snack food business from RCL Foods Consumer
- Reviewed and approved the decision by the audit, risk and information technology committee to commence a tender process in 2020 to rotate audit firms for the 2021 financial year, subject to shareholder approval
- Performed a detailed review of all directorships held by members of the board and concluded that no board member is over-committed
- Assessed the independence of long-serving director Andrew Makenete and concluded that he is appropriately categorised as an independent director.

CORPORATE GOVERNANCE REPORT 2019 CONTINUED

- Monitored progress against the group's BBBEE targets
- Endorsed the group's environmental sustainability strategy and monitored performance against targets
- Approved the annual financial statements, integrated report and related SENS announcements
- Adopted a data protection policy
- Adopted a zero tolerance policy on racism, sexual harassment, bullying and discrimination
- Updated the succession planning policy
- Updated the board charter and committee terms of reference to incorporate the requirements of King IV. The terms of reference for the audit, risk and information technology committee were further updated to incorporate its newly assigned responsibilities for information technology
- Regular communication on legal and corporate governance developments, and risks and changes in the external environment of the organisation, were provided to board members
- Reiterated the need for board members to continuously develop their competence to lead effectively, keeping up to date with key developments affecting the company and their own required skills set
- The board receives training on amendments to the JSE Listings Requirements on an annual basis.

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 seven-person executive committee comprises the CEO, chief financial officer (CFO), heads of the operating business divisions, human resources and corporate affairs. Biographical details on the executive committee appear on page 18 of the 2019 integrated report. Richard Phillips, a member of the executive committee since 2010, resigned as commercial director in May 2019 and was replaced by Job Mpele, who was previously the group human resources director. Chwayita Mareka was appointed as group human resources director and a member of the executive committee in July 2019.

The CEO has a three-month notice period and has no professional commitments outside of the organisation. Succession planning is in place for this position for both emergency situations and over the long term.

A delegation of authority framework is in place and the board is satisfied that it contributes to role clarity and the effective exercise of authority and responsibilities.

Company secretary

The company secretarial function for the listed entity is fulfilled by Bernadette Lakey, corporate affairs director of the main subsidiary. Ms Lakey is a Chartered Accountant (SA). The board is satisfied that:

- the company secretary is suitably qualified, and experienced to provide professional and independent guidance to the board on corporate governance and its legal duties;
- that the office of the company secretary is empowered and that the position carries the necessary authority;
- that an arms-length relationship exists between the company secretary and the board; and
- that the company secretary has the necessary competence, gravitas and objectivity to provide independent guidance and support at the highest level of decision making in the organisation.

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.

Michelle Saville, legal officer of the main subsidiary, is the company secretary for all of the South African subsidiaries within the group. Ms Saville is a lawyer who has been with the group for two years.

Board committees

Specialised governance functions are delegated to four committees to assist 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, risk and information technology committee is appointed by the board and approved by shareholders at the annual general meeting.

AUDIT, RISK AND INFORMATION TECHNOLOGY COMMITTEE

ROLE AND RESPONSIBILITIES	COMPOSITION
<ul style="list-style-type: none"> • Ensure the group has adequate and appropriate financial and operating controls • Ensure the group has established appropriate financial reporting procedures and that the procedures are operating effectively • Ensure the group has an effective policy and plan for risk management • Ensure that the group has an effective policy and plan for the management of information technology • Maintain oversight for financial results and integrated reporting • Ensure satisfactory standards of governance, reporting and compliance 	<p>Chairperson: Mark Bower</p> <p>The committee comprises three independent non-executive directors.</p>

Refer to the audit, risk and information technology committee report in the annual financial statements

REMUNERATION COMMITTEE

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

Refer to the remuneration report on pages 38 to 49 of the 2019 integrated report

SOCIAL AND ETHICS COMMITTEE

ROLE AND RESPONSIBILITIES	COMPOSITION
<ul style="list-style-type: none"> • Monitor the group's activities relating to social and economic development, stakeholder and consumer relationships, and labour issues • Monitor adherence to corporate citizenship principles and ethical behaviour • Monitor the group's empowerment and transformation strategy, and progress against BBBEE targets • Oversee the implementation of the group's sustainability programme • Ensure the group's interactions with stakeholders are guided by legislation and regulation 	<p>Chairperson: Thabo Leeuw</p> <p>The committee comprises two independent non-executive directors and a non-executive director.</p>

Refer to the social and ethics committee report on pages 50 to 52 of the 2019 integrated report

NOMINATIONS COMMITTEE

ROLE AND RESPONSIBILITIES	COMPOSITION
<ul style="list-style-type: none"> • Assist the board in identifying, nominating and appointing suitable candidates as directors • Develop and regularly review succession plans for the board, CEO and senior executives • Ensure the board has appropriate balance of skills, knowledge, expertise and diversity • Approve appointments and removals of directors of all major subsidiaries 	<p>Chairperson: Dr Yvonne Muthien</p> <p>The committee comprises the chairperson of the board and the members of the remuneration committee.</p>

CORPORATE GOVERNANCE REPORT 2019 CONTINUED

BOARD AND COMMITTEE MEETING ATTENDANCE

DIRECTOR	STATUS	BOARD	AUDIT, RISK AND INFORMATION TECHNOLOGY COMMITTEE	REMUNERATION COMMITTEE	SOCIAL AND ETHICS COMMITTEE	NOMINATIONS COMMITTEE
Number of meetings		6	4	3	5	2
Dr Yvonne Muthien	Independent	+6				+2
Mark Bower	Independent	6	+4	3		2
Andrew Makenete	Independent	6	4	+3		2
Thabo Leeuw	Independent	6	4		+5	
Bongiwe Njobe	Independent	5			4	
Bruce Henderson*	Executive	6	4	3	5	2
Tiaan Schoombie*	Executive	6	4	3	5	2
Chad Smart	Non-executive	6				
Garth Willis	Non-executive	6		3	5	2
Attendance (%) 2019		98	100	100	93	100
Attendance (%) 2018		93	83	100	75	100

+ Chairperson

* Bruce Henderson, CEO and Tiaan Schoombie, CFO, attend all meetings by invitation.

Compliance

Details on the internal audit function, systems of internal control, the external audit function, combined assurance and risk management are outlined in the audit, risk and information technology committee report in the annual consolidated financial statements. In terms of the JSE Listings Requirements, the committee requested the relevant documentation to conduct an assessment of the suitability of the external auditor, Paul Schneider, and satisfied itself that both Deloitte & Touche and Mr Schneider had the necessary accreditation and were suitable for re-appointment.

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.

There was continued focus on the group's employment equity and transformation initiatives to ensure the group achieves legal compliance and is aligned to best practice.

A compliance review was conducted to ensure that the social and ethics committee is making a meaningful contribution to the organisation's activities and stakeholders, and fulfils its statutory and regulatory duties, particularly its responsibility to monitor the group's activities in relation to applicable legislation, rules, codes of best practice and standards.

INVESTOR RELATIONS

An investor relations policy aims to ensure compliance with all legislation, regulation and voluntary codes in relation to disclosure, communication and dissemination of information, while limiting reputational risk for management and 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 RFG. The CEO and CFO are the designated investor spokespersons and all investor meetings are attended by at least two people. An investor relations consultant has been retained by RFG since listing to advise management 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 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 zero tolerance policies on racism, discrimination, sexual harassment and bullying.

Governance in 2020

The business continuity plan will be formalised to ensure that critical operations continue to be available in a compromised environment. While disaster recovery and emergency action plans exist at individual operations, the focus will be on developing a group continuity plan that minimises the disruptive effects of a disaster or major event.

Other governance priorities include the finalisation of policies on communication, compliance, environmental management and sustainability and external auditor independence.

A group governance framework is to be developed to give effect to the board's direction on stakeholder relationships and the exercise of authority across the group. Other policies to be developed include a combined assurance policy and framework, and a fraud prevention plan that sets out the board's approach to dealing with fraud risk and to elaborate on specific initiatives to prevent fraud risks. The board will consider the outcomes of the peer and self-evaluations conducted in 2019.

The board nomination, composition and diversity policy is reviewed regularly to determine whether gender and race targets remain appropriate as well as assess the board's skills and qualities.

The designated auditor, Paul Schneider, has been nominated to serve as the company's audit partner for the fourth financial year. In terms of the Companies Act, he will be required to rotate off the audit at the end of September 2020. The company will take this opportunity to rotate audit firms. Accordingly, a tender process will commence in the second half of 2020, following which a recommendation for a new audit firm will be made to shareholders at the annual general meeting to be held in 2021.

