



**CORPORATE
GOVERNANCE REPORT**
For the year ended 30 June 2015

CORPORATE GOVERNANCE REPORT

STATEMENT OF COMPLIANCE

For the period under review, the Board is of the opinion that the Group applied the requirements of King III. Where the Board has adopted a practice different from that recommended in King III, reasons for the alternative approach has been explained. The Board is further satisfied that it met the requirements of the Companies Act of South Africa and the JSE Listings requirements.

The full King III application table is available on our website www.rclfoods.com.

BOARD OF DIRECTORS

GOVERNANCE STRUCTURE

The Group has a unitary Board of eleven directors, of whom five are independent non-executive directors, four are non-executive directors and two are executive directors. There were no changes to the Board during the year. The Chairman of the Board, Mr JJ Durand, is not independent but, given his role as CEO of Remgro, the Board deemed this arrangement appropriate and key to achieving the business objectives of RCL FOODS. The roles of Chairman and Chief Executive Officer are

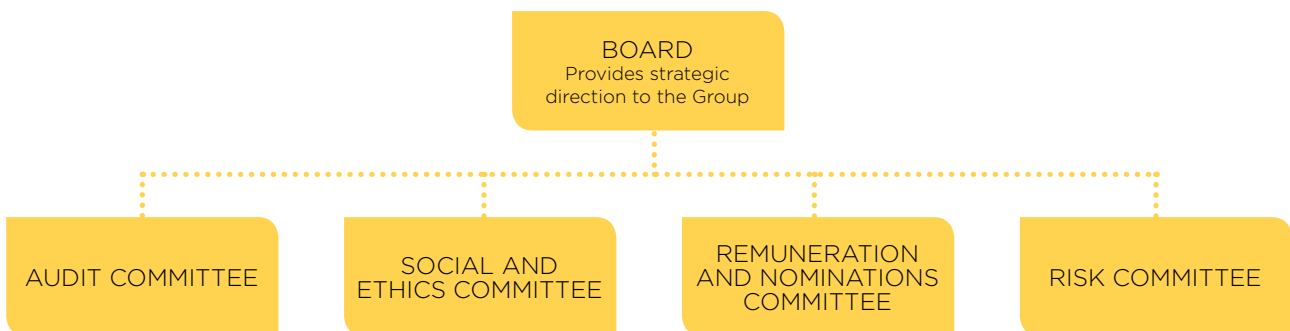
separate and a clear division of responsibility exists. The Board ensures that there is an appropriate balance of power and authority so that no individual or block of individuals has unfettered powers of decision making or influence on the Board. To ensure good governance and as recommended by King III, Mr RV Smither maintains his role as lead independent director. The Board effectively conducts the affairs of the Group, through their diverse industry knowledge and experience.

Details of the directorate are provided on pages 24 and 25 of the Integrated Annual Report available on our website www.rclfoods.com.

BOARD RESPONSIBILITIES AND MEETING ATTENDANCE

The Board gives strategic direction to the Group, while 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 formal Board Charters which are reviewed annually.

The complete terms of reference of the Board are detailed in the Board Charter available on our website www.rclfoods.com.



Advance apologies with reasons are received from directors who are unable to attend meetings.

THE BOARD

MEMBERS	ATTENDANCE	KEY ACTIVITIES IN 2015
NP Mageza*	5/5	<ul style="list-style-type: none"> Approved the Group strategy and ratified the 2016 financial year budget 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 Approval of non-executive directors' fees for tabling at the annual general meeting Considered the declaration of directors' personal financial interests Approval of major capex expenditure
DTV Msibi*	5/5	
MM Nhlanhla*	3/5	
RV Smither*	4/5	
GM Steyn*	4/5	
HJ Carse^	5/5	
JJ Durand^	4/5	
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.

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;
- provides the Board and directors individually with guidance as to how their responsibilities should be properly discharged in the best interests of the Group;
- provides 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. Having considered the responses, the Board is of the opinion that Messrs NP Mageza, RV Smither, DTV Msibi, GM Steyn and Mrs MM Nhlanhla are independent. All other non-executive directors are not considered independent due to their capacities as directors of either Remgro Limited or the BEE consortium, who 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.

APPOINTMENTS TO THE BOARD

Procedures for appointment to the Board are formal and transparent and a matter for the Remuneration and Nominations Committee. The Remuneration and Nominations Committee consists of four non-executive directors and meets at least twice a year. Mr NP Mageza is the Chairman of the Remuneration and Nominations Committee. 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 Group Human Resources Director also attend meetings of the Remuneration and Nominations Committee.

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 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 and other qualities such as demographics and diversity in order to assess its effectiveness and that of its committees and the contribution of each director.

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, at the 2015 annual general meeting, the following directors will retire by rotation but all offer themselves for re-election: Messrs RV Smither, HJ Carse, DTV Msibi, GM Steyn and Mrs MM Nhlanhla.

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 III. The results of the individual assessments are consolidated by the Company Secretary and the Chairman of the Board is responsible for determining any actions required to enhance the effectiveness of the Board.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

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 the RCL FOODS website www.rclfoods.com.

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 detailed report of the Audit Committee has been included in the Integrated Annual Report on pages 46 and 47 available on our website www.rclfoods.com.

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.

Further details of the risk management process and key risks impacting the Group has been included in the Risk Management report available on our website www.rclfoods.com.

REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations 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 the 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.

The detailed Remuneration Report is available on the RCL FOODS website at www.rclfoods.com.

RISK COMMITTEE		
MEMBERS	ATTENDANCE	KEY ACTIVITIES IN 2015
GC Zondi	3/3	<ul style="list-style-type: none"> Reviewed the risk profile to ensure the alignment with Group strategic objectives Considered changes in the risk profile of the Group and divisions and the impact on business Reviewed strategic risk registers for all divisions confirming mitigation strategies developed by management Reviewed assurance results of the combined assurance model against approved monitoring plans Reviewed the Group sustainability strategy and received updates on: <ul style="list-style-type: none"> progress against sustainability targets the status of the implementation of key sustainability projects Evaluated the insurance programme to ensure that all insurable risks were covered where practical
RV Smither	2/3	
GM Steyn	3/3	
M Dally	3/3	
RH Field	3/3	

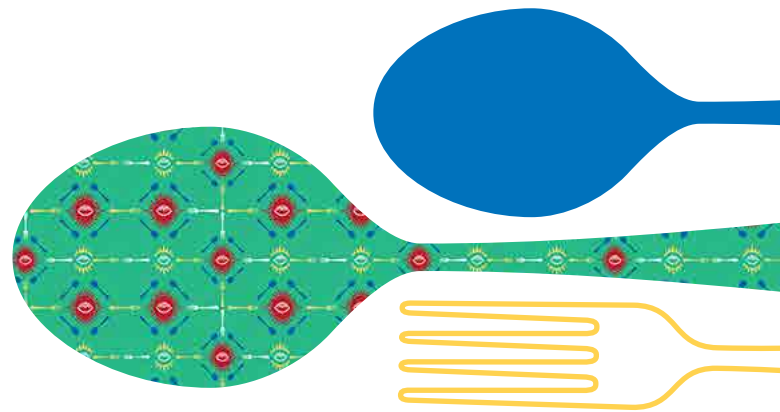
REMUNERATION AND NOMINATIONS COMMITTEE

MEMBERS	ATTENDANCE	KEY ACTIVITIES IN 2015
NP Mageza	2/2	<ul style="list-style-type: none"> Recommended that one director, due to retire in terms of Group policy, be re-appointed Reviewed the succession planning for the Chief Executive Officer and senior executive positions 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 Ensured that the remuneration of the Chief Executive Officer, executive directors and executive committee members are in line with the remuneration policy Approved the appointment and packages of senior executive positions within the Group Approved all awards pursuant to the RCL FOODS Share Appreciation Rights Scheme
RV Smither	2/2	
GM Steyn	2/2	
JJ Durand	2/2	

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 Social and Ethics Committee is satisfied that it has carried out its responsibilities for the year in compliance with its approved mandate. 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.



SOCIAL AND ETHICS COMMITTEE

MEMBERS	ATTENDANCE	KEY ACTIVITIES IN 2015
GC Zondi	2/2	<ul style="list-style-type: none"> Considered the proposed refocus of the Group's Corporate Social Investment strategy Considered the impact of the proposed new B-BBEE codes on the Group's scorecard Reviewed the Group's new 2020 Employment Equity plan Reviewed current developments with respect to labour relations e.g. changes relating to labour brokers and the impact on the business 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.
MM Nhlanhla	1/2	
M Dally	2/2	
RH Field	2/2	

CORPORATE GOVERNANCE REPORT

GOVERNANCE PROCESS

CODE OF CORPORATE CONDUCT AND ETHICS

It is a fundamental policy of the Group to conduct its business with honesty and integrity and in accordance with the highest legal and ethical standards. The Code of Corporate 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.

ANTI-BRIBERY AND CORRUPTION

The Group has a zero-tolerance policy to bribery, fraud and corruption. The Code of Corporate Conduct and Ethics 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 be in conflict of interest with the Group or 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.

The Board recognises the need for a confidential reporting mechanism (whistle-blowing hotline) covering fraud and other risks. The 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.

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. Procedures are in place for the independent investigation of matters reported and for appropriate follow-up action.

During the year under review, thirty four allegations were received of which twelve related to theft or fraud. Six of these matters were resolved resulting in either resignations or disciplinary action against the relevant individuals. The balance of the calls were closed due to either insufficient information supplied by the caller or that the allegations were found to be untrue.

LEGAL COMPLIANCE

RCL FOODS manages its business responsibly and in compliance with the statutory and regulatory requirements which are underpinned in 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 with legislative and regulatory obligations are being addressed.

The Group attempts to keep up to date with all intended or promulgated legislation through regular interaction with the Group's corporate attorneys who keep the Group informed of changes in the legal landscape.

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

With the increased focus by authorities on anti-competitive behaviour and consumer rights, monitoring programmes for the year included reviews of compliance to the Competition Act and Consumer Protection Act.

During the year under review the Board can report, based on the information available and reports submitted, that the Group was not involved in any significant misconduct or non-compliance with applicable regulatory requirements.

CONSUMER AND PRODUCT LEGISLATION

As a participant in the food industry, the health and safety of the Group's customers is paramount. The Group therefore endeavours to comply with the strictest food safety standards by embedding international practices across the supply chain to build customer trust, ensure customer satisfaction and to drive sustainability in a changing environment. A full list of the Group's accreditation to International Standards and further detail on the Group's practices with respect to consumer and product legislation and consumer relations is included in the sustainability report available on the RCL FOODS website at www.rclfoods.com. 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 impact the achievement of the Group's strategic objectives and evaluates the adequacy and effectiveness of the internal control systems and risk management.

The detailed report of the Audit Committee has been included in the Integrated Annual Report on pages 46 and 47 available on our website www.rclfoods.com.



IT GOVERNANCE

IT is an integral part of RCL FOODS' business and is fundamental to the support, growth and sustainability of the Group. Through the rapid expansion of the Group the IT landscape has changed significantly, creating an environment of diversity and varying levels of maturity. To aid in consistent IT service delivery and governance, IT within the Group is directed by a dedicated IT director and the overall responsibility for IT governance lies with the Board.

RISK MANAGEMENT

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, thereby ensuring that information relevant to these committees is transferred regularly.

The detailed report of the Risk Committee is available on the RCL FOODS website at www.rclfoods.com.



COMBINED ASSURANCE

RCL FOODS operates a combined assurance framework, which aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting the Group.

RCL FOODS' combined assurance framework is integrated with the Group's risk management approach. Risks facing the Group are identified, evaluated and managed by implementing risk mitigations. Assurance on the effectiveness of controls mitigating risks is obtained from various assurance providers in a co-ordinated manner, which avoids duplication of effort. The Risk Committee considers the risks and the assurance provided through the combined assurance

framework and 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.

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 sustainability report available on the RCL FOODS website at www.rclfoods.com.



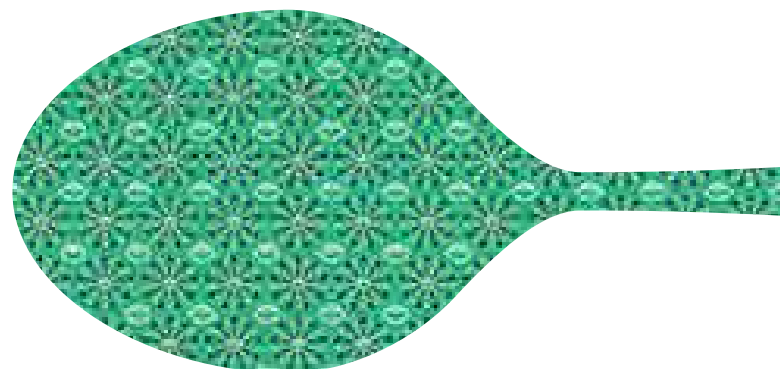
ACCESS TO INFORMATION

The Group has complied with the requirements of the Promotions 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 disposition, proper accounting records are maintained and the financial and operational information used in the business is reliable.

The full King III application table is available on our website www.rclfoods.com.



www.rcfoods.com

