



RCL FOODS LIMITED  
**REMUNERATION  
REPORT**

FOR THE YEAR ENDED JUNE

**2022**

# REMUNERATION REPORT

## CONTENTS

This report sets out RCL FOODS' Remuneration Policy and implementation thereof for the 2022 financial year and, aligned to the King Report on Corporate Governance (King IV) recommended practice and the JSE Listings Requirements, is presented in three parts:

**PART 1 A STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE (COMMITTEE)**

**PART 2 RCL FOODS' REMUNERATION PHILOSOPHY, POLICY AND FRAMEWORK FOR THE 2023 FINANCIAL YEAR**

**PART 3 IMPLEMENTATION REPORT FOR THE 2022 FINANCIAL YEAR**

## PART 1: STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholder,

On behalf of the Board of RCL FOODS I am pleased to present the Remuneration Report for the year ended June 2022.

The year under review was characterised by a tough operating environment. We were faced with several local socio-political crises as well as by the effects of the crises emanating from strained global supply chains together with those posed by the COVID-19 pandemic, its aftermath and our emergence into a new world of work.

Within this volatile and fast-changing environment, we have had to appropriately respond to the challenge of attracting and retaining scarce skills and key talent, while being cognisant of market dynamics and ensuring that the business remains competitive.

Overall, I am very encouraged by the extent to which we were able to support, sustain and reward our employees throughout this difficult period.

Notwithstanding these challenges, we made significant progress in executing the previously announced managed separation of the value-add branded food business, (Groceries and Baking supported by RCL FOODS group platform services) and Sugar (which continues to be fully managed within the foods operating model and has been de-prioritised in respect of the managed separation exercise) from the poultry (Rainbow) and logistics (Vector Logistics) businesses, with a view to preparing them to operate in a more pureplay environment, and to scale the former business through sharper strategic focus and active investment to drive growth.

This separation has enabled the tailored setting and execution of strategy, the tracking of business performance and sustainable value creation, and the appropriate alignment of incentives for each individual business component.

As a result, separate short-term incentive (STI) targets and earnings opportunities were agreed for each business, aligned to their respective priorities and circumstances. Incentives were set to reward achievement of targeted results that ensured fair and equitable outcomes for the relevant stakeholder groups.

As RCL FOODS is committed to fair and responsible remuneration, we continuously review our remuneration policies and practices to ensure that they remain market competitive, fit for purpose and are aligned to the delivery of our strategic agenda.

### KEY AREAS OF FOCUS DURING 2022

During the period under review the key activities and decisions taken by the Committee have included:

- Approval of the management STI profit share scheme targets for the 2023 financial year and outcomes for the 2022 financial year;
- Review and finalisation of the new management Value Creation Plan (VCP) long-term incentive (LTI) scheme, which replaces the RCL FOODS Share Appreciation Rights Scheme (SARS) as the Company's preferred LTI plan, with market guidance from PricewaterhouseCoopers Inc. (PwC);
- Approval of awards and vesting outcomes pursuant to the SARS;
- Review of directors', prescribed officers' and senior executives' packages, and ensuring their alignment to market;
- Approval of non-executive directors' fees for recommendation to shareholders;
- Approval of the appointment of the new RCL FOODS Chief Executive Officer (CEO), Chief Growth Officer (CGO) and Chief Human Resources Officer (CHRO); and
- Review and approval of the Board Diversity Policy.

## PART 1 CONTINUED

### AREAS OF FOCUS FOR 2023

The Committee will continue to ensure the implementation of the Remuneration Policy as outlined in this report. It is expected that the following items will be tabled at the Committee for consideration:

- Confirmation of the new management LTI scheme (and application thereof per the respective business entities) and approval of the performance conditions for the first allocation in the 2022 calendar year;
- Monitoring market relevance and governance frameworks associated with senior executive remuneration;
- Review and approval of senior executive remuneration and LTI proposals;
- Relevant support to the business through the ongoing managed separation of the various entities;
- Review of the Remuneration Policy; and
- Setting, per the respective business entities, STI targets in line with the agreed shareholder return glidepaths.

### SHAREHOLDER ENGAGEMENT

This report aims to provide shareholders with sufficient information to understand and assess RCL FOODS' remuneration policies in order to make an informed decision when voting on the remuneration-related resolutions, which will be proposed at the next Annual General Meeting (AGM), that is, the resolutions tables in Parts 2 and 3 of this report (RCL FOODS' Remuneration Policy and a report on its implementation during the reporting period) respectively. If either Part 2 or 3 receive dissenting votes in excess of 25%, the Committee will, in line with King IV:

- Embark on formal engagements with dissenting shareholders regarding their votes;
- Address legitimate and reasonable objections raised; and
- If required, amend the Remuneration Policy, or clarify and/or adjust the remuneration governance, processes, or disclosure.

I am pleased to advise that at our 2022 AGM, our shareholders voted in favour of our Remuneration Policy and Implementation Report, well above the required levels.

Whilst sufficient votes were received that engagement with our shareholders was not mandated, the following specific concerns were raised by shareholders, which we address below:

CONCERN RAISED	RCL FOODS' RESPONSE/ACTION TAKEN
<p>The vesting of the awards under the Share Appreciation Rights Scheme does not require the satisfaction of pre-determined performance conditions.</p>	<p>The <b>granting</b> of awards under the Share Appreciation Rights Scheme is conditional on participating individuals' performance as assessed annually. Thereafter, the <b>vesting</b> of awards is conditional upon tenure (three to five years before vesting), which in turn requires participants to consistently perform in line with expectations as governed by the Company's performance management policy and process. The <b>value</b> of shares that vest is directly linked to the Company's share price and performance, and in turn individual performance.</p>
<p>There is no disclosure on the performance conditions that apply to the awards under the Conditional Share Plan and Management LTI Scheme.</p>	<p>The granting of awards is approved by the Remuneration Committee wherein performance conditions are applied to both the awarding and the vesting of the Conditional Share Plan.</p>
<p>The aggregate share usage limit for the two share incentive schemes exceeds the recommended limit.</p>	<p>In terms of the shareholder-approved rules for the Share Appreciation Rights Scheme (SARS) and Conditional Share Plan (CSP), the Company could reach a utilisation of 3.1% of issued share capital (ISC) under the SARS and 5% of ISC under the CSP, giving a total of 8.1% of ISC. However, the Committee has set a more conservative limit of 5% in aggregate for both plans. Currently the SARS sits at 0.29% of ISC and CSP at 0.16%. Collectively both SARS and CSP are at 0.45% of ISC, well below the limit of 5%.</p>

## PART 1 CONTINUED

### CONSULTANTS

During the reporting period, RCL FOODS engaged the services of PwC and Deloitte as remuneration consultants. These firms were selected based on the relevance of their market data and professional reputations.

During the financial year, the Company participated in remuneration surveys facilitated by Remchannel and Deloitte. PwC was engaged to provide consulting services regarding adjustments to the management STI and LTI schemes. These services included a general market review, benchmarking of RCL FOODS' schemes against the market and recommended changes or enhancements to the current schemes.

The Committee is satisfied that the remuneration consultants engaged were independent and remained objective in providing the services.

### ACHIEVEMENT OF POLICY OBJECTIVES

The Committee is satisfied that the RCL FOODS Remuneration Policy is appropriate and applicable to the Company's objectives and realises its intention to attract, retain and motivate employees. Remuneration disclosures presented in this report have been made in compliance with the policy as approved by shareholders. No known deviations from policy have been made in the current financial year.

### COMPLIANCE

We observe King IV and endeavor to ensure that its governance principles are implemented and sustained. The principles of fairness and transparency resonate fully with the mandate of the Committee, and as such are a key component of the role we play in guiding and advising RCL FOODS.



**Mr NP Mageza**  
*Chairman, Remuneration Committee*

## PART 2: OUR REMUNERATION POLICY AND STRATEGY

### INTRODUCTION

We believe that our employees are the foundation of our business and that engaged, empowered and motivated employees ensure that our business is resilient and profitable.

### GOVERNANCE

The RCL FOODS Remuneration and Nominations Committee operates under the delegated authority of the Board and is well-established. It is made up of individuals who have the skills to bring sound business and ethical governance principles to discussions. The Committee fulfills the important functions of ensuring that remuneration is responsible and fair across the Group, and that disclosures are accurate, complete and transparent.

The Committee is made up of five non-executive members and two permanent invitees (who are excluded from discussions pertaining to their own remuneration).

During the 2022 financial year, the following changes to the incumbent members of the Committee came into effect:

- Mr PD Cruickshank was appointed as CEO, succeeding Mr M Dally, who retired in November 2021.
- As per last year’s report, Mr WS Hoare, CHRO, resigned from RCL FOODS in September 2020. Succeeding Mr WS Hoare as CHRO is Mr DC Scott who was appointed on 1 December 2021.

Our Remuneration and Nominations Committee is responsible for:

- Assessing and approving the Company’s remuneration strategy;
- Reviewing and approving the STI and LTI pay structures for executives and managers;
- Agreeing the positioning of executive pay levels and ensuring that they are comparable to market benchmarks;
- Approving the overall cost of remuneration increases awarded;
- Approving awards pursuant to the RCL FOODS LTI schemes;
- Approving the profit share (STI) targets for the forthcoming financial year;
- Reviewing the executive succession plan; and
- Reviewing the talent and performance management practices within the Company.

Our Committee meets at least four times a year, and member attendance is reflected in the table below:

MEMBERS	ATTENDANCE
NP Mageza	5/5
DTV Msibi	5/5
JJ Durand <sup>1</sup>	5/5
PM Moumakwa	5/5
GM Steyn	5/5
PJ Neethling (Alternate)	5/5

<sup>1</sup> One meeting attended by alternate director on his behalf

<p><b>Mr NP Mageza</b> Non-executive Chairman, Remuneration</p>	<p><b>Mr GM Steyn</b> Non-executive Chairman, Nominations</p>
<p><b>Dr PM Moumakwa</b> Non-executive director</p>	<p><b>Mr DTV Msibi</b> Non-executive director</p>
<p><b>Mr JJ Durand</b> Non-executive director</p>	<p><b>Mr PJ Neethling</b> Alternate non-executive director</p>
<p><b>Mr PD Cruickshank</b> Chief Executive Officer</p>	<p><b>Mr DC Scott</b> Chief Human Resources Officer</p>

## PART 2 CONTINUED

### REMUNERATION POLICY

Our remuneration strategy, guiding principles and framework have been developed in the context of the RCL FOODS business strategy, Human Resources strategy and organisational culture.

### STRATEGY

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

- We seek to reward outputs and results rather than input and effort, and to recognise quality leadership in the face of adversity and challenges;
- We aim to attract, retain and develop valuable employees of the right calibre with the intent of creating career progression and growth through learning, development opportunities and challenging jobs;
- We aim to reward performance and innovation, recognising those who deliver outstanding work whilst consistently demonstrating our core values;
- We want to engage our employees to such a degree that they willingly choose to work for us rather than other organisations; and
- We will deliver market-related remuneration and benefits.

### GUIDING PRINCIPLES

ALIGNMENT TO STRATEGIC OBJECTIVES	NON-DISCRIMINATORY PRACTICES	REWARD FOR PERFORMANCE	INTERNAL EQUITY	COMPETITIVENESS	OPENNESS AND TRANSPARENCY
Remuneration strategy and frameworks shall be developed in a manner that is consistent with, supports and reinforces the achievement of RCL FOODS' vision and strategy.	Remuneration policies and practices will be free from inequitable distinctions based on race, gender, sexual orientation, ethical or social origin.	Remuneration practices that enable and support a high-performance culture through mechanisms that reward both individual and business performance.	Similar roles at the same level will be remunerated within equal and reasonable pay ranges (Equal Pay for Work of Equal Value). We will ensure fair differentiation for job responsibility and will apply reward principles consistently.	We will remunerate at competitive levels that enable the recruitment and retention of high-calibre employees with the right attitude and skills set.	Remuneration management shall be transparent, conducted in good faith and in accordance with appropriate levels of confidentiality.

### LINKING PAY TO OUR STRATEGY AND PERFORMANCE

#### FAIR AND RESPONSIBLE REMUNERATION

King IV recommends that companies should ensure that all employees are remunerated fairly, responsibly and transparently.

RCL FOODS applies the principle of fair pay based on the value of the job relative to other jobs of similar value (internal equity). Our Remuneration Policy follows the same fundamental principles across all levels of employees in the Company.

RCL FOODS promotes the elimination of unfair discrimination in respect of remuneration by applying the principle of equal remuneration for work of equal value. Any difference in remuneration will only be unfair discrimination if the differences are directly or indirectly based on race, sexual orientation, gender, disability or any other arbitrary ground.

Remuneration decisions are based on merit; we do not discriminate on the grounds of race, religion or belief, disability, age, sexual orientation or gender identity.

We review our internal pay scales on an annual basis and consistently apply them to all our appointments as well as during our annual remuneration review process.

The guidelines for new hire appointments and offers assist the Human Resources (HR) department and line managers to ensure that all offers, both internal and external, are made in an equitable manner.

## PART 2 CONTINUED

### ELEMENTS OF REMUNERATION

COMPONENT	PURPOSE AND LINK TO STRATEGY	OPERATION
<b>Total Guaranteed Pay (TGP)</b>	<ul style="list-style-type: none"> <li>To attract and retain the best talent.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed annually in October and delivered in 12 payments;</li> <li>Reflects the individual's experience, skills, and the scope and nature of their role;</li> <li>Internal and external equity; and</li> <li>Provides competitive pay and rewards performance.</li> </ul>
<b>STI</b>	<ul style="list-style-type: none"> <li>Drives a high-performance culture;</li> <li>Motivates and rewards achievement of business targets;</li> <li>Keeps employees focused on the business's defined short-term objectives; and</li> <li>The financial measures are designed to drive our growth strategies while focusing on improving operating efficiencies.</li> </ul>	<ul style="list-style-type: none"> <li>Variable – usually paid in cash in September each year for performance during the prior financial year;</li> <li>Directly linked to business performance; and</li> <li>Annually reviewed to ensure measures and weighting drive the right behaviours and support the business strategy.</li> </ul>
<b>LTI</b>	<ul style="list-style-type: none"> <li>Drives sustainable longer-term performance;</li> <li>Retention of key skills by linking performance to long-term value creation;</li> <li>Encourages loyalty aligning the interests of executives to those of the Company and its shareholders; and</li> <li>Wealth creation.</li> </ul>	<ul style="list-style-type: none"> <li>Variable in the form of annual allocations which vest over three years; and</li> <li>Annually reviewed to ensure measures and weighting drive the right behaviours and support the business strategy.</li> </ul>
<b>Retirement Funding</b>	<ul style="list-style-type: none"> <li>Provides financial security when an employee retires.</li> </ul>	<ul style="list-style-type: none"> <li>All contributions are included in the TGP;</li> <li>Both pension and provident funds;</li> <li>Financial protection in the event of illness, disability or death; and</li> <li>Flexible contribution rates.</li> </ul>
<b>Flexible benefits</b>	<ul style="list-style-type: none"> <li>Offer employees choices to meet personal needs and position us as an employer of choice; and</li> <li>Integrated approach to drive employee engagement.</li> </ul>	<ul style="list-style-type: none"> <li>Costs included in TGP;</li> <li>Provide employees with benefits suitable to their individual needs;</li> <li>Provide access to quality health and wellness benefits; and</li> <li>Addressing diverse employee needs across differing cultures and age groups.</li> </ul>
<b>Other benefits</b>	<ul style="list-style-type: none"> <li>Position RCL FOODS as an employer of choice.</li> </ul>	<ul style="list-style-type: none"> <li>Access to staff shops including employee discounts;</li> <li>Cellphone allowance;</li> <li>Management are entitled to uncapped annual leave;</li> <li>Maternity and parental leave; and</li> <li>Annual executive health checks.</li> </ul>

PART 2 CONTINUED

ELEMENT	TYPE OF REMUNERATION	DESCRIPTION	ELIGIBILITY	CHANGES FOR 2023
Total Guaranteed Remuneration	Fixed	<ul style="list-style-type: none"> <li>Total Cost to Company (TCTC) for senior staff and management.</li> <li>Basic Pay Plus Benefits for other levels of staff.</li> </ul>	All employees	Remains unchanged for 2023.
STI	Variable	Management Profit Share Scheme	CEO, executives and managers	Remains unchanged for 2023.
LTI	Variable	Share Appreciation Rights Scheme (SARS)	Executives	<p>No further SARS allocations will be made with the last allocation being made in August 2021.</p> <p>SARS awards will be replaced with VCP awards from the 2023 financial year.</p>
		Conditional Share Plan	Executives	Remains unchanged
		Value Creation Plan (VCP)	Executives	The VCP is introduced from the 2023 financial year.
		Employee Share Ownership Plan (ESOP)	All staff who do not participate in the Share Appreciation Rights Scheme or Conditional Share Plan.	The ESOP scheme closed in May 2022. A new scheme is under consideration.

## PART 2 CONTINUED

### GUARANTEED REMUNERATION

The Group applies a TCTC pay approach to senior staff and management and a Basic Pay Plus Benefits pay approach to other levels of staff. Guaranteed remuneration is set with reference to the scope and nature of the individual's role and benchmarked against the market to ensure relevance and competitiveness. Pay scales, aligned to our desired market position, provide guidance to HR and line managers with respect to the positioning of guaranteed remuneration, thus ensuring internal equity and market alignment.

### ANNUAL SALARY REVIEWS

The annual salary review process for non-bargaining unit employees takes place in July, with increases effective from 1 October each year. This process allows for the opportunity to adjust salaries in line with the market and prevailing economic conditions. The budget is agreed by the RCL FOODS Executive based on benchmarking of other organisations and market trends, changes to the national cost of living, business performance and affordability.

Individual performance, competitiveness to the market and diversity is considered when allocating increases. Interim increases may be awarded during the year at the discretion of senior management based on promotions, additional scope of role or scarce skills.

### BENEFITS

#### RETIREMENT FUNDS

Membership of one of the Group's approved retirement funds is compulsory for all employees. RCL FOODS has two destination retirement funds, the RCL FOODS Pension Fund and the RCL FOODS Provident Fund. These closed funds are guided by a company-appointed independent Principal Officer. The funds aim to provide retirement funding, temporary and permanent disability cover, life cover and funeral benefits to employees.

- Employees on TCTC remuneration packages (management) may elect to contribute a variable percentage of their pay as an employer contribution to the fund, with each fund dictating a minimum contribution level.
- Senior staff on TCTC remuneration packages and those on Basic Pay Plus Benefits packages have set employee and employer contribution percentages.

#### MEDICAL AID

Membership of one of the Group's designated medical aid schemes is compulsory for management and voluntary for staff. Employees are strongly encouraged to join a medical aid scheme within their first three months of employment. RCL FOODS recognises that the health and wellness of its employees is paramount in ensuring a sustainable and profitable organisation.

We have therefore partnered with Discovery Health and Makoti Medical Aid to offer employees healthcare options that are appropriate to their affordability. The introduction of Makoti Medical Aid in 2016 has enabled employees who are budget-sensitive to be able to afford private healthcare.

- For employees on TCTC remuneration packages (management and staff), employee and employer contributions to medical aid are part of the TCTC.
- Staff on basic pay plus benefits packages receive an employer subsidy.

## PART 2 CONTINUED

### SHORT-TERM INCENTIVES

For ease of reference, the salient features and functioning of the RCL FOODS STI (the Management Profit Share Scheme) is tabulated below:

ELEMENT	DESCRIPTION
<b>Purpose</b>	<ul style="list-style-type: none"> <li>Ensures transparent remuneration for all eligible employees through a documented and measurable incentive;</li> <li>Entrenches a remuneration philosophy of “pay for performance” which motivates employees toward the achievement of performance targets resulting in variable pay;</li> <li>Drives and rewards superior individual performance which in turn helps the Company achieve its long-term strategy and performance targets, ensuring line of sight between business and individual performance and incentives paid; and</li> <li>Aligns the objectives of all stakeholders and management.</li> </ul>
<b>Overview</b>	STI payments are discretionary and are based on the achievement of financial and strategic measures.
<b>Participation</b>	The CEO, executives and managers participate in the annual profit share scheme.
<b>Operation and performance conditions</b>	<p>The STI Scheme operates as follows:</p> <ol style="list-style-type: none"> <li>A preliminary bonus pool is calculated as a percentage (a Rate of Share) of Profit Before Tax (PBT), pre-IFRS 9 fair value adjustments on commodity positions, IFRS 2 charges and bonus cost.</li> <li>This preliminary bonus pool is modified, based on Return on Invested Capital (ROIC) achievement, upward or downward between 80% and a maximum of 120%, based on threshold, target and stretch ROIC performance, to produce a final bonus pool. Linear interpolation applies between levels of ROIC achievement.</li> <li>The final bonus pool is distributed discretely.</li> </ol> <p>In summary the formula for calculation of the final bonus pool is as follows:</p> <p>Final bonus pool = [PBT x Rate of Share] x ROIC modifier</p> <p>It should be noted that achievement below the threshold ROIC target will suspend the formal bonus pool calculation and any award of bonus will be at the sole discretion of the Committee.</p>
<b>Individual performance</b>	<p>Individual performance is the determining factor in the distribution of the profit pool amongst executives and managers. Key performance targets and areas of focus are set annually for all participating employees.</p> <p>The successful achievement of targets, business results and the positive demonstration of the Company’s values and standards of leadership determines the actual profit share allocation awarded to an individual manager.</p> <p>There is no automatic entitlement to the profit share bonus as discretion may be applied by either the Committee or management.</p> <p>For the CEO and senior executives, management will recommend the disbursement of the profit share bonus for each employee. The Committee will retain discretion to adjust the recommendation made by management.</p>
<b>Settlement</b>	Payments are made in September each year.

PART 2 CONTINUED

ELEMENT	DESCRIPTION								
<b>Deferral</b>	<p>With effect from 1 July 2020, the CEO and executives' profit share bonus payout will be subject to deferral of a portion if the calculated STI exceeds an agreed percentage of annual TCTC.</p> <p>The deferred bonus is determined as any part of the profit share bonus which exceeds the percentages in the table below:</p> <table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th style="background-color: #002060; color: white;">Authority level</th> <th style="background-color: #002060; color: white;">% of annual TCTC</th> </tr> </thead> <tbody> <tr> <td>CEO</td> <td style="text-align: center;">170</td> </tr> <tr> <td>Senior executives<sup>1</sup></td> <td style="text-align: center;">120</td> </tr> <tr> <td>Executives<sup>2</sup></td> <td style="text-align: center;">80</td> </tr> </tbody> </table> <p><sup>1</sup> Senior executives include officers and divisional managing directors.  <sup>2</sup> Executives include divisional operating directors.</p> <p>In the event that the deferral mechanism is applied, any part of the profit share bonus which exceeds the agreed percentage of annual TCTC will be deferred and paid to the executive 12 months after the payment of the initial bonus.</p>	Authority level	% of annual TCTC	CEO	170	Senior executives <sup>1</sup>	120	Executives <sup>2</sup>	80
Authority level	% of annual TCTC								
CEO	170								
Senior executives <sup>1</sup>	120								
Executives <sup>2</sup>	80								
<b>Settlement condition</b>	<p>Payment of profit share bonuses and the future settlement of the finalised, but not yet implemented LTI awards will be subject to the satisfaction of an Operating Free Cash Flow (OFCF) Condition. That is, the combined cash cost of settlement of profit share bonuses and LTIs will not exceed 35% of OFCF of the consolidated annual financial statements of the Group at the time of payment. In addition, a solvency and liquidity check will be undertaken prior to the payment of the bonuses.</p> <p>If the OFCF Condition is not met, the profit share bonuses will be proportionally paid up until the limit of the OFCF Condition. The remainder will be re-tested every six months and all payments relating to the remaining amounts will be deferred until the OFCF Condition is met.</p>								
<b>Termination of employment</b>	<p>The rules of the profit share scheme contain termination provisions that govern payments made to employees who leave the Group's employ either as "good leavers" (no-fault terminations) owing to death, ill-health, disability, injury, retrenchment, retirement, or the sale of a subsidiary company, or "bad leavers" (fault terminations) owing to resignation or dismissal on grounds of misconduct, poor performance, dishonest behaviour, fraudulent conduct, or abscondment.</p> <p>In cases of a "good leaver", the individual's profit share allocation will be pro-rated for the period they were employed by the Company.</p> <p>For "bad leavers" the individual forfeits his/her right to any share of the profit share pool.</p>								
<b>STI impact of strategic transformation (separation of Rainbow and Vector Logistics)</b>	<p>As part of the strategic separation of Rainbow and Vector Logistics from the RCL FOODS Value-Added Business, a strategic review of the application of the Company's management profit share scheme (STI), as it pertains to Rainbow and Vector Logistics, was performed.</p> <p>As part of this review, it was agreed that Vector Logistics would follow an identical STI approach to RCL FOODS Value-Added Business but with separate targets, whilst Rainbow would follow an augmented STI approach. The rationale for the augmented STI approach for Rainbow resides in the complexity of the business's recovery strategy and accordingly Rainbow's STI is funded out of the value recovery that is delivered in a given financial year. Other governance aspects of the Rainbow STI are identical to RCL FOODS and Vector Logistics STIs but additional shareholder safeguards and protection mechanisms have also been introduced with a discretionary right being granted to the Remuneration Committee to defer up to 50% of any Rainbow STI outcome.</p>								

## PART 2 CONTINUED

### LONG-TERM INCENTIVES



#### Share Appreciation Rights Scheme (SARS)

The SARS provided selected executives with conditional entitlement to receive RCL FOODS ordinary shares, based on the growth observed on a specific number of shares. This structure is being phased out, with the final allocation of SARS awards having been made in August 2021. For details of unvested SARS awards to executives and/or prescribed officers, refer to the Implementation Report, below.

#### Conditional Share Plan (CSP)

The CSP operates in conjunction with the SARS. The Company only uses the CSP to make allocations in limited circumstances such as the need to appoint or retain key senior executives.

In terms of the CSP, participants receive a conditional share award on a given award date. If they remain in the employ of the Company over the vesting periods and meet specified performance criteria, RCL FOODS' shares will be settled to the participants upon vesting. Participants will have no shareholder or dividend rights before settlement.

SCHEME	PARTICIPATING GROUP	ALLOCATION METHODOLOGY	VESTING PERIOD	EXERCISE PERIOD
Conditional Share Plan (CSP)	Select members of the following group: CEO, senior executives, executives	Conditional share award based on level of seniority	Three years from award	Immediately upon vesting

## PART 2 CONTINUED

### Value Creation Plan (VCP)

The operation of RCL FOODS' newly implemented VCP is tabulated below for ease of reference:

ELEMENT	DESCRIPTION								
<b>Purpose</b>	<p>The VCP aims to incentivise eligible participants to drive particular financial measures linked to value creation to encourage a long-term focus on sustainable growth and to attract and retain suitably skilled and competent personnel. It is also envisaged that VCP awards may be granted in future to address retention concerns and to drive strategic growth initiatives.</p> <p>As VCP awards are linked to the achievement of a minimum growth hurdle, the structure provides alignment with the King IV principle of pay-for-performance, however, to ensure adequate flexibility, the Committee has discretion to apply additional performance conditions that it deems appropriate.</p>								
<b>Overview</b>	<p>The VCP has the following high-level salient features:</p> <ul style="list-style-type: none"> <li>• The VCP tracks growth in intrinsic value (rather than share price movement);</li> <li>• Intrinsic value is quantified as business value (i.e., Headline Earnings (HE) x industry multiple); and</li> <li>• The VCP award will true up and down with the growth/contraction in intrinsic value (i.e., “growth adjustment factor”) over the vesting period and may be subjected to specific performance conditions (i.e., such as the satisfaction of a minimum intrinsic value growth hurdle or other deemed appropriate performance criteria – jointly referred to as the “performance adjustment factor”).</li> </ul>								
<b>Participation</b>	Executives, senior management and key talent by exception (subject to Remuneration Committee approval).								
<b>Allocations</b>	<p>VCP allocations are made on an annual basis or when retention/attraction risks apply. Additionally, VCP allocations may be made where the need to drive a strategic growth initiative applies.</p> <p>Allocations are made as a percentage of a participant's TCTC, as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Level of employee</th> <th style="text-align: left;">VCP allocation as a percentage of TCTC</th> </tr> </thead> <tbody> <tr> <td>Executives</td> <td>50% to 100%</td> </tr> <tr> <td>Senior management</td> <td>25% to 50%</td> </tr> <tr> <td>Key talent</td> <td>15% to 25%</td> </tr> </tbody> </table>	Level of employee	VCP allocation as a percentage of TCTC	Executives	50% to 100%	Senior management	25% to 50%	Key talent	15% to 25%
Level of employee	VCP allocation as a percentage of TCTC								
Executives	50% to 100%								
Senior management	25% to 50%								
Key talent	15% to 25%								
<b>Calculation of award outcomes</b>	<p>The calculation of a VCP award takes place in two steps:</p> <ul style="list-style-type: none"> <li>• VCP initial allocation = TCTC x VCP allocation %; then</li> <li>• VCP final award = VCP initial allocation x Performance condition vesting % (i.e., “Performance adjustment factor”) x [1 + intrinsic value growth over the vesting period (i.e., “growth adjustment factor”)]</li> </ul>								
<b>Performance conditions</b>	Overall, the VCP aims to track intrinsic value growth in RCL FOODS. HE growth and net debt management are the main controllable focus point in tracking the growth in intrinsic value from a management perspective.								
<b>Vesting</b>	A vesting period of three years applies. Upon completion of the three-year period, and where a participant has remained employed for the duration of the vesting period, and the extent to which performance conditions have been met, cliff vesting of the award will occur and the participant will be entitled to settlement to the value of the vested award. The VCP has a vesting cap of 200% of TCTC for Executives and prescribed officers.								
<b>Settlement</b>	VCP awards are settled in cash, subject to meeting the specified performance conditions.								

## PART 2 CONTINUED

ELEMENT	DESCRIPTION
<b>Settlement condition</b>	Similarly to the STI, a free cash flow condition applies to the settlement of VCP awards.
<b>Termination of employment</b>	<p>The rules of the VCP contain termination provisions that govern payments made to employees who leave the Group's employ either as "good leavers" (no-fault terminations) owing to death, ill-health, disability, injury, retrenchment, retirement, or the sale of a subsidiary company, or "bad leavers" (fault terminations) owing to resignation or dismissal on grounds of misconduct, poor performance, dishonest behaviour, fraudulent conduct, or abscondment, et cetera.</p> <p>In cases of a "good leaver", the individual's VCP award will vest early, pro-rated for the number of months served in the performance period and the extent to which performance has been achieved by the time of termination of employment. The portion of the award which does not vest will be forfeited.</p> <p>For "bad leavers" the individual forfeits his/her right to his/her VCP award.</p>
<b>VCP impact of strategic transformation (separation of Rainbow and Vector Logistics)</b>	<p>As part of the strategic separation of Rainbow and Vector Logistics from the RCL FOODS Value-Added Business, a strategic review of the application of the Group's VCP, as it pertains to Rainbow and Vector Logistics, was performed.</p> <p>As part of this review, it was agreed that Vector Logistics would follow an identical VCP approach to the RCL FOODS Value-Added Business, but with separate targets, whilst Rainbow would follow a slightly augmented VCP approach. This slightly augmented approach primarily links to the approach that is being adopted in tracking intrinsic value growth as Rainbow will focus on growth in earnings before interest and tax (EBIT) coupled with net debt management measured relative to Rainbow's 5-year growth and value restoration business plan, whilst RCL FOODS and Vector Logistics will focus on HE growth and net debt management measured relative to a range of targeted return hurdles. Other governance aspects of the Rainbow VCP are identical to the RCL FOODS Value-Added Business and Vector Logistics VCP.</p>

### Employee Share Ownership Programme (ESOP)

The ESOP aimed to recognise the contribution of all employees within the Group to its success and engender a culture of ownership and commitment. The programme came into effect on 17 January 2014, and employee participation was effective from 1 July 2014. The scheme completed its vesting period and effectively closed in May 2022. Further details regarding the ESOP can be found in earlier remuneration reports.

Unfortunately, the scheme failed to realise its intended objective as, during its performance period, the RCL FOODS share price failed to reach the requisite hurdle (the RCL FOODS shareholders also did not benefit from value creation over this time period).

### DIRECTORS' REMUNERATION

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

All directors are employed on contracts that can be terminated by mutual agreement with three months' notice. None of the director's contracts of employment provide for "trigger" payments upon termination of employment, whether in terms of a restraint of trade or otherwise.

## PART 2 CONTINUED

### BENCHMARKING

To ensure we apply the right pay mix and competitively remunerate our directors and executives, we use industry specific benchmarks. Fair and competitive rewards are vital to being an employer of choice. The Remuneration Committee sets the remuneration and guaranteed pay (GP) of directors and executives by looking at peer group data from other FMCG companies of similar market capitalisation and revenue.

In addition, RCL FOODS subscribes to remuneration surveys (Remchannel and the Deloitte Top Executive remuneration survey). We consolidate the remuneration information to ensure we have a comprehensive view of remuneration across different industries and an understanding of how to appropriately and competitively reward our directors and executives.

Benchmarking for directors in RCL FOODS is done for all elements of targeted remuneration, namely TGP, target STI and target LTI. For directors, RCL FOODS targets the 75th percentile of the market for GP and 75th percentile of the market for GP plus STI. RCL FOODS benchmarks the CEO and CFO and directors against industry-specific comparators, information from peer group disclosure and Deloitte's Top Executive remuneration survey.

Accurate benchmarking further reinforces our remuneration principles to attract, retain and motivate executives of the highest calibre which, in turn:

- Aligns their remuneration with shareholder interests;
- Creates sustainability; and
- Follows best practice in a holistic approach to deliver fair and responsible remuneration.

When determining the salary for a director or executive, we consider:

- Job grade: RCL FOODS uses the PwC evaluation system, a global job evaluation system that correlates with all the major job evaluation systems;
- Job-specific competence and skills and the marketability and scarcity of the skills;
- Industry knowledge and experience; and
- Their contribution to achieving the business's strategy.

### SIGN-ON AND RETENTION BONUSES

Sign-on and retention bonuses are paid only under exceptional circumstances when the skills and competencies of the individual are deemed to be critical to the business. Such payments are approved by the CHRO and CEO.

### MALUS AND CLAWBACK

The Group introduced a Malus and Clawback policy in July 2020. All long-term and short-term awards allocated to participating directors on or after 1 July 2020 are subject to malus and clawback conditions. The policy enables the Board and/or Committee to adjust benefits that have been awarded before vesting of the award (malus) or recover benefits after they have already vested or been paid (clawback) in the event that defined trigger events have taken place. Clawback applies for a period of three years from the vesting of a variable remuneration award. The policy is applicable to the CEO and directors.

No trigger events were discovered during the reporting period and as a result, it was not necessary to apply the policy to the variable remuneration of any of the participating directors.

### PAYMENTS ON TERMINATION OF OFFICE

RCL FOODS' policy and contracts of employment do not provide for any *ex-gratia* payments to executive directors or prescribed officers upon termination of office, other than those payments which are prescribed in terms of the provisions of the Labour Relations Act.

### NON-EXECUTIVE DIRECTORS' FEES

The Remuneration and Nominations Committee recommends, for shareholder approval, the fees payable to non-executive directors for their services as directors. Fees are benchmarked against the market to ensure relevance and competitiveness.

Non-executive directors do not have employment contracts with RCL FOODS and do not receive any performance pay (that is, they do not participate in any of RCL FOODS' STI and LTI plans). The Committee recommends the level of fees payable to non-executive directors to the Board on an annual basis. Fees are not dependent on attendance at meetings but reflect the complexity, risk and amount of preparation required for each role. Non-executive directors' fees are benchmarked at median, against a peer group of JSE listed companies annually.

The fee structure for the next financial year is contained in the Implementation Report.

## PART 3: IMPLEMENTATION REPORT

### GUARANTEED PAY INCREASES

In order to ensure that RCL FOODS applies the right pay mix and competitively remunerates all its employees, we use industry and country specific benchmarks. Fair and competitive reward are crucial to being able to attract, retain and motivate talent and be an employer of choice. The Committee sets the remuneration of the directors by looking at peer group data of listed companies or companies of similar size.

In addition to this, RCL FOODS subscribes to remuneration surveys (Remchannel and Deloitte Top Executive remuneration survey). We consolidate this information to ensure that we have a comprehensive view and understanding of remuneration across the industry and how to reward our employees appropriately and competitively.

During the period under review, the Committee approved an overall salary increase mandate of 4.5% for directors, managers, and non-bargaining unit staff, effective 1 October 2021.

### STI OUTCOMES FOR 2022

The details of **RCL FOODS Value-Added Business's** performance, as well as the STIs payable to executive directors and prescribed officers, are set out below:

- In 2022, PBT, pre-IFRS 9 fair value adjustments on commodity positions, IFRS 2 and bonus cost = R1 536,7 billion;
- With a Rate of Share of 13%, the preliminary bonus pool (PBT x Rate of Share) was R199,8 million; and
- When the ROIC modifier (ROIC achievement was between “target” and “stretch” levels) was applied (bonus pool x ROIC modifier), the final bonus pool amounted to R222,2 million.

The details of **Vector Logistics'** performance are set out below:

- In 2022, PBT, pre-IFRS 9 fair value adjustments on commodity positions, IFRS 2 and bonus cost = R114,6 million;
- With a Rate of Share of 13%, the preliminary bonus pool (PBT x Rate of Share) was R14,9 million; and
- When the ROIC modifier (ROIC achievement exceeded the “stretch” level) was applied (bonus pool x ROIC modifier), the final bonus pool amounted to R17,9 million. The final value was adjusted by an additional R2,8 million at the discretion of the Committee as a result of Vector Logistics having significantly exceeded the ROIC targets.

The details of **Rainbow's** performance are set out below:

- In 2022, EBIT Delta = R326 million;
- With a Rate of Share of 12%, the preliminary bonus pool (PBT x Rate of Share) was R39,1 million; and
- The final pool is derived by multiplying final EBIT Delta (R326 million) x the agreed rate of share (12%), the final bonus pool remained at R39,1 million.

The discretionary STIs granted to RCL FOODS' executive directors and payable in October 2022 are as follows:

Position	2022 STI	Deferred bonus threshold for position in 2022	STI payable in cash in September 2022	STI deferred for payment in September 2023
CEO	R9 000 000	170%	R9 000 000	R0
CFO	R5 000 000	120%	R5 000 000	R0

### LTI AWARDS GRANTED DURING 2022

The following awards were made with a vesting date of 2025:

Individual	Share Appreciation Rights awarded under the Share Appreciation Rights Scheme
CEO	2 510 776
CFO	1 095 283
<b>Total</b>	<b>3 606 059</b>

## PART 3: CONTINUED

## TABLE OF LTI AWARDS

The LTI awards, as well as related details, for each executive director and prescribed officer are set out below, along with their indicative fair values and number of rights exercisable as at the end of the reporting period:

	Award price Rand	Rights at June 2021	Awarded during the year	Forfeited during the year	Rights at June 2022	Fair value of rights awarded <sup>1</sup> R'000	Rights exercisable at June 2022
PD Cruickshank <sup>2</sup>	15.93	197 884		(197 884)			
	15.92	181 809			181 809	571	181 809
	14.05	704 282			704 282	2 155	704 282
	15.36	366 020			366 020	1 245	241 573
	16.97	323 507			323 507	1 417	106 757
	9.93	2 068 897			2 068 897	4 903	
	8.55	714 010			714 010	1 564	
	12.65		2 510 776		2 510 776	11 524	
Subtotal		4 556 409	2 510 776	(197 884)	6 869 301	23 379	1 234 421
RH Field	15.93	559 397		(559 397)			
	15.92	319 448			319 448	1 003	319 448
	14.05	1 087 325			1 087 325	3 327	1 087 325
	15.36	669 653			669 653	2 277	441 970
	16.97	620 061			620 061	2 716	204 620
	9.93	1 217 339			1 217 339	2 885	
	8.55	1 188 869			1 188 869	2 604	
	12.65		1 095 283		1 095 283	5 027	
Subtotal		5 662 092	1 095 283	(559 397)	6 197 978	19 839	2 053 363
M Dally <sup>3</sup>	15.93	1 014 820		(1 014 820)			
	15.92	540 869			540 869	1 698	540 869
	14.05	1 962 930			1 962 930	6 007	1 962 930
	15.36	1 284 422			1 284 422	4 367	847 718
	16.97	1 153 718			1 153 718	5 053	380 726
	9.93	2 189 069			2 189 069	5 188	
	8.55	2 168 330			2 168 330	4 749	
Sub total		10 314 158		(1 014 820)	9 299 338	27 062	3 732 243
<b>Total</b>		<b>20 532 659</b>	<b>3 606 059</b>	<b>(1 772 101)</b>	<b>22 366 617</b>	<b>70 280</b>	<b>7 020 027</b>

<sup>1</sup> Fair value of rights awarded represents the total fair value of rights outstanding at the end of the year. This cost is expensed over the right's vesting period.

<sup>2</sup> PD Cruickshank was appointed as Chief Executive Officer with effect from 1 December 2021.

<sup>3</sup> M Dally retired as Chief Executive Officer and director of the Company on 30 November 2021.

## PART 3: CONTINUED

### SINGLE FIGURE OF REMUNERATION

The remuneration paid to the executive directors and prescribed officers of RCL FOODS during the reporting period is tabulated below as a single figure of remuneration, in line with King IV's recommended standards:

Financial year	Title	Name	TGP R'000	STI <sup>1</sup> R'000	Total R'000
2022	CEO	Paul Cruickshank <sup>2</sup>	4 677		4 677
	CEO	Miles Dally <sup>3</sup>	4 587	31 521	36 108
	CFO	Robert Field	5 797	4 000	9 797
2021	CEO	Miles Dally	11 048		11 048
	CFO	Robert Field	5 981		5 981
2020	CEO	Miles Dally	9 401	2 350	11 751
	CFO	Robert Field	5 153	985	6 138
2019	CEO	Miles Dally	9 791	3 742	13 533
	CFO	Robert Field	5 327	1 630	6 957

<sup>1</sup> Bonus payments made in 2022 relate to the 2021 financial year. An amount of R10,7 million has been accrued for the 2022 financial year in respect of Mr Cruickshank and Mr Field.

<sup>2</sup> Pro-rated amount due to Mr Cruickshank's appointment as RCL FOODS' CEO in December 2021.

<sup>3</sup> Pro-rated amount due Mr Dally's retirement as CEO in November 2021.

### NON-EXECUTIVE DIRECTORS' REMUNERATION

RCL FOODS annually benchmarks Non-Executive Directors (NED's) remuneration against fees published by a peer group of companies as well as using the PwC Non-Executive Directors Practices and Fees Trends Report. The data used in the report is from PwC's internal resource base and 285 active companies registered on the main board of the JSE. The report covers general points of relevance, interest and challenges facing Boards within South Africa, including topics such as a regulatory updates, gender and diversity composition of boards and global remuneration practices.

The Committee agreed that NED's fees should increase in line with the overall increase budget for management and staff salaries as this has been the practice over the years. It was therefore agreed that fees would be increased by 4.5% and that the remuneration practice of a fixed retainer would be retained.

Role	2021 Retainer	2022 Retainer	% Increase
Chair	R339 290	R354 558	4.5%
Member	R339 290	R354 558	4.5%

### SIGN-ON AND RETENTION BONUSES AND PAYMENTS ON TERMINATION OF OFFICE

During the reporting period, Miles Dally (former CEO) received a payment of R17 million upon his retirement aligned to his assessed performance against objectives prescribed by the Board and approved by the Committee.

No further sign-on, retention bonuses nor payments upon termination of office were made to any Executive Director or prescribed officer.

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