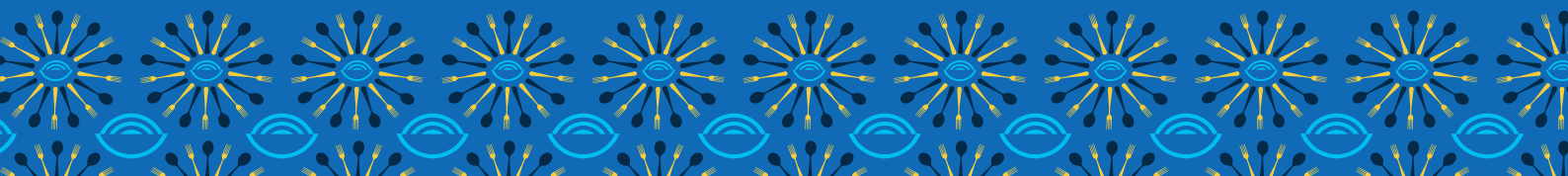




2017



**RCL FOODS LIMITED
APPLICATION OF
KING III PRINCIPLES**



APPLICATION OF KING III PRINCIPLES

This index has been prepared to illustrate the application of the principles contained in the King Code of Governance for South Africa 2009 ("King III") by RCL Foods Limited. Reference to the index is made in the Corporate Governance Report. This index should be read in conjunction with the Corporate Governance Report available on the RCL FOODS website www.rclfoods.com.



NUMBER	PRINCIPLE	STATUS	ASSESSMENT
CHAPTER 1: ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP			
1.1	The board should provide effective leadership based on an ethical foundation.	Applied	RCL FOODS is committed to the highest level of corporate governance and ethical business behaviour. The Group's values which are set by the Board, are documented in RCL FOODS Corporate Code of Conduct and Ethics Policy. Executive and senior management are responsible for instilling these values in the day-to-day activities of the Group.
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen.	Applied	A Social and Ethics Committee is in place and has been tasked with assisting the Board with monitoring and reporting on social, ethical and transformational practices that are consistent with good and responsible corporate citizenship as described in the Social and Ethics Committee section of the Corporate Governance Report and the Sustainable Business Report which are available on the RCL FOODS website www.rclfoods.com .
1.3	The board should ensure that the company's ethics are managed effectively.	Applied	RCL FOODS provides a mechanism to employees and third parties to report any perceived and alleged irregular and unethical behaviour in a confidential and controlled manner. Allegations are monitored and managed and regular feedback is provided to the Social and Ethics Committee.
CHAPTER 2: BOARDS AND DIRECTORS			
2.1	The board should act as the focal point for and custodian of corporate governance.	Applied	The Board is the highest governing authority within the organisation and, through its charter, has ultimate responsibility for governance. It has adopted the principles of King III and where the recommendations are not applied, reasons for the alternative approach has been explained.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	Applied	The Board, in accordance with the Board Charter, is responsible for aligning the strategic objectives, vision and mission with performance and sustainability considerations. The Group's formalised risk management process takes into account the full range of risks including strategic and operational risk encompassing performance and sustainability.
2.3	The board should provide effective leadership based on an ethical foundation.	Applied	See 1.1 above
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen.	Applied	See 1.2 above
2.5	The board should ensure that the company's ethics are managed effectively.	Applied	See 1.3 above
2.6	The board should ensure that the company has an effective and independent audit committee.	Applied	See Chapter 3 below
2.7	The board should be responsible for the governance of risk.	Applied	See Chapter 4 below

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NUMBER	PRINCIPLE	STATUS	ASSESSMENT
CHAPTER 2: BOARDS AND DIRECTORS CONTINUED			
2.8	The board should be responsible for information technology (IT) governance.	Applied	See Chapter 5 below
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	See Chapter 6 below
2.10	The board should ensure that there is an effective risk-based internal audit.	Applied	See Chapter 7 below
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	Applied	See Chapter 8 below
2.12	The board should ensure the integrity of the company's integrated report.	Applied	See Chapter 9 below
2.13	The board should report on the effectiveness of the company's system of internal controls.	Applied	See Chapter 7 and 9 below
2.14	The board and its directors should act in the best interests of the company.	Applied	Obligations of the Board and its directors in this regard is contained in the Board Charters and the Corporate Codes of Conduct and Ethics policy as detailed in the Corporate Governance Report, both available on our website www.rclfoods.com .
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	Applied	The solvency and liquidity of the Group is continuously monitored by the Finance department. The organisation has not been in a position of distress in the current year.
2.16	The board should elect a chairman of the board who is an independent non-executive director. The chief executive officer of the company should not also fulfil the role of chairman of the board.	Explained	The Chairman is not independent but the roles of Chairman and Chief Executive Officer (CEO) are separate and a clear division of responsibility exists. The non-executive directors take responsibility for ensuring that the Chairman encourages proper deliberation of all matters requiring the Board's attention, and the Board ensures that there is an appropriate balance of power and authority so that no one 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.
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority.	Applied	In terms of the Boards charter, the CEO is appointed by the Board as a whole and is appraised on an annual basis by the Remuneration and Nominations Committee. The Board has also approved a formal delegation of authority document.
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	Applied	The Board comprises of a majority of non-executive directors, the majority of which are currently independent.
2.19	Directors should be appointed through a formal process.	Applied	There is a formal, transparent process for appointments to the Board. The appointment of directors is a function of the entire Board, based on recommendations by the Remuneration and Nominations Committee.

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NUMBER	PRINCIPLE	STATUS	ASSESSMENT
CHAPTER 2: BOARDS AND DIRECTORS CONTINUED			
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	Applied	On appointment to the Board, new directors are familiarised with the Group through an induction programme facilitated by the Company Secretary. This includes visits to the Group's businesses and meetings with senior management, as appropriate, to facilitate their understanding of the Group and their fiduciary responsibilities.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	Applied	During the reporting period the Board conducted an evaluation in respect of the Company Secretary and is satisfied that the Company Secretary is competent and has the requisite qualifications and experience to effectively execute his duties.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	Partially applied	Annual assessments of the Board, its sub-committees and the independence of non-executive directors is conducted annually. The Company Secretary facilitated these assessments. Individual assessments of directors is not performed. Further, the Board has not disclosed results and action plans in the Integrated Annual Report due to the potentially sensitive nature thereof.
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	Partially applied	The Board has delegated certain functions without abdicating its own responsibility to the following committees: <ul style="list-style-type: none"> - Audit Committee; - Risk Committee; - Social and Ethics Committee; and - Remuneration and Nominations Committee. The Chairman of the Risk and Social and Ethics Committees is not independent. Other Committee directors however take responsibility for ensuring that the Chairman encourages proper deliberation of all matters requiring the Committee's attention.
2.24	A governance framework should be agreed between the group and its subsidiary boards.	Explained	RCL FOODS has a unitary Board which governs and provides an oversight role for the divisions within the Group. The divisions are not listed entities therefore the oversight role provided by the RCL FOODS Board is appropriate.
2.25	Companies should remunerate directors and executives fairly and responsibly.	Applied	The Remuneration and Nominations Committee is responsible for ensuring alignment between the Group's Remuneration Policy with the company's strategy and goals. A detailed remuneration report is available on our website at www.rclfoods.com . Non-executive directors are paid a fixed annual fee. The Board does not believe that directors should earn attendance fees in addition to a base fee as many directors add significant value to the Group outside of the formal Board and committee meetings.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	Applied	The remuneration of Directors is disclosed in the annual financial statements, available on our website at www.rclfoods.com .
2.27	Shareholders should approve the company's remuneration policy.	Applied	Shareholders are requested to consider a resolution approving the Remuneration Policy by way of a non-binding advisory note.

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NUMBER	PRINCIPLE	STATUS	ASSESSMENT
CHAPTER 3: AUDIT COMMITTEE			
3.1	The board should ensure that the company has an effective and independent audit committee.	Applied	The board has established an independent audit committee, the effectiveness of which is addressed below.
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	Applied	The composition and effectiveness of the Audit Committee is reviewed annually. The Board believes that the current members of the committee are suitably skilled and experienced.
3.3	The audit committee should be chaired by an independent non-executive director.	Applied	All members of the Audit Committee are independent non-executive directors
3.4	The audit committee should oversee integrated reporting.	Applied	In line with its charter, the Audit Committee oversees integrated reporting and reviews the audited financial statements included in the report.
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	Applied	The Group 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. The application of the combined assurance model is overseen by the Audit and Risk Committees.
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	Applied	The Audit Committee performs an assessment of the Chief Financial Officer (CFO) and the Finance function. Based on the 2017 assessment the Audit Committee is satisfied that the CFO and his management team have appropriate expertise and experience for the Group.
3.7	The audit committee should be responsible for overseeing of internal audit.	Applied	See 7.4 below
3.8	The audit committee should be an integral component of the risk management process.	Applied	The Audit Committee annually evaluates reports on the effectiveness of the system on internal controls provided by internal audit, risk and compliance assurance providers, management and external audit. The Committee is satisfied that the system, as well as the process of risk management, is effective.
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Applied	The Audit Committee recommended to the Board and to shareholders the appointment of PwC as the external auditors. The committee approved their fee and determined the terms of engagement. The committee is also satisfied with the independence of the external auditors.
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	Applied	The Audit Committee formally reports to the Board after each meeting. Reporting to shareholders is provided through the Report of the Audit Committee included in the Abridged Integrated Annual Report available on our website at www.rclfoods.com .



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NUMBER	PRINCIPLE	STATUS	ASSESSMENT
CHAPTER 4: THE GOVERNANCE OF RISK			
4.1	The board should be responsible for the governance of risk.	Applied	The Board is responsible for the governance of risk and oversight to the risk committee.
4.2	The board should determine the levels of risk tolerance.	Applied	The Risk committee assesses the levels of risk tolerance and risk appetite for the Group but ultimately the Board has overall responsibility for determining the risk tolerance.
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	Applied	The Risk Committee has been assigned oversight of risk management and risk responsibilities but ultimately the Board has overall responsibility for risk management.
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	Applied	Management is accountable to the Board for designing, implementing and monitoring the processes of risk management and integrating it into the day-to-day activities of the Group.
4.5	The board should ensure that risk assessments are performed on a continual basis.	Applied	Regular risk assessments are conducted by management and recorded in the Group and subsidiary risk registers. Identified risks are analysed by considering the potential causes and effects of the risk events in order to form a basis for determining how they are managed.
4.6	The board should ensure that the frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Applied	The Board and Risk Committee have approved the Group Risk Management Framework and are satisfied that it is in line with best practice and suitable for anticipating unpredictable risks.
4.7	The board should ensure that management considers and implements appropriate risk responses.	Applied	Appropriate risk response strategies in relation to the Group's major risks have been developed and implemented by management. The Risk and Executive Committees review the adequacy and effectiveness of these strategies to ensure that they are responsive to changes in the dynamic environment in which the Group operates.
4.8	The board should ensure continual risk monitoring by the management.	Applied	See 4.5 and 4.7 above
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	Applied	A combined assurance model is applied over risk management with both internal and external service providers providing assurance over the process.
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Applied	Disclosure of our material risks are included in the Abridged Integrated Annual Report available on our website at www.rclfoods.com .



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CHAPTER 5: THE GOVERNANCE OF INFORMATION TECHNOLOGY			
5.1	The board should be responsible for information technology (IT) governance.	Applied	The Board, through the Audit Committee is responsible for IT governance.
5.2	IT should be aligned with the performance and sustainability objectives of the company.	Applied	Group and subsidiary IT systems and projects are in line with the overall objectives of the Group and expected benefits are specified and measured.
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	Applied	IT within the Group is directed by a dedicated IT director who is suitably qualified and experienced to perform his function. IT Governance is a key responsibility of the Group IT Director.
5.4	The board should monitor and evaluate significant IT investments and expenditure.	Applied	All significant capital investment is approved by the Board and the status of implementation on projects is monitored by the Board throughout the process.
5.5	IT should form an integral part of the company's risk management.	Applied	IT risk management is included in the Group's combined assurance process. An IT risk register has now been developed and is monitored regularly. IT risk management concerns are now standard in the Risk Committee agenda.
5.6	The board should ensure that information assets are managed effectively.	Partially applied	The Group is currently reviewing controls and resources with specific reference to information security and protection of personal information.
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	Applied	Feedback on IT related risk are provided to the Board, Audit and Risk committees.
CHAPTER 6: COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS			
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	The Board ensures compliance with applicable legislation and regulations through the establishment of legal frameworks within each division.
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	Applied	The Company Secretary is responsible for providing guidance to the Board collectively and to the directors with regards to their responsibilities and powers, making them aware of legislation and regulations relevant to the Group and providing Board orientation and training when appropriate.
6.3	Compliance risk should form an integral part of the company's risk management process.	Applied	Compliance risk has been identified as a significant risk for the Group and is addressed as part of the risk management process.
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	Applied	The Group Corporate Affairs and Legal Director is the Group's Compliance Officer who is responsible for ensuring that the Group's compliance processes are adequate and effective to ensure compliance with legal and regulatory responsibilities.

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CHAPTER 7: INTERNAL AUDIT			
7.1	The board should ensure that there is an effective risk-based internal audit.	Applied	<p>The Internal Audit purpose, authority and responsibility is defined and governed by an Internal Audit Charter approved by the Audit Committee and Board. The charter supports the International Standards for the Professional Practice of Internal Auditing and Code of Ethics as set out by the Institute of Internal Auditors.</p> <p>The activities of the Internal Audit function are co-ordinated by the Group Audit and Risk Director (GARD). To ensure independence, the GARD reports functionally to the Audit Committee and, only from an administrative perspective, to the CEO.</p>
7.2	Internal audit should follow a risk-based approach to its plan.	Applied	<p>The annual Internal Audit plan is based on an assessment of risk areas identified by management, as well as focus areas highlighted by the Audit Committee and executive directors which ensures that a risk-based audit approach is applied. The annual Internal Audit Plan is approved by the Audit Committee. Special <i>ad hoc</i> assignments may also be conducted upon request, without compromising the achievement of the overall audit plan for the year.</p> <p>The annual plan is also updated as appropriate to ensure that it is responsive to changes in the business.</p> <p>A comprehensive report of Internal Audit results is presented to Executive Management regularly and the Audit Committee when it meets.</p>
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.	Applied	Internal audit provides a written assessment annually to the Audit Committee on the effectiveness of the Group's systems of internal controls and risk management.
7.4	The audit committee should be responsible for overseeing internal audit.	Applied	The Audit Committee is responsible for overseeing internal audit, the details of which are included in the Audit Committee and Internal Audit Charters. Internal Audit comprises a dedicated team of appropriately qualified and technically experienced personnel. Where necessary, certain audits are outsourced to consultants with appropriate skills and technical expertise, for example specialised IT reviews.
7.5	Internal audit should be strategically positioned to achieve its objectives.	Applied	<p>The GARD holds a senior position in the organisation and his appointment or dismissal is subject to ratification by the Audit Committee. Internal Audit has free and unrestricted access to management, employees, activities, physical locations and to all information considered necessary for the proper execution of Internal Audit's work, at the discretion of the GARD.</p> <p>The Audit Committee, External Audit and the GARD completed an assessment of the Internal Audit function for the year. This assessment was supplemented by the results of the Audit Satisfaction Questionnaires (ASQ) that were completed by management during the year. The Chairman of the Audit Committee and the GARD are responsible for determining any actions required to enhance the effectiveness of the Internal Audit function. An independent quality assurance review was performed during the 2015 financial year on the Internal Audit function and activities. The Internal Audit function was assessed to generally conform to the standards set out by the Institute of Internal Auditors (IIA).</p>

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CHAPTER 8: GOVERNING STAKEHOLDER RELATIONS			
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation.	Applied	The Social and Ethics committee assists the board with social, ethical and transformational practices.
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	Applied	Stakeholder relationships are managed through a number of formal and informal communication mechanisms. Further details are provided in the Abridged Integrated Annual Report on page 34 available on our website www.rclfoods.com . 
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	Applied	see 8.2 above
8.4	Companies should ensure the equitable treatment of shareholders.	Applied	The company acts in accordance with the requirements of the Companies Act and JSE Listings requirements in respect of dealings with shareholders.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Applied	see 8.2 above
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	Explained	The Board does not intend to institute a formal dispute resolution process as it believes that the existing processes within the Group operate satisfactorily and do not require a more formal and separate mechanism. Shareholders have remedies in terms of the Companies Act.
CHAPTER 9: INTEGRATED REPORTING AND DISCLOSURE			
9.1	The board should ensure the integrity of the company's integrated report.	Applied	This responsibly has been assigned to the board and is included in the Board Charter.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	Applied	An Integrated Annual Report is published which includes sustainability focus areas. Additional complementary information is provided in a detailed Sustainable Business Report available on our website at www.rclfoods.com . 
9.3	Sustainability reporting and disclosure should be independently assured.	Partially applied	The Board is accountable to the Group's stakeholders to present information that is relevant, accurate and reliable. A combined assurance model is applied, with assurance provided by Internal Audit and various other external assurance initiatives as further detailed in the Sustainable Business Report available on our website at www.rclfoods.com . Independent assurance in respect to sustainability reporting and disclosures will be considered at an appropriate future date. 

**MORE FOOD
TO MORE
PEOPLE
MORE OFTEN**



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