

CORPORATE GOVERNANCE REPORT 2020

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

In compliance with the JSE Listings Requirements, the board is required to adopt a policy on the promotion of broader diversity at board level, specifically focusing on the promotion of the diversity attributes of gender, race, culture, age, field of knowledge, skills and experience.

In July 2020, the board nomination, composition and diversity policy was revised as follows:

- Directorships of JSE-listed companies limited to a maximum of five.
- Non-executive directors' tenure limited to nine years, with further extensions being subject to an annual independence and performance review. The maximum extension allowed is three years.
- The voluntary target for black directors was increased from 40% to 50%.

The following appointments were made to the board in 2020:

Pieter Hanekom, the managing director of the Long Life Foods Division of Rhodes Food Group, was appointed as deputy chief executive officer with effect from 8 July 2020. In his new capacity, Mr Hanekom was also appointed as an executive director to the board of RFG with effect from 8 July 2020. His appointment is

part of the group's succession planning for the CEO position and provides continuity of executive leadership for both emergency situations and over the long term.

Following a formal selection process, Selomane Maitisa was appointed as an independent non-executive director on 19 October 2020, as a planned replacement for Andrew Makenete, who will retire from the board on 4 March 2021.

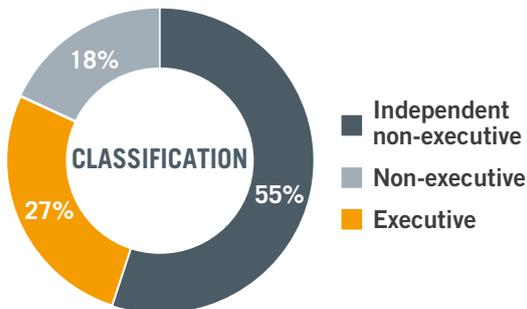
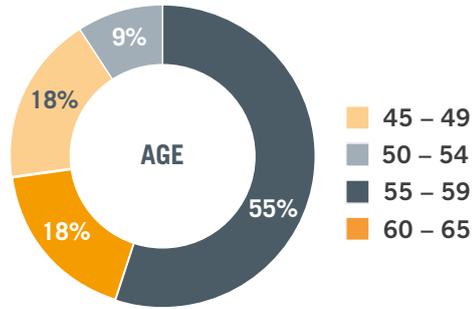
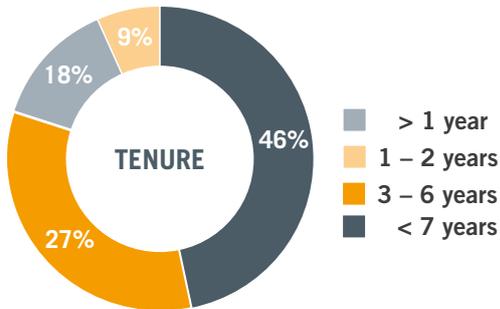
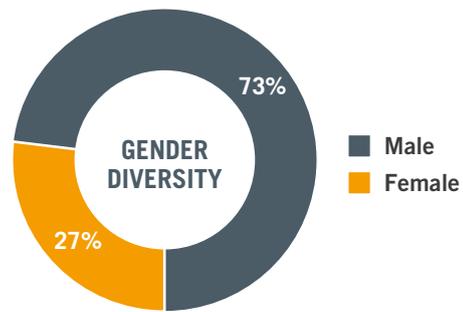
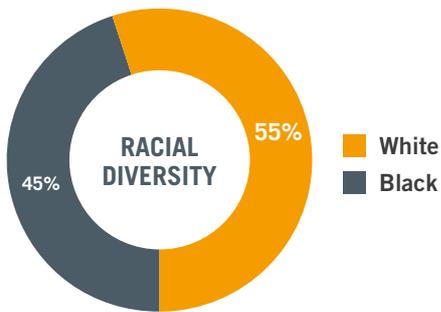
In appointing Ms Maitisa, the board increased female representation from 22% in 2019 to the current 27%. Black representation has increased to 45%. Ms Maitisa's qualifications and experience ensure that she has the appropriate field of knowledge and skills to serve on the audit, risk and information technology committee. Her previous directorships, particularly as a non-executive director of a JSE listed company, ensure that she has the requisite experience to make an immediate contribution to the board. Her marketing background adds a new dimension of knowledge, skills and experience on the board while her age is commensurate with the majority of the board members.

RFG has a unitary board structure, currently with eight non-executive directors and three salaried executive directors.

Biographical details on the directors appear on pages 18 and 19 of the 2020 integrated report, including the tenure, experience and expertise of each director.



BOARD PROFILE



At the time of this report, black directors accounted for 45% of the board compared to a new voluntary target of 50% outlined in the board's nomination, composition and diversity policy. Female composition is 27% relative to a voluntary target of 30%. After Mr Makenete's retirement, black directors will account for 40% of the board relative to the target of 50%. Female composition will be 30%, which is in line with the voluntary target.

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

Six 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 Mr 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.

CORPORATE GOVERNANCE REPORT 2020 CONTINUED

FUNCTIONING OF THE BOARD

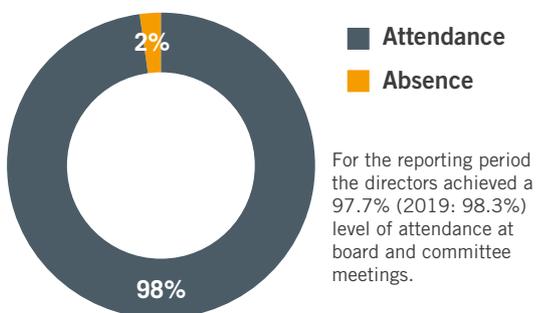
The board meets six times each year. Additional meetings may be convened to discuss urgent or specific business.

In 2020, an additional meeting was held to approve the appointment of Ernst & Young Inc as external auditors for the 2021 financial year, approve the appointment of a deputy CEO and approve the appointment of the deputy CEO as an executive director on the board. The board also approved changes to the chairpersons of the board committees and approved changes to the composition of the nominations committee.

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 AND COMMITTEE MEETING ATTENDANCE



BOARD EVALUATION

Evaluation questionnaires were prepared by the company secretary for evaluation of the board and committees by the directors. 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 2021 to ensure continued improvement in the board's performance and effectiveness. Action plans drawn up from the 2019 evaluation process were reviewed in 2020 to ensure that these were adequately addressed.

KEY ISSUES ADDRESSED IN 2020

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

- Monitored the group's response to risks and challenges presented by the Covid-19 pandemic.
- Approved the appointment of Ernst & Young Inc as the group's external auditor, effective from the 2021 financial year.
- 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.
- 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.
- Monitored progress against the group's BBBEE targets and reviewed strategies to improve the group's BBBEE score.
- Endorsed the group's environmental sustainability strategy and monitored performance against targets.
- Approved the annual financial statements, integrated report and related SENS announcements.
- Regular communication on legal and corporate governance developments, and risks and changes in the external environment of the organisation, were provided to board members.
- Reinforced 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.
- A business continuity project commenced in February in terms of which a 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 is on developing a group continuity plan that minimises the disruptive effects of a disaster or major disruptive event. The project is expected to be completed by November 2021.



Covid-19

During the initial phases of the Covid-19 lockdown, the board met on a weekly basis to discuss and review:

- Protocols being implemented to ensure a safe working environment and promote the well-being of employees.
- Measures introduced to ensure the ongoing supply of food products.
- Measures introduced to ensure the integrity of the inbound and outbound supply chain.
- The Covid-19 rates of infection of employees.
- The challenges encountered with regard to export operations, including port congestion and bottlenecks.
- Engagements with key stakeholders, including the Department of Trade, Industry and Competition, the Department of Health, the Department of Employment and Labour and the media.
- The financial and operational impact on the business in terms of increased demand for certain products and decreased demand for others.
- Corporate social investment activities to support feeder communities.

The audit, risk and information technology committee specifically assessed the following:

- The risk of the closure of factories and the impact on cashflow and business continuity.
- The diversity in the group's product range, target market and sales channels and how this would benefit the business in the Covid-19 environment.
- Stress testing was undertaken at a divisional level to determine the impact on profitability, bank covenants and short-term banking facilities.
- Operations with the biggest risk to the business were assessed and alternative arrangements considered.
- The effect of the collapse of printed media on advertising and other avenues available to the group.
- Alternative supply sources identified for key raw materials.
- The effect on cashflow if customers were not able to meet their payment obligations.
- The robustness of IT infrastructure with many employees required to work from home during lockdown.
- Additional expenses for the health and safety of employees and for operational requirements.

Management's response to Covid-19 included:

- Established a multidisciplinary Covid-19 task team with the objective of creating effective mitigation procedures to maintain the highest possible standards, and to develop contingency measures in the event of an outbreak of Covid-19 at any of the group's operations.
- Issued regular communiques to management and staff.
- Conducted an extensive educational programme on social distancing and the necessary mitigation steps in the workplace and at home.
- Implemented measures to ensure physical distancing between employees in work and social areas.
- Issued staff with masks and sanitiser for travel purposes as well as daily multi-vitamins to boost physical and mental well-being.
- Implemented and facilitated remote working for employees where possible, including the establishment of protocols and guidelines for working from home.
- Identified and made special arrangements for high risk individuals.
- Conducted risk impact assessments for every site.
- Established lines of communication with government departments to report employee infections.
- An employee assistance fund was established through contributions from directors and senior management to financially support staff impacted by Covid-19.
- Where seasonal employees were financially impacted by Covid-19, RFG supported them by applying to the UIF and Temporary Employer-Employee Relief Scheme (TERS) on their behalf.

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, deputy CEO and head of long life foods, chief financial officer (CFO), head of fresh foods, commercial, human resources and corporate affairs. Biographical details on the executive committee appear on pages 20 and 21 of the 2020 integrated report.

The CEO has a three-month notice period and has no professional commitments outside of the group. 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.

CORPORATE GOVERNANCE REPORT 2020 CONTINUED

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;
- the office of the company secretary is empowered and that the position carries the necessary authority;
- an arms-length relationship exists between the company secretary and the board; and
- the company secretary has the necessary competence, knowledge 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 and compliance 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 three 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

- 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

COMPOSITION

Chairperson: Mark Bower
At the time of the report, the committee comprised four independent non-executive directors.

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

REMUNERATION COMMITTEE

ROLE AND RESPONSIBILITIES

- 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

COMPOSITION

Chairperson: Thabo Leeuw (appointed 1 October 2020)

Andrew Makenete stepped down as chairperson on 1 October 2020 and will remain a member of the committee until his retirement on 4 March 2021.

At the time of the report the committee comprised three independent non-executive directors and a non-executive director.

Refer to the remuneration report on pages 44 to 59 of the 2020 integrated report

SOCIAL AND ETHICS COMMITTEE

ROLE AND RESPONSIBILITIES

- 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

COMPOSITION

Chairperson: Bongiwe Njobe (appointed 1 October 2020)

Thabo Leeuw stepped down as chairperson of the committee on 1 October 2020.

The committee comprises two independent non-executive directors and a non-executive director.

Refer to the social and ethics committee report on pages 60 to 63 of the 2020 integrated report

NOMINATIONS COMMITTEE

ROLE AND RESPONSIBILITIES

- 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
- Review the performance of the board and its committees

COMPOSITION

Chairperson: Dr Yvonne Muthien

During the financial year the committee comprised the chairperson of the board and the members of the remuneration committee.

Effective from 1 October 2020, the committee comprises the chairperson of the board and the chairpersons of the board committees.

CORPORATE GOVERNANCE REPORT 2020 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		7	5	3	5	2
Dr Yvonne Muthien	Independent	+7				+2
Andrew Makenete	Independent	6	4	+3		2
Bongiwe Njobe	Independent	7			5	
Bruce Henderson*	Executive	7	5	3	5	2
Chad Smart	Non-executive	5				
Garth Willis	Non-executive	7		3	5	2
Mark Bower	Independent	7	+5	3		2
Pieter Hanekom#	Executive	2	1	1	2	
Tiaan Schoombie*	Executive	7	5	3	5	2
Thabo Leeuw	Independent	7	5		+5	
Attendance (%) 2020		95	93	100	100	100
Attendance (%) 2019		98	100	100	93	100

+ Chairperson

Pieter Hanekom was appointed to the board on 8 July 2020.

* Executive directors 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 conducted an assessment of the suitability of the external auditor, Michael van Wyk, and satisfied itself that both Deloitte & Touche and Mr van Wyk had the necessary accreditation.

The board confirms that the group has established appropriate financial reporting procedures and the directors are satisfied that these procedures are operating effectively.

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 effectively monitors the organisation's activities in relation to 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 the 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 ethical 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, whistleblowing, 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 2021

The business continuity project is ongoing and is expected to be completed by November 2021.

Other governance priorities include the finalisation of policies on communication and environmental management and sustainability.

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 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 board and committee evaluations conducted in 2020.

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

Covid-19 monitoring and mitigation plans will remain a key focus in 2021 as part of the board's proactive oversight responsibilities.

