



2018

RCL FOODS LIMITED
CORPORATE
GOVERNANCE REPORT

FOR THE YEAR ENDED
JUNE 2018



STATEMENT OF COMPLIANCE

RCL FOODS supports the governance outcomes, principles and practices as set out in the King IV Code of Corporate Governance. For the period under review, the Board is of the opinion that RCL FOODS has operated in accordance with the requirements of King IV. The Group's application of the applicable principles is explained in our King IV application register. The Board is further satisfied that it has met the requirements of the Companies Act of South Africa and the JSE Listings Requirements, and has fulfilled its responsibilities in accordance with its approved Board Charter.

The Group advocates the ethical attributes of integrity, competence, responsibility, fairness and transparency. The Board is tasked with ensuring that these values and characteristics are embodied within the Group through ethical and effective leadership. The Board is held accountable for providing ethical and effective leadership, and an annual evaluation is performed to assess the effectiveness of the Board (along with its committees and individual members) in this regard.

 The full King IV application register is available on the RCL FOODS website at www.rclfoods.com/financial-results-and-investor-presentations-2018

BOARD OF DIRECTORS

The Group has a unitary Board of 12 directors, of whom six are independent non-executive directors, four are non-executive directors and two are executive directors. One independent non-executive director, Ms Cindy J Hess was appointed to the Board during the year. The Chairman of the Board, Mr JJ Durand, is not independent but, given his role as Chief Executive Officer of Remgro Limited (which owns a majority share in RCL FOODS), the Board deemed this appointment appropriate and key to achieving the business objectives of RCL FOODS. The roles of Chairman and Chief Executive Officer are separate, and a clear division of responsibility exists between the two.

BOARD COMPOSITION

The Board conducts the affairs of the Group on the basis of its diverse industry knowledge and experience, and ensures that its composition is appropriate for the effective execution of its responsibilities. The Board ensures that an appropriate balance of power and authority exists so that no individual, or block of individuals, has unfettered decision-making powers or undue influence on the Board. To ensure good governance, and as recommended by King IV, Mr RV Smither maintains his role as Lead Independent Director, and assumes chairmanship in instances where the Chairman is conflicted.

Details of the directorate of the RCL FOODS Board are provided on pages 44 and 45 of the Abridged Integrated Annual Report which is available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2018 

GOVERNANCE STRUCTURES



BOARD OF DIRECTORS CONTINUED

BOARD RESPONSIBILITIES AND MEETING ATTENDANCE

The Board gives strategic direction to the Group, whilst retaining full and effective control over the Group and monitoring executive management in implementing plans and strategies. The roles and responsibilities of the Board are set out in a formal Board Charter, which is reviewed annually.

Directors who are unable to attend meetings tender their apologies and reasons for non-attendance in advance.

The complete terms of reference of the Board are detailed in the Board Charter, available on our website at www.rclfoods.com/node/rcl-foods-charters



Members	Attendance	2018 Activities
CJ Hess*	3/3	<ul style="list-style-type: none"> Approved the Group strategy and business plan for the 2019 financial year. Approved the half-year and year-end financial results and JSE announcements. Approved the Integrated Annual Report. Discussed and considered material issues relating to execution of strategy. Approved non-executive directors' fees for tabling at the Annual General Meeting. Considered the declaration of directors' personal financial interests and conflicts of interest. Approved major capital expenditure. Considered committee report-backs to the Board.
NP Mageza*	5/5	
DTV Msibi*	4/5	
MM Nhlanhla*	4/5	
RV Smither*	4/5	
GM Steyn*	5/5	
HJ Carse^	5/5	
JJ Durand^	5/5	
PR Louw^	5/5	
GC Zondi^	5/5	
M Dally #	5/5	
RH Field#	5/5	

* Independent non-executive director ^ Non-executive director # Executive director

Note: Ms CJ Hess was appointed 23 February 2018.

ACCESS TO RECORDS AND INDEPENDENT ADVICE

Directors have unrestricted access to all Group information, records, documents and property. Non-executive directors have access to management and may meet separately with management, without the attendance of executive directors. All directors have access to the advice and services of the Company Secretary, and directors may obtain independent professional advice at the Group's expense, should they deem this necessary.

COMPANY SECRETARY

The Board is cognisant of the duties of the Company Secretary who is accordingly empowered to properly fulfil those duties. Mr JMJ Maher is the Company Secretary and in addition to the statutory duties, he fulfils the following functions in line with the Board Charter:

- induction of directors;
- provision of guidance to the Board and individual directors on how their responsibilities should be properly discharged in the best interests of the Group;
- provision of guidance to the Board on the duties of the directors, matters of ethics and good governance; and
- acts as the primary point of contact between shareholders and the Group.

The Board assessed and was satisfied that the Company Secretary is competent and has the requisite qualifications and experience to effectively execute his duties. The Company Secretary maintains an arm's length relationship with the Board and the directors, taking into account that the Company Secretary is not a director of the Company and is not related to any of the directors.

DIRECTORS' INDEPENDENCE

All independent non-executive directors are subject to an independence evaluation by the Board. The Board considers whether the director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the director's independence. On the basis of the findings of this evaluation, the Board is of the opinion that Messrs NP Mageza, RV Smither, DTV Msibi, GM Steyn, Mrs MM Nhlanhla and Ms CJ Hess are independent. All other non-executive directors are not considered independent due to their being executives or directors of either Remgro Limited or the BEE consortium, which are major shareholders in RCL FOODS. All directors are required to declare, on an annual basis, any interest in proposed transactions or arrangements with the Group. In addition, all other material interests are disclosed by directors as and when they arise.

BOARD OF DIRECTORS CONTINUED

APPOINTMENTS TO THE BOARD

The Board has adopted a policy on the Promotion of Gender Diversity at the Board level. The process of identifying suitable candidates for appointment involves taking into consideration diversity and inclusion. Procedures for appointment to the Board are formal and transparent, and a matter for the Remuneration and Nominations Committee. This committee consists of three independent non-executive directors and one non-executive director, and meets at least twice a year. Mr NP Mageza is the Chairman and the other members are Messrs JJ Durand, GM Steyn and RV Smither. The Lead Independent Director of the Board serves as Chairman of the committee for nomination matters. The Chief Executive Officer and Chief Human Resources Officer also attend meetings of the Remuneration and Nominations Committee as permanent invitees.

The committee considers the Board's composition, retirements and appointments of additional and replacement directors. Executive directors are appointed to the Board on the basis of skill, experience and level of contribution to the Group, and are responsible for the running of the business. Non-executive directors are selected on the basis of industry knowledge, professional skills and experience. On their appointment to the Board, new directors visit the Group's businesses and meet with senior management, as appropriate, to facilitate their understanding of the Group and their fiduciary responsibilities. The Board has reviewed its required mix of skills and experience, as well as other qualities such as demographics and diversity, in order to assess its effectiveness and that of its committees and individual directors.

In accordance with the Memorandum of Incorporation, not less than one third of the directors are subject to retirement and re-election by shareholders on an annual basis. As a result of this requirement, the following directors will retire by rotation at the 2018 Annual General Meeting: Messrs HJ Carse, NP Mageza and GC Zondi, and Mrs MM Nhlanhla. In accordance with the company's retirement policy, Mr RV Smither also retires and is subject to re-election by shareholders. All retiring directors have made themselves available for re-election.

BOARD EFFECTIVENESS

For the period under review, the Company Secretary facilitated a performance evaluation of the Board and its committees based on the requirements of King IV. These are formal evaluations coordinated by the Remuneration and Nominations Committee, and annually assess the effectiveness of the following categories:

- Board composition and meetings;
- Board committees;
- Board information;
- Board orientation and development;
- Board functioning and processes;
- Chairman; and
- Individual evaluation.

The results of the individual assessments were consolidated by the Company Secretary. The Chairman of the Board is responsible for determining any actions required to enhance the effectiveness of the Board. The 2018 evaluation established that all categories were effective, and the Board is satisfied that the evaluation process is improving its performance and effectiveness.

BOARD COMMITTEES

RCL FOODS is committed to achieving the highest level of corporate governance and ethical business behaviour in order to create sustainable value for its stakeholders. The directors recognise that good corporate governance is about leadership and that it is necessary to conduct the enterprise with integrity and in compliance with legislation, regulations and best practices relevant to the Group's business. Governance in the Group extends beyond mere legislative and regulatory compliance, and the directors strive to entrench an enterprise-wide culture of good governance and ethical conduct. For RCL FOODS, corporate governance incorporates the structures, processes and practices that the Board uses to assist it in managing and directing the Group's operations.

Board committees assist the Board in discharging its responsibilities. The role and responsibility of each Board committee is set out in formal charters defining terms of reference, duration and functions, clearly agreed upon reporting procedures and scope of authority for each committee. Committees are free to obtain independent external professional advice as and when necessary, and are subject to evaluation by the Board to ascertain their performance and effectiveness.

The complete terms of reference of the Board committees are detailed in the individual committee charters available on our website at www.rclfoods.com/node/rcl-foods-charters 

AUDIT COMMITTEE

The Audit Committee ensures that the Group's financial standing is sound. It also ensures that the internal financial controls are adequate and effective. In addition, it approves the external audit fees, ensures that the internal audit department is independent and effective, and that the finance processes are effective.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its approved Committee Charter.

Members	Attendance
CJ Hess*	N/A
NP Mageza	3/3
DTV Msibi	3/3
RV Smither	3/3

**Appointed 21 June 2018*

The detailed report of the Audit Committee has been included in the Abridged Integrated Annual Report available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2018 

BOARD COMMITTEES CONTINUED

RISK COMMITTEE

The Risk Committee is responsible for overseeing the adequacy and overall effectiveness of the Group's risk management function and its implementation by management.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its approved Committee Charter.

Directors who are unable to attend meetings tender their apologies and reasons for non-attendance in advance.

Further details of the risk management process are included on page 9 of this report. The material risks impacting the Group are included as part of the Abridged Integrated Annual Report available at www.rclfoods.com/financial-results-and-investor-presentations-2018 

Members	Attendance	2018 Activities
GC Zondi	3/3	<ul style="list-style-type: none"> Reviewed the risk profile to ensure its alignment with Group strategic objectives. Considered changes in the risk profile of the Group and its divisions, and their impact on the business. Reviewed strategic risks for all divisions, confirming mitigation strategies developed by management. Reviewed assurance results of the combined assurance model against approved monitoring plans. Reviewed the Group's sustainability strategy and received updates on: <ul style="list-style-type: none"> – progress against sustainability targets; and – the status of the implementation of key sustainability projects relating to energy and water conservation. Evaluated the insurance programme to ensure that all insurable risks were covered where practical. Key IT focus areas, including cyber security and other digital projects, were assessed. Key legal matters were reviewed.
RV Smither	3/3	
GM Steyn	3/3	
M Dally	3/3	
RH Field	3/3	
CJ Hess*	N/A	

*Appointed 21 June 2018

The Group Services Audit and Risk Director, Chief IT Officer, Group Services Strategy and Corporate Affairs Directors, Chief Legal Officer and Divisional Managing Directors are permanent invitees to the Risk Committee meetings.

REMUNERATION AND NOMINATIONS COMMITTEE

Remuneration matters

The Committee is responsible for the assessment and approval of the remuneration strategy for the Group; determination of short- and long-term incentive pay structures for Group executives; positioning of senior executive pay levels relative to local and international industry benchmarks; and assessment and authorisation of specific reward proposals for Group executive directors and management.

Nomination matters

The Committee's role is to assist the Board to ensure that it has the appropriate composition for it to execute its

functions effectively, and to ensure that formal succession plans are in place.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its approved Committee Charter.

Directors who are unable to attend meetings tender their apologies and reasons for non-attendance in advance.

For more information, refer to the detailed Remuneration Report available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2018 

BOARD COMMITTEES CONTINUED

REMUNERATION AND NOMINATIONS COMMITTEE CONTINUED

Members	Attendance	2018 Activities
NP Mageza	3/3	<ul style="list-style-type: none"> Recommended that one director, due to retire in terms of Group policy, be reappointed. Reviewed the succession planning for the Chief Executive Officer and senior executive positions.
RV Smither	3/3	<ul style="list-style-type: none"> Reviewed the performance objectives and key activities of the Chief Executive Officer and senior executives. Provided guidance on evaluation of the performance of executive directors. Approved the remuneration policy.
GM Steyn	3/3	<ul style="list-style-type: none"> Ensured that the remuneration of the Chief Executive Officer and executive directors is in line with the remuneration policy. Approved the appointment and remuneration of senior executive positions within the Group.
JJ Durand	3/3	<ul style="list-style-type: none"> Approved all awards pursuant to the RCL FOODS Share Appreciation Rights Scheme and Conditional Share Plan. Recommended the appointment of a new board member in line with the approved board gender diversity policy.

The Chief Executive Officer and Chief Human Resources Officer are permanent invitees to the Remuneration and Nominations Committee meetings.

SOCIAL AND ETHICS COMMITTEE

The role of the Social and Ethics Committee is to assist the Board with monitoring and reporting on social, ethical and transformational practices that are consistent with good and responsible corporate citizenship. The Chairman of the Social and Ethics Committee, Mr GC Zondi, will be available at the Annual General Meeting to answer any questions relating to the statutory obligations of the committee.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its approved Committee Charter.

Directors who are unable to attend meetings tender their apologies and reasons for non-attendance in advance.

Members	Attendance	2018 Activities
GC Zondi	2/2	<ul style="list-style-type: none"> Considered the proposed re-focus of the Group's Corporate Social Investment strategy. Considered the impact of the proposed new B-BBEE codes on the Group's scorecard.
MM Nhlanhla	2/2	<ul style="list-style-type: none"> Reviewed the Group's progress against the 2020 Employment Equity plan. Reviewed current developments with respect to labour relations, e.g. compliance with New National Minimum Wage Act, update on wage negotiations and multi-year agreements.
M Dally	2/2	<ul style="list-style-type: none"> Reviewed the Group's consumer relations, including advertising, public relations and compliance with consumer protection laws. Reviewed the results of anti-corruption efforts in relation to the outcomes of the whistle-blowing hotline investigations and considered fraud risk mitigation measures.
RH Field	2/2	<ul style="list-style-type: none"> Evaluated key environmental and consumer related issues.

The Chief Legal Officer, Chief Human Resources officer, Group Services Strategy and Corporate Affairs Directors and Group Services Audit and Risk Director are permanent invitees to the Social and Ethics Committee meetings.

GOVERNANCE PROCESS

CODE OF CORPORATE CONDUCT AND ETHICS

It is a fundamental policy of the Group to conduct its business with honesty, integrity and in accordance with the highest legal and ethical standards. The Corporate Code of Conduct and Ethics Policy governs the conduct of all employees. RCL FOODS' induction programme educates new employees on the ethics, values and business culture of the Group. It is a requirement that all employees sign an acknowledgement that they have read and understood the contents of the policy and that

contravention of the basic standards contained therein may result in disciplinary action, including dismissal.

The Corporate Code of Conduct and Ethics Policy is available to all employees on the Group's intranet. Refer to King IV application register: Principle 2 for more detail available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2018

GOVERNANCE PROCESS CONTINUED

ANTI-BRIBERY AND CORRUPTION

RCL FOODS has a zero-tolerance policy with regard to bribery, fraud and corruption. The Corporate Code of Conduct and Ethics Policy sets the guidelines that define acceptable and responsible behaviours of the Group and all employees.

The code prohibits:

- all cash gifts;
- the giving or receiving of gifts, loans, favours or any other benefit which may be regarded as influencing business, labour or governmental decisions;
- donations or contributions to a political party; and
- engaging in activities which may involve a conflict of interest with the Group's employment position.

As part of the Group's anti-fraud and anti-corruption efforts, internal audits are conducted to assess the status of internal controls, including controls to minimise the risk of fraud.

From an information security and technology perspective, the Group's fraud prevention activities include but are not limited to:

- Email protection;
- Network and perimeter protection;
- Access control to sensitive information;
- Antivirus and malware protection supported by adequate patch management;
- Attack and penetration reviews; and
- Continuous monitoring over procurement and payroll.

During the period under review, the Group has focused on embedding an integrated fraud and corruption risk management process, i.e. enhancing fraud and corruption prevention policies, as well as awareness of the current fraud and corruption risk areas.

The Board recognises the need for a confidential reporting mechanism (whistle-blowing hotline) covering fraud and other risks. The Tip-offs Anonymous whistle-blowing hotline, an anonymous toll-free number, provides an impartial facility for all stakeholders to report fraud, statutory malpractice, crime and deviations from policy.

Procedures are in place for the independent investigation of matters reported and for appropriate follow-up action. In line with its commitment to transparency and accountability, the Group takes action against employees and others who are guilty of fraud, corruption or other misconduct, or who are in breach of Group policies.

During the year under review, 79 allegations (2017: 63 allegations) were received via the whistle-blowing hotline. 28 of these allegations were valid, with fraud/theft being the most common category. Other valid allegations related to unethical behaviour and human resource issues. These matters were resolved, resulting in criminal charges, resignations or disciplinary action against the relevant individuals. The remainder of the calls are either in progress or have been closed due to insufficient information being supplied by the caller or the allegations being found to be untrue.

Future focus areas include increased ethics training initiatives, where appropriate, and will be made in line with our objective to continuously improve and entrench ethical and anti-fraud practices.

LEGAL COMPLIANCE

RCL FOODS manages its business responsibly and in compliance with statutory and regulatory requirements. These requirements underpin the legal compliance frameworks of the individual divisions, which are designed to increase awareness of the applicable legislation and to provide assurance to the Board that the risks posed by non-compliance are being addressed.

To ensure that the Group is responsive to the constant changes in legislation and regulations, the Group has enhanced its approach to drive continued compliance with applicable laws and regulations. To this end, a formal RCL FOODS Legal Compliance policy has been approved by the Board. Acknowledging that commitment to compliance is a fundamental component of business, the Group has established a Regulatory Universe which uses a risk-based approach to codify and prioritise the key legislation impacting RCL FOODS. This prioritisation has provided insight on key focus areas throughout the organisation, which will be addressed and strengthened through training initiatives. The establishment of clear responsibilities, accountabilities and reporting processes for compliance, positions the Group to proactively identify compliance risks and respond to them in a systematic manner. Pursuant to this objective, the Group remains up to date with all intended or promulgated legislation through regular interaction with its corporate attorneys who keep it informed of changes in the legal landscape.

The internal audit and risk teams, Group corporate attorneys and other external assurance providers assess significant legal risks and the Group's level of compliance as part of their annual audit activities. Reports from the various functions are submitted to the Risk, Audit and Social and Ethics committees on a regular basis.

CONSUMER AND PRODUCT LEGISLATION

As a participant in the food industry, RCL FOODS views the health and safety of its customers as paramount. The Group therefore endeavours to comply with the strictest food safety standards by embedding best international practice across the supply chain to build customer trust, ensure customer satisfaction and drive sustainability in a changing environment. The Group's adherence to consumer protection laws is continuously monitored by internal and external parties.

INTERNAL AUDIT FUNCTION

Internal audit is an independent, objective function that provides assurance on the Group's activities by adopting a risk-based audit approach geared towards creating value and improving business processes. It considers risks that may affect the achievement of the Group's strategic objectives and evaluates the adequacy and effectiveness of the internal control systems and risk management measures.

The detailed report of the Audit Committee has been included in the Abridged Integrated Annual Report available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2018.



GOVERNANCE PROCESS CONTINUED

INFORMATION TECHNOLOGY (IT) GOVERNANCE

IT is seen as a fundamental enabler within RCL FOODS and is essential to the support, growth and sustainability of the Group's ambitions. The Group has a dedicated Group Chief IT Officer, who is represented at relevant executive forums. The Group IT strategy is aligned to the overall business strategy and guides appropriate investment in IT systems and technology. The overall responsibility for IT governance lies with the Board, which has delegated the day-to-day management of IT to management and tasked it with the implementation of an IT governance framework. Information and technology risk is integrated into the Group's risk management processes and is considered by the Risk Committee as part of its oversight of IT risk.

A mature IT Framework governs the classification and execution of IT initiatives in the business (i.e. IT business support or IT growth and transformation projects). This framework is consistently applied as a Group IT 'way of working'. A key focus for the past financial year has been on further consolidating our Consumer business units onto our Consumer SAP instance, and consolidating our Animal Feed businesses onto a single SAP instance. Significant results have been obtained in driving the maturity of IT governance within our more recently acquired businesses.

The Group's Transformation Management Office (TMO), reporting to the Group Chief IT Officer, has been in place since the 2016 financial year and continues to grow in terms of its maturity in integrating people, technologies, information and processes across the Group. Business-led projects enabled by IT systems and technology investments continue to be reviewed post project to measure and ensure the realisation of project benefits.

Further opportunities to standardise the IT systems landscape and further enhance IT governance controls will be explored where appropriate in the future. In addition, data analytics remains a key objective in terms of offering new information insights and perspectives. Information security and cyber security are a key area of focus across the Group, given the rapidly evolving nature of cyber threats. IT innovation remains one of the Group's key strategic thrusts going forward, with digital initiatives forming a significant pillar in this thrust.

RISK MANAGEMENT

Risk management is recognised by the Board as an integral part of responsible management and is an essential element of good corporate governance. The objective of the Group's risk management programme is not to eliminate risk, but to maximise opportunities and create benefits while managing potential exposures. This process will help protect the Group against uncertainties that could threaten the achievement of business objectives and will enable sustainable creation of shareholder value.

RCL FOODS has adopted an enterprise-wide approach to risk management, enabling a formal and systematic process for identifying and assessing the Group's material risks. The Board has assigned oversight of the Group's risk management function to the Risk Committee. The Chairman of the Audit Committee is also a member of the Risk Committee, and the Chairman of the Risk Committee

is a permanent invitee at all Audit Committee meetings, thereby ensuring that information relevant to these committees is transferred regularly.



The Board has an approved risk management policy and a formal Risk Charter that defines the objectives of risk management and governs the Group's response. The charter is based on the principles of the International Committee of Sponsoring Organisations of the Treadway Commission (COSO) framework, and complies with the requirements of King IV. It involves continuous risk identification at both strategic and operational levels, as well as the evaluation of mitigating controls.

On an ongoing basis, the top risks for each division are updated through a robust revision process and are evaluated for completeness and accuracy at each divisional sub-risk committee. Details of the risk management process are illustrated in the diagram on page 9 of this report. Formal risk assessments are performed bi-annually, where existing risks are reassessed and new and emerging risks are identified through a combination of facilitated workshops and interviews with Group executives and management.

The Group's risk management process provides a platform for identifying and realising opportunities to deliver sustainable value for all our stakeholders. Through various strategy and business review sessions, the leadership team is responsible for evaluating key opportunities in line with each Divisions' strategic objectives, risks and performance. The scope of the Group's opportunities identified and managed include cost containment initiatives, growth and expansion opportunities, and sustainability efficiencies. Refer to the Sustainable Business Report and Abridged Integrated Annual Report for more detail on the Group's opportunities and

GOVERNANCE PROCESS CONTINUED

RISK MANAGEMENT CONTINUED

 initiatives, available on our website www.rclfoods.com/financial-results-and-investor-presentations-2018

Through the Risk Committee, the Board monitors and reviews the risk management process. It considers:

- The material risks facing RCL FOODS and each division, which include the strategic, operational, compliance and finance-related risks;
- Key mitigations and the adequacy and effectiveness thereof;
- A view on further remedial actions taken in response to the risks identified;
- Scrutiny of the material incidents, root causes and associated losses; and
- Assessment of the results and performance of various assurance providers.

In keeping with the dynamic nature of risks, where the complexity of risks has increased and new risks have emerged, the Enterprise Risk Management (ERM) function seeks to continually enhance the efficiency of the risk management process.

The material risks impacting the Group are listed alongside and further detail is included as part of the Abridged Integrated Annual Report available on our website www.rclfoods.com/financial-results-and-investor-presentations-2018

MATERIAL RISKS

1. Revenue Pricing Pressure
2. Commodity Input Cost Fluctuations
3. Supply Chain Business Interruption
4. Food and Product Safety
5. Climate Change
6. Customer Relations and Brand Preference
7. Non-compliance with laws and regulations
8. Information security
9. Regulatory intervention and policy uncertainty
10. Fraud and Corruption

GOVERNANCE PROCESS CONTINUED

RISK MANAGEMENT CONTINUED

RISK MANAGEMENT PROCESS

STEP 1



CONTEXT SETTING AND RISK IDENTIFICATION

Through interviews, facilitated workshops, surveys and industry benchmarking, executives and management identify and define risks that would impact the achievement of strategic goals, which may include operational, financial, regulatory and strategic risks.

STEP 2



RISK ANALYSIS AND EVALUATION

Risks are assessed (both quantitatively and qualitatively), rated and ranked by management as defined in the RCL FOODS risk assessment criteria, based on probability, impact and control effectiveness.

STEP 3



RISK RESPONSE

Risks are reviewed and appropriate treatment methods, which would manage risks to an acceptable level aligned with strategy, are approved by management. Management may decide to avoid the risk by eliminating the risk through preventative processes, accept the risk by maintaining the risk at its current level, share the risk with an independent counterparty or manage the risk by implementing policies and procedures to lower the risk.

STEP 4



RISK REPORTING AND MONITORING

The relevant operating Boards and Risk Committee are periodically updated on management's assessment of existing and emerging risks, risk response strategies and mitigating controls in place to manage risks to an acceptable level. Assurance on controls is provided through the combined assurance model.

GOVERNANCE PROCESS CONTINUED

RISK MANAGEMENT CONTINUED

RCL FOODS operates a combined assurance framework which co-ordinates the efforts of management, internal assurance providers and external assurance providers in a manner that ensures collaboration, and assists in bringing about a holistic view of an organisation's risk profile and assurance activities.

The Risk Committee considers the risks and the assurance provided through the combined assurance framework,

and it periodically advises the Board on the state of risks and controls in RCL FOODS' operating environment. This information is used as the basis for the Board's review, sign-off and reporting to stakeholders (via the Integrated Annual Report) on risk management and the effectiveness of internal controls within the Group.

The five groups of assurance providers to the Group are illustrated below:

COMBINED ASSURANCE MODEL - 5 LINES OF DEFENCE



GOVERNANCE PROCESS CONTINUED

DEALING IN SECURITIES

The Group has a formal policy, established by the Board and implemented by the Company Secretary, prohibiting dealing in securities by directors, officers and other selected employees for a designated period preceding the announcement of its financial results or in any other period considered sensitive. The Chairman, through the Company Secretary, approves all dealings by directors during “open” periods.

REPORTING TO STAKEHOLDERS

Effective stakeholder engagement is vital to good corporate governance. The Group is committed to ensuring that relevant and accurate information is timeously communicated to all stakeholders.

For more detail on the stakeholder engagement process, refer to the Sustainable Business Report which is available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2018



ACCESS TO INFORMATION

The Group has complied with the requirements of the Promotion of Access to Information Act, 2000.

INTERNAL CONTROLS

The executive directors are responsible for ensuring that internal control systems exist that provide reasonable assurance regarding the safeguarding of assets and the prevention of their unauthorised use or disposal; the maintenance of proper accounting records; and the reliability of the financial and operational information used in the business. The full King IV application register is available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2018



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TO MORE
PEOPLE
MORE OFTEN**

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