

APPLICATION OF KING IV PRINCIPLES 2022

Leadership, ethics and corporate citizenship

PRINCIPLE	COMPLIANCE	APPLICATION OF THE PRINCIPLE
1 Leadership		
<p>The governing body should lead ethically and effectively.</p>	<p>Applied</p>	<p>The board exercises ethical and effective leadership by striving to ensure that all deliberations, decisions and actions are based on the principles underpinning good governance, including integrity, competence, responsibility, accountability, fairness and transparency in dealings with all stakeholders.</p> <p>The code of ethics requires all directors to maintain high ethical standards ensuring that the company's business practices and engagement with stakeholders are conducted in a manner which is at all times above reproach.</p> <p>The board provides effective leadership based on an ethical foundation, which entails:</p> <ul style="list-style-type: none"> ▪ directing the strategy and operations of the company to maintain a sustainable business; ▪ considering the short-term and long-term impact of the company's strategy on the economy, society and the environment; ▪ doing business ethically; ▪ not compromising the natural environment; and ▪ taking account of the company's impact on internal and external stakeholders. <p>The conduct of the board, its committees and company secretary were evaluated and reviewed during the year to establish that those charged with governance exhibit the required characteristics and that the principles encompassed within the board charter have been adhered to. Individual directors are evaluated biennially, with the last evaluation having been conducted in 2021.</p>
2 Organisational ethics		
<p>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>Applied</p>	<p>The board builds and sustains an ethical corporate culture and ensures that the company's ethics are managed effectively by:</p> <ul style="list-style-type: none"> ▪ determining clearly articulated ethical standards and values which are included in the group's code of ethics and business conduct, ensuring that the group takes measures to achieve adherence and that the board and management's conduct aligns with the code; ▪ aligning internal and external ethics performance around the same ethical standards; ▪ incorporating ethical risks and opportunities in the risk management process; and ▪ assessing, monitoring and reporting on the group's ethics performance.

Leadership, ethics and corporate citizenship *continued*

PRINCIPLE	COMPLIANCE	APPLICATION OF THE PRINCIPLE
3 Responsible corporate citizenship		
<p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>Applied</p>	<p>The board strives to ensure that the company is, and is seen to be, a responsible corporate citizen, having regard to not only the financial aspects of the group's business but also the impact that business operations have on the environment and the society in which it operates. The board also strives to ensure that the well-being of the group, the environment and society is protected and enhanced. The board promotes the stakeholder-inclusive governance approach, considering, weighing and promoting the interests of all the group's stakeholders. The board ensures that the business collaborates with stakeholders to promote ethical conduct and good corporate citizenship.</p> <p>While the board assumes ultimate responsibility for governing and managing responsible corporate citizenship, specific focus has been assigned to the social and ethics committee. The social and ethics committee's report describes the group's key areas of focus during the period and planned areas of future focus. The Sustainability report highlights progress made in the key focus areas.</p>

Strategy, performance and reporting

4 Strategy and performance		
<p>The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p>Applied</p>	<p>The board is ultimately accountable for the performance and affairs of the group, appreciating that strategy, risk, performance and sustainability are inseparable. It provides strategic direction by proposing, discussing and questioning, while evaluating and approving, plans and strategies based on the values and objectives of the group and stakeholder interests and expectations. The board:</p> <ul style="list-style-type: none"> ▪ satisfies itself that strategies and business plans do not give rise to risks that have not been thoroughly assessed by management; ▪ identifies key performance and risk areas and the mitigation of risk such that the ultimate risk tolerance of the company is acceptable; ▪ ensures that strategies strive to result in sustainable outcomes; and ▪ considers sustainability as a business philosophy that guides strategy formulation. <p>After approving operational and investment plans and strategies, the board empowers management to implement these and to provide timely, accurate and relevant feedback on progress. The board is responsible for monitoring the operational and investment performance of the group, including relevant financial and non-financial aspects, and remains accountable for the overall success of the approved strategies.</p> <p>The group's strategy is outlined in the integrated report, together with an assessment of performance against the strategy and plans to deliver the strategy in the forthcoming financial year.</p>

Strategy, performance and reporting continued

PRINCIPLE	COMPLIANCE	APPLICATION OF THE PRINCIPLE
5 Reporting		
<p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.</p>	<p>Applied</p>	<p>The board ensures that the integrated annual report provides an accurate, complete and integrated representation of the group, including financial performance, corporate governance, risk management and sustainability. The audit, risk and information technology committee assists the board by reviewing the annual integrated report to ensure that information contained in it is reliable and that it does not contradict the financial aspects of the report.</p> <p>The full reporting suite and archives are available on the RFG website.</p>
6 Primary roles and responsibilities of the governing body		
<p>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>Applied</p>	<p>The board has adopted a charter which</p> <ul style="list-style-type: none"> ■ confirms its commitment to achieving high standards of corporate governance, including compliance with the King IV Code: ■ ensures that good corporate governance is maintained throughout the group. <p>The corporate governance report provides further details of the board's activities for the year as well as areas of future focus.</p>
7 Composition of the governing body		
<p>The governing body should comprise an appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>Applied</p>	<p>The board consists of eight non-executive directors and two salaried executive directors. Five of the non-executive directors are considered to be independent. Biographical details on the directors appear on pages 24 and 25 of the integrated report, including the tenure, experience and expertise of each director.</p> <p>Black composition is currently 40% compared to a voluntary target of 50% outlined in the board's nomination, composition and diversity policy. Gender composition is currently 30% versus a voluntary target of 30%.</p> <p>The corporate governance report provides further details of the board's assessment of individual directors' independence.</p>

Strategy, performance and reporting *continued*

PRINCIPLE	COMPLIANCE	APPLICATION OF THE PRINCIPLE
<p>8 Committees of the governing body</p>		
<p>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p>	<p>Applied</p>	<p>Specialised governance functions are delegated to four committees to assist the board in meeting its oversight responsibilities:</p> <ul style="list-style-type: none"> ■ The audit, risk and information technology committee ■ The social and ethics committee ■ The remuneration committee ■ The nominations committee <p>All the committees are chaired by independent non-executive directors. The composition of the committees is detailed in the corporate governance report.</p> <p>The directors confirm that the committees have functioned in accordance with their terms of reference during the financial year.</p>
<p>9 Evaluation of the performance of the governing body</p>		
<p>The governing body should ensure that the evaluation of its own performance and that of its committees, its chairs and its individual members, support continued improvement in its performance and effectiveness.</p>	<p>Applied</p>	<p>Formal evaluation questionnaires were drawn up by the company secretary for self-evaluation by members of the board and its committees. The evaluations were aligned to the recommendations of the King IV code. Good results were achieved for all of the evaluations conducted. The results were reviewed by the nominations committee. The comments raised by board members through the evaluation process will be further considered in 2023 to ensure continued improvement in the board's performance and effectiveness.</p>
<p>10 Appointment and delegation to management</p>		
<p>The governing body should ensure that the appointment of and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<p>Applied</p>	<p>The collective responsibilities of management vest in the CEO and, as such, the CEO bears ultimate responsibility for all management functions. The board delegates (without abdicating its duties and responsibilities) to management via the CEO, who in turn delegates to those reporting to him.</p> <p>In particular the CEO is responsible for the following matters:</p> <ul style="list-style-type: none"> ■ implementation of strategies and policies of the group; ■ managing the business and affairs of the group; ■ prioritising and allocation of capital, technical and human resources; ■ establishing best management practices and functional standards; ■ senior management appointments and monitoring the performance of senior management; and ■ maintaining a group-wide system of internal control to manage all group risks.

Governance function areas

PRINCIPLE	COMPLIANCE	APPLICATION OF THE PRINCIPLE
11 Risk governance		
<p>The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p>Applied</p>	<p>The board recognises that it is ultimately responsible for risk management and monitoring. The audit, risk and information technology committee is delegated with the responsibility of monitoring risk management measures including the responsibility to monitor and report on financial risks.</p> <p>Risk management encompasses all significant business risks to the group, including operational risk, which could undermine the achievement of business objectives. There is clear accountability for risk management, which is a key performance area of line managers throughout the group. Managers are supported in giving effect to their risk responsibilities through sound policies and guidelines on risk and control management. Continuous monitoring of risk and control processes by line management with the assistance of the internal audit service provider, and any external consultants, provides the basis for regular and exception reporting to management, the CEO and the audit, risk and information technology committee.</p> <p>The effectiveness of risk management is reviewed regularly by the audit, risk and information technology committee. The committee takes into account material changes and trends in the risk profile and considers whether the control systems, including reporting, adequately supports the achievement of the risk management objectives.</p> <p>The board is responsible for:</p> <ul style="list-style-type: none"> ■ determining the levels of risk tolerance; ■ the processes and policies to ensure: <ul style="list-style-type: none"> – the integrity and effectiveness of risk management; – the integrity and effectiveness of internal controls (including an effective risk-based internal audit function); and – the integrity of the company's annual integrated report; ■ subject to shareholder approval, defining and approving an audit, risk and information technology committee which will regulate, <i>inter alia</i>, the internal audit function; ■ ensuring that the company has an effective and independent audit, risk and information technology committee, complying with statutory requirements; ■ ensuring that risk assessments are performed on a continual basis; ■ ensuring that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks; ■ ensuring that management continually monitors risk and considers and implements appropriate risk responses; ■ receiving assurance regarding the effectiveness of the risk management process; ■ ensuring that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders; and ■ ensuring that procedures and practices are in place to protect the company's assets and reputation.

Governance function areas continued

PRINCIPLE	COMPLIANCE	APPLICATION OF THE PRINCIPLE
12 Technology and information governance		
<p>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p>Applied</p>	<p>The board is responsible for information technology (“IT”) governance, including:</p> <ul style="list-style-type: none"> ■ the establishment and implementation of an audit, risk and information technology committee Terms of reference which will regulate, <i>inter alia</i>, IT governance issues and policies to be adopted by the group; ■ aligning IT with the performance and sustainability objectives of the group; ■ monitoring and evaluating significant IT investments and expenditure; and ■ ensuring that information assets are adequately protected and managed effectively.
13 Compliance governance		
<p>The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in way that supports the organisation being ethical and a good corporate citizen.</p>	<p>Applied</p>	<p>The board is the focal point and custodian of the group’s corporate governance and is also responsible for ensuring that it complies with all relevant legislation, regulation and codes of best governance practices, and considers adherence to other non-binding rules, codes and standards. In this regard:</p> <ul style="list-style-type: none"> ■ compliance with laws, rules, codes and standards are incorporated in the group’s Code of Ethics and Business Principles; ■ permitted exceptions and shortcomings in, and proposed changes to, laws are handled ethically; ■ compliance with applicable laws are not understood only for the obligations they create, but also for the rights and protection they offer; ■ the board understands the context of the law and how laws interact with each other, and has a working understanding of the effect of applicable laws, rules, codes and standards on the company and its business; ■ non-compliance risks are identified, assessed and responded to through the risk management process; and ■ implementation of an effective compliance framework and process is delegated to management. <p>Compliance is managed through:</p> <ul style="list-style-type: none"> ■ establishment of a compliance policy; ■ formal monitoring of the group’s compliance; and ■ regular compliance reports to the board.

Governance function areas continued

PRINCIPLE	COMPLIANCE	APPLICATION OF THE PRINCIPLE
14 Remuneration and governance		
<p>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>	<p>Applied</p>	<p>The board has delegated the responsibility for the governance of remuneration to the remuneration committee. The role of the committee is to ensure the employee value proposition promotes fair, responsible, transparent remuneration and reasonable employment practices within RFG, whilst adopting a stakeholder-inclusive approach. It also ensures the establishment of an appropriate remuneration framework and adoption of remuneration policies, which aim to attract and retain top talent, agree with RFG's long-term strategy and drive sustainable performance.</p> <p>The remuneration committee's report provides further details of the activities for the year as well as areas of future focus.</p>
15 Combined assurance		
<p>The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p>	<p>Applied</p>	<p>A combined assurance model is applied to provide a coordinated approach to all assurance activities. The combined assurance model aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the key risk areas affecting the group.</p> <p>Activities are coordinated to maximise the level of assurance achieved by each of the assurance providers. This enables an effective control environment and ensures the integrity of information used for internal decision making and supports the integrity of external reports.</p> <p>The combined assurance model is integrated within the risk management process, including reporting to and oversight from the audit, risk and information technology committee.</p> <p>The committee has reviewed the combined assurance results for the group to satisfy itself that appropriate assurance activities are in place in relation to the controls operating over the key risks identified.</p> <p>A combined assurance policy and framework has been developed.</p>

Stakeholder relationships

PRINCIPLE	COMPLIANCE	APPLICATION OF THE PRINCIPLE
16 Stakeholders		
In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests, and expectations of material stakeholders in the best interests of the organisation over time.	Applied	<p>Interactions with stakeholders are monitored by the social and ethics committee. A stakeholder engagement strategy has been formalised to proactively manage stakeholder relationships.</p> <p>The board recognises that transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence. In this regard:</p> <ul style="list-style-type: none"> ▪ complete, timely, relevant, accurate, honest and accessible information is provided by the company to stakeholders, having regard to legal and strategic considerations; and ▪ communication with stakeholders is in clear and understandable languages.
17 Stakeholders		
The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.	Not applicable	The company is not an Institutional Investor.