



2017



**RCL FOODS LIMITED
REMUNERATION REPORT**



STATEMENT BY THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholders

On behalf of the Board of RCL FOODS I am pleased to present the Remuneration Report for the year ending June 2017.

Our business continues to trade in a challenging and competitive environment. Consumers and customers alike are feeling the effects of macro-economic factors that directly and indirectly impact on their pockets. Challenges articulated by our CEO and CFO, Miles Dally and Rob Field in their respective reports to shareholders, set the context in which business performance should be judged for remuneration purposes.

Our results for the year are a reflection of the impact of the diversification in our business, with the sugar recovery and baking turnaround providing partial relief against the poultry industry crisis and weak consumer demand.

In addition to normal targets against which individual performance for compensation purposes would be judged, management were tasked with two additional areas of focus. The first of which was to tackle and address the chicken crisis and the second was to increase the focus on asset management. The first was achieved by including a specific target relating to the restructuring of our Chicken business unit and the second by upweighting the proportion relating to the asset return measure within the overall management target.

Significant progress was made in achieving these additional targets which contributed to higher short-term incentives awarded to management in a very challenging year. The decision to accelerate the implementation of our business model by reducing our commodity chicken component through restructuring chicken and taking a lead role in the industry fight against dumping, driving constructive engagement with government and bringing focus to cash flow, working capital and reducing capital expenditure has positioned the business well for the future.

The committee is committed to the principles of accountability and transparency and to ensuring that compensation paid to employees is linked to Group performance, is market-related and supports the business strategy.

The Remuneration and Nominations Committee has at least two scheduled meetings during the financial year, unless agenda items warrant a change. During the year in review, the Remuneration and Nominations Committees met on two occasions to review and give consideration to remuneration and key talent items.



Mr NP Mageza

Chairman, Remuneration Committee

REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committees operate under the delegated authority of the Board, consists of four non-executive directors and meets at least twice a year.

MEMBERS

Mr NP Mageza, *Non-executive Chairman – Remuneration*

Mr RV Smither, *Non-executive Chairman – Nominations*

Mr JJ Durand, *Non-executive director*

Mr GM Steyn, *Non-executive director*

PERMANENT INVITEES

Mr M Dally, *Chief Executive Officer*

Mr WS Hoare, *Chief Human Resources (HR) Officer*

RESPONSIBILITIES

- assessing and approving the remuneration strategy for the Group;
- reviewing and approving short-term and long-term incentive pay structures for Group executives and managers;
- positioning of executives' pay levels relative to market benchmarks;
- reviewing and recommending to the Board the remuneration of executives;
- assessing and authorising specific reward proposals for the Group's executives;
- providing guidance on evaluating the performance of executives;
- reviewing and approving general proposals for salary adjustments for executives;
- approving the overall cost of remuneration increases awarded;
- approving awards pursuant to the RCL FOODS Share Appreciation Rights Scheme and the Conditional Share Plan;
- approving annual performance bonuses; and
- reviewing the executive succession plan and talent management practices within the Group.

The Chief Executive Officer and Chief HR Officer are excluded from discussions and reviews of their own remuneration.

A schedule setting out Directors' remuneration and equity interests appears in note 30 of the Annual Financial Statements on pages 82 to 88 available on our website www.rclfoods.com.

The RCL FOODS remuneration policy follows a flexible approach that seeks to recognise individual contribution, performance and value.

Our strategy is underpinned by the principles listed on the following page.

POLICY AND PRINCIPLES

1

RCL FOODS seeks to remunerate and reward employees in a way that supports the achievement of the Group's strategy and goals.

2

RCL FOODS wishes to engage its employees to such a degree that they willingly choose to work for RCL FOODS rather than another company.

3

RCL FOODS aims to attract, retain and develop the best people with the right leadership skills and capabilities, with the intent to create career progression and growth through learning, development opportunities and challenging jobs.

4

RCL FOODS aims to reward performance and innovation, recognising those who deliver outstanding work whilst consistently demonstrating its core values.

5

RCL FOODS will deliver market-related remuneration and benefits.

REMUNERATION STRUCTURE

	INTENT	ELIGIBILITY	PERFORMANCE MEASURES
Guaranteed Remuneration	Guaranteed remuneration is set with reference to the scope and nature of an individual's role.	Employees of RCL FOODS are remunerated on a Basic Pay Plus Benefits or Total Cost to Company basis.	Packages are benchmarked to the market to ensure relevance and competitiveness. Employee performance is taken into consideration when allocating annual merit increases.
Benefits	Aid in supporting and enabling the health and wellness (physical and financial) of our employees	All employees are required to become members of a Group approved retirement fund. Employees are eligible to join a Group approved medical aid.	Not applicable
Short-term Incentives	Motivate and focus managers and directors to execute strategies and policies that deliver Group performance over a financial year.	CEO, Executives, Senior Managers, Managers	The scheme rewards the achievement of agreed Group and divisional financial targets as well as personal performance targets.
Long-term Incentives	Motivate leadership to formulate and execute strategies that ensure the growth and sustainability of the business.	CEO, Executives and selected senior managers.	Individual performance over a three year period, level of seniority and certain Group performance conditions.

SHORT-TERM INCENTIVE PLANS

The CEO, executives, senior managers and managers participate in a short-term incentive plan which aims to reward the achievement of Group, divisional and personal performance targets.

The purpose of the scheme is to:

- motivate and drive the achievement of individual and business performance;
- instil a culture focused on results and effort; and
- provide a competitive and differentiated total remuneration package for high achievement against targets.

Performance bonuses are paid in September based on results achieved for the previous financial year.

The scheme typically has three performance measures: Group Return on Net Assets (RONA %), Operating Profit and Personal performance.

The on-target and maximum bonus cap percentages are set out below:

ROLE	ON TARGET %	MAXIMUM %
CEO	60	120
Senior executives*	50	100
Executives**	40	80
Senior managers	25	50
Managers	15	30

* Senior Executives includes officers and divisional managing directors

** Executives includes divisional operating directors

Senior Executives and Executives are referred to collectively as executives throughout the report.

The bonus achieved per individual for the year reflects achievement against targets as determined by the Remuneration Committee and targets agreed by the RCL FOODS Board.

Discretion is applied where necessary to exclude items from operating profit target achievement that are "once-off" in nature, especially items that are outside of management's control.

LONG-TERM INCENTIVE PLANS

Executives and selected senior employees participate in two long-term incentive plans, namely:

- Share Appreciation Rights Scheme (SARs); and
- Conditional Share Plan (CSP).

All other South African based employees, who do not participate in one of the schemes mentioned above, participate in the growth and the value of the Group through the Employee Share Ownership Programme.

SHARE APPRECIATION RIGHTS SCHEME (SARs)

The adoption of the SARs was approved by shareholders on 31 July 2009, and the salient features of the SARs were included in the 2009 annual report (refer to page 87 in the 2009 Annual Financial Statements).

The SARs provides executive directors and selected employees with conditional rights to receive RCL FOODS ordinary shares, referred to as Share Appreciation Rights (SAR's).

Within the limits imposed by the Group's shareholders and the JSE Limited, the Remuneration and Nominations Committee approves and awards SAR's on an annual basis, as well as periodically when either an employee is promoted or new appointment is made to an appropriate management position.

Provided that they remain in the employ of the Group over the vesting period, recipients of SAR's become entitled to RCL FOODS shares having a value equal to the increase in the market value of a number of notional RCL FOODS shares.

CONDITIONAL SHARE PLAN (CSP)

An additional long-term incentive plan, the CSP, was approved by shareholders on 20 November 2012, and the salient features of the CSP were included in the 2012 annual report (refer to page 116 in the 2012 Annual Financial Statements). The CSP operates in conjunction with the SARs. The Group only uses the CSP to make allocations as and when deemed necessary and in exceptional circumstances, such as the need to appoint or retain key senior executives.

Under the CSP, participants will receive a conditional award of shares on the award date. Provided that they remain in the employ of the Group over the vesting period, meet specified performance criteria and the Group achieves performance targets, shares will be settled to the participants on the vesting date. Participants will have no shareholder or dividend rights before the vesting date.

EMPLOYEE SHARE OWNERSHIP PROGRAMME (ESOP)

The ESOP came into effect on 17 January 2014. Employee participation in the scheme was effective from 1 July 2014. It endeavours to recognise the contribution of all employees within the Group to its success and engender a culture of ownership and commitment.

Participation in the programme is extended to all permanent employees of the Group based in South Africa. Executives and managers participating in either the SARs or the CSP are excluded from participating in the ESOP. All participating employees have been allocated the same number of units, irrespective of seniority or position in the Group. Each unit represents a potential future RCL FOODS shareholding.

The programme has a seven-year transaction term and delivery of any resultant value will be effected in year eight (50% of value) and year nine (remaining 50% of value).

DIRECTORS' REMUNERATION AND FEES

The Directors and executives are appointed to bring competencies and experience appropriate to achieving the Group's objectives and ensuring that the business is aligned to shareholder interests.

DIRECTORS AND EXECUTIVES

The current employment agreements of Directors and executives (including main and subsidiary company directors) outline the components of their remuneration. At present, remuneration is divided into two components: a fixed component and a variable component comprising an annual performance bonus and long-term incentives in the form of the SARs or CSP, ensuring that a portion of their package is linked to the achievement of business performance.

NON-EXECUTIVE DIRECTORS

The Remuneration and Nominations Committee determines the fees for non-executive directors. Fees are benchmarked to the market to ensure relevance and competitiveness.

**MORE FOOD
TO MORE
PEOPLE
MORE OFTEN**



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