



2019



RCL FOODS LIMITED

**KING IV
APPLICATION
REGISTER**

FOR THE YEAR ENDED
JUNE 2019

KING IV APPLICATION REGISTER



RCL FOODS supports the governance outcomes, principles and practices as stipulated in King IV and in compliance with the JSE Listings Requirements. This document sets out the application of the corporate governance principles by RCL FOODS as recommended by the King IV Report on Corporate Governance. Continuous focus on enhancing current practices is in line with our objective to continuously improve and entrench corporate governance practices across the Group.

KING IV PRINCIPLE	APPLICATION OF PRINCIPLE
<p>Principle 1: The governing body should lead ethically and effectively.</p>	<p>The RCL FOODS Board is committed to driving its strategy, operations and performance based on an ethical foundation, acting in the best interest of the Group and all stakeholders. The Board is held accountable for ethical and effective leadership through adherence to the Board Charter and annual performance evaluations completed by the Company Secretary. The Board and its committees demonstrate ethical and effective leadership through a robust governance framework strongly embedded in the Group's strategy and performance. Detailed reporting to the Board and its committees further enables a higher level of oversight and effective decision making by the Board. The Group has an established Corporate Code of Conduct and Ethics framework, along with its defined cultures and behaviors ("Our Way") which applies to all directors and employees to ensure the highest level of corporate governance and ethical behavior is practiced in the day-to-day activities of the Group.</p>
<p>Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>The members of the Board hold each other accountable for ethical decision-making and behaviour. The Social and Ethics Committee in particular assists the Board with monitoring and reporting on social, ethical and transformational practices that support the establishment of an ethical culture at RCL FOODS. This includes monitoring adherence to RCL FOODS' Code of Conduct (published on the Group's intranet), which applies to all employees and also forms part of the contractual obligations of parties in the supply chain. Ethical standards are also incorporated into the various functional policies and procedures, whose implementation is monitored via the Audit and Risk committees.</p> <p>RCL FOODS provides an independently-run mechanism, Tip-offs Anonymous, to enable employees and third parties to report any perceived or alleged irregular and unethical behaviour in a confidential and controlled manner. Allegations are monitored and managed within the Group Audit and Risk function, and regular feedback is provided to the Social and Ethics Committee.</p>
<p>Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>The Board, via the Social and Ethics Committee mandate, drives the advancement of economic and social development of our communities through collaborative long-term partnerships. Responsible corporate citizenship is strongly embedded in the Group's strategy, underpinned by the RCL FOODS strategic thrust of driving sustainable business.</p> <p>The Social and Ethics Committee assists the Board with the monitoring and reporting of social, ethical and transformational practices that are consistent with responsible corporate citizenship. These are described in the Sustainable Business Report and the report of the Social and Ethics Committee contained in the Corporate Governance Report which is available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019</p>
<p>Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p>The Board, in accordance with the Board Charter, is responsible for aligning RCL FOODS' strategic objectives, vision and mission with performance and sustainability considerations. While the formulation and development of the Group's short-, medium- and long-term strategy are delegated to management, the Board oversees the realisation of RCL FOODS' core purpose and values through this strategy. It also adopts a stakeholder-inclusive approach in its decision-making so that legitimate and reasonable stakeholder needs, interests and expectations are taken into account for sustainable value creation.</p> <p>The Board reviews and monitors the capital and resources required for the achievement of the Group strategy.</p> <p>The Group has a formalised risk management process in place which takes into account the full range of material risks, including strategic and operational risks, that might affect its performance and sustainability. The Audit and Risk committees assist with the governance of risk by continuously monitoring risks and ensuring appropriate controls are in place. For more detail on the risk management process refer to the Corporate Governance Report which is available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019</p>



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<p>Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.</p>	<p>RCL FOODS publishes an Integrated Annual Report that presents the material information on RCL FOODS and its subsidiaries in an integrated manner. This provides stakeholders with a balanced and holistic view of the Group's financial, social, environmental and economic impacts so that they can better understand the Group's short-, medium- and long-term prospects. Information on the Group's value creation is presented in a concise, understandable and contextualised manner so that the integrated performance of the Group and its future prospects are clear. The Group strives to continually improve the way in which it communicates with stakeholders through its reporting practices.</p>
<p>Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>The Board is the highest governing authority within RCL FOODS, and through its charter it carries the ultimate responsibility for governance of the Group. It has adopted the principles of King IV, and where the recommendations are not applied, reasons for an alternative approach have been explained. The Board is supported by the Audit and Risk committees and external assurance providers (as part of the Combined Assurance Framework) who assist with the governance of risk through detailed monitoring of risks and ensuring appropriate controls are in place. The Board Charter and Board Committee Charters are reviewed annually.</p> <p>For more information, refer to the Corporate Governance Report available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019</p>
<p>Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>The Board conducts the affairs of the Group through its diverse industry knowledge and experience. Through the Remuneration and Nominations Committee, the Board ensures that it is appropriately constituted in order to execute its responsibilities effectively.</p> <p>Details of the directorate are provided on pages 44 and 45 of the Abridged Integrated Annual Report, available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019</p> <p>For more information, refer to the Corporate Governance Report available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019</p>
<p>Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p>	<p>In discharging its duties, the Board has delegated certain functions to the following sub-committees:</p> <ul style="list-style-type: none"> • Audit Committee; • Risk Committee; • Social and Ethics Committee; and • Remuneration and Nominations Committee. <p>There is a clear balance of power within the Board and its sub-committees to ensure that no individual has undue decision-making powers. Each committee has its own terms of reference which sets out the roles and responsibilities and is approved by the Board. The composition of the Board and its committees are in line with King IV requirements. In the case of the Risk Committee and the Social and Ethics Committee, where the Chairman is not independent, other Committee directors take responsibility for ensuring that the Chairman encourages proper deliberation on all matters requiring the Committee's attention. The composition of the Board and its committees are considered by the Remuneration and Nominations Committee, taking into account experience, skills, applicable regulations and committee mandate.</p>
<p>Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</p>	<p>Formal performance evaluations of the Board and its committees were facilitated internally during the year by the Company Secretary. No material concerns were identified in respect of the areas assessed. The Board is satisfied that the evaluation process is improving its performance and effectiveness, and will continue to find ways to improve on the evaluation process in the future.</p> <p>For more information, refer to the Corporate Governance Report available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019</p>



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<p>Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<p>The Board has a clear Delegation of Authority policy and framework, according to which, roles are carried out and authority is exercised, both within the Board structures and the management team. The Board is satisfied that the Group is appropriately resourced for these roles and that delegation of certain roles and responsibilities to management supports effective governance.</p>
<p>Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p>The Board is ultimately responsible for the governance of risk and has assigned oversight of the Group's risk management function to the Risk Committee.</p> <p>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 an approved Risk Management Policy and formal Risk Charter that defines the objectives and governance of risk management. The policy involves continuous risk and opportunity identification at both a strategic and operational level, as well as the evaluation of mitigating controls.</p> <p>Although the Risk Committee assesses the levels of risk tolerance and risk appetite for the Group, ultimately the Board has overall responsibility for determining the risk tolerance.</p> <p>Management is accountable to the Board for designing, implementing and monitoring the processes of risk management and integrating them into the day-to-day activities of the Group.</p> <p>RCL FOODS applies a combined assurance model in its management of corporate risk, with both internal and external service providers providing assurance over the process. The Board oversees this and monitors the effectiveness of the Group's risk management processes through the Risk Committee. The Board is satisfied that the risk management process at RCL FOODS is effective in continuously assessing risks and opportunities and ensuring these risks are managed in line with business strategy.</p> <p>For more information on Risk Management refer to the Corporate Governance Report available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019. The Group's material risks are included in the Abridged Integrated Annual Report, also available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019</p>
<p>Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p>Information Technology (IT) is seen as a fundamental enabler within RCL FOODS and is essential to the support, growth and sustainability of the Group's ambitions. Through a dedicated Group Chief IT Officer, who is represented at relevant executive forums, an IT strategy is derived which 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 and tasked management 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.</p> <p>For more information on IT Governance refer to page 8 of the Corporate Governance Report available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019</p>



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<p>Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation in being ethical and a good corporate citizen.</p>	<p>The Board ensures compliance with applicable legislation and regulations through the establishment of legal frameworks within each division.</p> <p>The Company Secretary is responsible for providing guidance to the Board collectively and to the directors with regard to their responsibilities and powers, making them aware of legislation and regulations relevant to the Group and providing Board orientation and training when appropriate.</p> <p>To ensure the Group is responsive to the constant changes in legislation and regulations, the Group has a formal Legal Compliance framework and policy approved by the Board. Further, a Regulatory Universe prioritising key legislation for the Group has been established to ensure focus on significant matters.</p> <p>The Group keeps up to date with all intended or promulgated legislation through regular interaction with its corporate attorneys who keep the Group informed of changes in the legal landscape.</p> <p>The Audit and Risk function, Group corporate attorneys and 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.</p> <p>The Group's Chief Ethics and Compliance Officer (CECO) is responsible for ensuring that the Group's compliance processes are adequate and effective in order to fulfil its legal and regulatory responsibilities.</p>
<p>Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.</p>	<p>The RCL FOODS Remuneration and Nominations Committee operates under the delegated authority of the Board and is well established. The Committee fulfils the important function of ensuring that remuneration is responsible and fair across the Group, and ensures that disclosures are accurate, complete and transparent.</p> <p>Refer to the detailed Remuneration Report available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019</p>
<p>Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p>	<p>RCL FOODS adopts 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.</p> <p>RCL FOODS' combined assurance framework is integrated with the Group's risk management approach. Risks facing the Group are identified, evaluated and then managed through the implementation of various risk mitigation strategies. Assurance on the effectiveness of the Group's risk-mitigating controls is obtained from various assurance providers in a coordinated manner, which avoids duplication of effort.</p> <p>The Risk and Audit committees consider 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.</p>
<p>Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p>The Board has delegated the governance of stakeholder relationships to the Social and Ethics Committee. A formal, inclusive Stakeholder Engagement Framework is in place which has been approved by the Board.</p> <p>For more information, refer to the Abridged Integrated Annual Report and the Sustainable Business Report available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019</p>



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TO MORE
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MORE OFTEN**

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