



RCL FOODS LIMITED
**REMUNERATION
REPORT**

FOR THE YEAR ENDED JUNE

2023

REMUNERATION REPORT

CONTENTS

This report sets out RCL FOODS' remuneration policy and implementation thereof for the 2023 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 STATEMENT FROM THE CHAIRPERSON OF THE REMUNERATION COMMITTEE (COMMITTEE)

PART 2 OUR REMUNERATION POLICY AND STRATEGY

PART 3 IMPLEMENTATION REPORT

PART 1: STATEMENT FROM THE CHAIRPERSON 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 2023.

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

I am grateful for the ongoing support of, and continued open and honest engagement with, our shareholders. We were pleased to receive strong support for our remuneration policy and implementation report from our shareholders at our previous Annual General Meeting (AGM) (94.39% for the remuneration policy and 93.59% for the implementation report) the gist of which is to drive value creation for shareholders and management. Our policy strives to ensure alignment between the interests of shareholders and management. To this extent, the variable pay aspects of our remuneration were influenced by line-of-sight value creation specifically targeted at the identified strategic outcomes for each of our divisions. Both the short-term incentives (STI) and the long-term incentives (LTI) were effective for each of the divisions in the current year. Details of the relevant schemes for each division are articulated later in this report. We nonetheless continue to challenge ourselves to remain fair, relevant and market competitive, ensuring we continue to focus on providing shareholder returns.

A major area of this year's Remuneration Committee focus has been the implementation of the custom-designed Value Creation Plan (VCP), the details of which we introduced in the remuneration policy section of our remuneration report last year. We believe that this plan aligns the interests of our executives with our shareholders and drives a much-needed focus on value-creation for our shareholders through the specific focus on earnings growth, driving behaviour which is aligned to the shareholder return glide path which we have committed to. In addition, the use of differentiated, business-specific

targets for the businesses which are undergoing the managed separation from RCL FOODS further assists in driving our business strategy.

EXTERNAL FACTORS THAT INFLUENCED REMUNERATION

RCL FOODS has, and will, continue to operate in a very tough economic environment, which is subject to very low GDP growth, interest rate hikes, fuel increases, food shortages and record high commodity prices as well as the ongoing significant impact of load-shedding across all operations. This in turn is not only placing financial pressures on our consumers, but also our employees and have negatively impacted the outcomes of our short-term incentives for some of our executives in the Rainbow division.

We have also experienced additional challenges during the year, in the form of the special levy raised by the South African Sugar Association on our Sugar business unit.

We continue to challenge ourselves to remain fair, relevant and market competitive, while ensuring focus on providing shareholder returns.

KEY AREAS OF FOCUS DURING 2023

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

- Approval of the management STI profit share scheme targets for the 2023 financial year and outcomes for the 2023 financial year;
- Implementation of the VCP, including approval of the performance conditions and making of the first awards under this plan;
- Annual review of directors', prescribed officers' and senior executives' packages and ensuring their alignment to market; and
- Approval of non-executive directors' fees for recommendation to shareholders.

PART 1 CONTINUED

AREAS OF FOCUS FOR 2024

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

- Continue to oversee remuneration implications of the managed separation of Rainbow and Vector Logistics;
- Continue to align variable remuneration to the value-creation glide path;
- Integration and harmonisation of remuneration structures of Sunshine Bakery Holdings; and;
- Consideration, approval and implementation of a staff STI scheme.

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 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 AGM on 9 November 2022, our shareholders voted in favour of our Remuneration Policy and Implementation Report well above the required levels.

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

CONCERN RAISED	RCL FOODS' RESPONSE/ACTION TAKEN
Why has a high level of Minimum Shareholding Requirement (MSR) not been established for the top executive?	This practice is encouraged but not prescribed and both executive directors are shareholders in the company. Furthermore, all senior executives participate in the VCP which is the Group's preferred LTI scheme.
Why has the use of EVA or Economic Profit in executive incentives not been used?	The management STI scheme incorporates a set of return on invested capital (ROIC) modifiers, which serves a similar function to EVA.

CONSULTANTS

During the current financial year, the Group participated in remuneration surveys facilitated by Remchannel and Deloitte.

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 Group'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 Remuneration Policy as approved by shareholders. No known deviations from policy have been made in the current financial year.

COMPLIANCE

We observe King IV™ and endeavour to ensure that its governance principles are implemented and sustained within the Group. 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 the Group.



Mr NP Mageza
Chairperson, 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).

Mr NP Mageza

*Non-executive Chairperson,
Remuneration*

Mr GM Steyn

*Non-executive Chairperson,
Nominations*

Dr PM Moumakwa

Non-executive director

Mr DTV Msibi

Non-executive director

Mr JJ Durand

Non-executive director

Mr PJ Neethling

*Alternate
non-executive director*

Mr PD Cruickshank

Chief Executive Officer

Mr DC Scott

*Chief Human
Resources Officer*

Our Remuneration and Nominations Committee is responsible for:

- Assessing and approving the remuneration strategy for the Group;
- Reviewing and approving the short- and long-term incentive pay structures for Group executives and managers;
- Agreeing the positioning of Group 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) target for the forthcoming financial year;
- Reviewing the executive succession plan; and
- Reviewing the talent and performance management practices within the Group.

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	4/5
JJ Durand	5/5
PM Moumakwa	5/5
GM Steyn	5/5

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 caliber 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 Group.

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, sex, gender, disability or any other arbitrary ground.

Remuneration decisions are based on merit; we do not discriminate on the grounds of sex, 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 Human Resources 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
Total Guaranteed Pay (TGP)	<ul style="list-style-type: none"> To attract and retain the best talent. 	<ul style="list-style-type: none"> Reviewed annually in July, with increases effective 1 October, and delivered in 12 payments; Reflects the individual's experience, skills and the scope and nature of their role; Internal and external equity; and Provides competitive pay and rewards performance.
STI	<ul style="list-style-type: none"> Drives a high-performance culture; Motivates and rewards achievement of business targets; Keeps employees focused on the business's defined short-term objectives; and The financial measures are designed to drive our growth strategies while focusing on improving operating efficiencies. 	<ul style="list-style-type: none"> Variable - usually paid in cash in September each year for performance during the prior financial year; Directly linked to business performance; and Annually reviewed to ensure measures and weighting drive the right behaviours and support the business strategy.
LTI	<ul style="list-style-type: none"> Drives sustainable longer-term performance; Retention of key skills by linking performance to long-term value creation; Encourages loyalty aligning the interests of executives to those of the Group and its shareholders; and Wealth creation. 	<ul style="list-style-type: none"> Variable in the form of annual allocations which vest over three years; and Annually reviewed to ensure measures and weighting drive the right behaviours and support the business strategy.
Retirement funding	<ul style="list-style-type: none"> Provides financial security when an employee retires. 	<ul style="list-style-type: none"> All contributions are included in the TGP; Both pension and provident funds; Financial protection in the event of illness, disability or death; and Flexible contribution rates.
Flexible benefits	<ul style="list-style-type: none"> Offer employees choices to meet personal needs and position us as an employer of choice; and Integrated approach to drive employee engagement. 	<ul style="list-style-type: none"> Costs included in TGP; Provide employees with benefits suitable to their individual needs; Provide access to quality health and wellness benefits; and Addressing diverse employee needs across differing cultures and age groups.
Other benefits	<ul style="list-style-type: none"> Position RCL FOODS as an employer of choice 	<ul style="list-style-type: none"> Access to staff shops including employee discounts; Cellphone allowance; Management are entitled to uncapped annual leave; Maternity and parental leave; and Annual executive health checks.

PART 2 CONTINUED

GUARANTEED REMUNERATION

The Group applies a Total Cost to Company 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 Human Resources 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 proposed 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, and is reviewed and approved by the Remuneration Committee.

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 Total Cost to Company 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 Total Cost to Company 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 Total Cost to Company remuneration packages (management and staff), employee and employer contributions to medical aid are part of the Total Cost to Company.
- Staff on Basic Pay Plus Benefits packages receive an employer subsidy.

ELEMENT	TYPE OF REMUNERATION	DESCRIPTION	ELIGIBILITY	CHANGES FOR 2024
Total Guaranteed Remuneration	Fixed	<ul style="list-style-type: none"> • Total Cost to Company for Company for senior staff and management. • Basic Pay Plus Benefits for other levels of staff. 	All employees	Remains unchanged for 2024.
Short-term incentive (STI)	Variable	Management Profit Share Scheme	CEO, executives and managers	Remains unchanged for 2024.
Long-term incentive (LTI)	Variable	Share Appreciation Rights Scheme (SARS) - legacy	Executives	The last allocation of SARS was made in August 2021.
		Conditional Share Plan	Executives	Remains unchanged for 2024.
		Value Creation Plan (VCP) - current annual plan	Executives	The VCP represents the main LTI scheme used for annual awards to executives from 2023 onwards.

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:

Annual profit share scheme for the RCL FOODS Group, including Vector Logistics (for the 2023 financial year) but excluding Rainbow.

ELEMENT	DESCRIPTION
Purpose	<ul style="list-style-type: none"> • Ensures transparent remuneration for all eligible employees through a documented and measurable incentive; • Entrenches a remuneration philosophy of “pay for performance” which motivates employees toward the achievement of performance targets resulting in variable pay; • Drives and rewards superior individual performance which in turn helps the Group achieve its long-term strategy and performance targets, ensuring line of sight between business and individual performance and incentives paid; and • Aligns the objectives of all stakeholders and management.
Overview	STI payments are discretionary and are based on the achievement of financial and strategic measures.
Participation	The CEO, executives and managers participate in the annual profit share scheme.
Operation and performance conditions	<p>The STI Scheme operates as follows:</p> <ol style="list-style-type: none"> 1. A preliminary bonus pool is calculated as a percentage (a Rate of Share) of Profit Before Tax, pre-IFRS 9 adjustments on commodity positions, charges related to LTI schemes and bonus cost (PBT). 2. 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. 3. The final bonus pool is distributed discretionarily. <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>
Individual performance	<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 Group’s values 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>
Settlement	Payments are made in September each year.

PART 2 CONTINUED

ELEMENT	DESCRIPTION								
Deferral	<p>The CEO and executives' profit share bonus payout is subject to deferral of a portion if the calculated STI exceeds an agreed percentage of annual Total Cost to Company (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="border-bottom: 1px solid black;">Authority level</th> <th style="background-color: #1a3d4d; color: white; border-bottom: 1px solid black;">% of annual TCTC</th> </tr> </thead> <tbody> <tr> <td>CEO</td> <td style="text-align: center;">170</td> </tr> <tr> <td>Senior executives¹</td> <td style="text-align: center;">120</td> </tr> <tr> <td>Executives²</td> <td style="text-align: center;">80</td> </tr> </tbody> </table> <p>¹ Senior executives include officers and divisional managing directors. ² 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 ¹	120	Executives ²	80
Authority level	% of annual TCTC								
CEO	170								
Senior executives ¹	120								
Executives ²	80								
Settlement condition	<p>Payment of profit share bonuses are 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 Value Creation Plan (VCP) awards will not exceed 35% of OFCF of the consolidated Annual Financial Statements of the Group (excluding Rainbow and Vector) at the time of payment. In addition, a solvency and liquidity check will be undertaken prior to the payment of the bonuses.</p> <p>The Vector Logistics payment of profit share bonuses are subject to an OFCF condition. That is, the combined cash cost of settlement of profit share bonuses will not exceed 35% of OFCF of the Annual Financial Statements of Vector Logistics 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>								
Termination of employment	<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>								

MANAGEMENT PROFIT SHARE SCHEME FOR RAINBOW

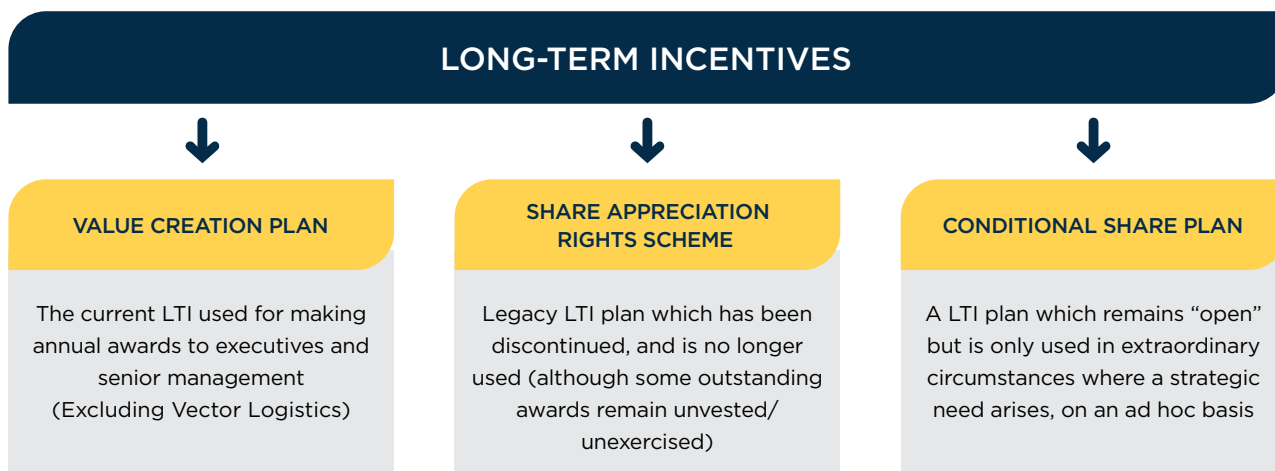
Due to the ongoing management separation of Rainbow from the RCL FOODS Group, Rainbow have their own STI schemes applicable.

The targets for the current year's STI scheme were not met and therefore no bonus was paid.

Rainbow's scheme differs slightly from the above, where the STI payable is funded from 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.

PART 2 CONTINUED

LONG-TERM INCENTIVES



VALUE CREATION PLAN (VCP)

The operation of RCL FOODS’ (excluding Rainbow and Vector Logistics) newly implemented VCP is tabulated below for ease of reference:

ELEMENT	DESCRIPTION								
Purpose	<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>								
Overview	<p>The VCP has the following high-level salient features:</p> <ul style="list-style-type: none"> • The VCP tracks growth in intrinsic value (rather than share price movement); • Intrinsic value is quantified as business value (i.e., Headline Earnings (HE) x industry multiple); and • 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”). 								
Participation	Executives and senior management, with other employees on a special, ad hoc basis, when required.								
Allocations	<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% - 100%</td> </tr> <tr> <td>Senior management</td> <td>25% - 50%</td> </tr> <tr> <td>Key talent</td> <td>15% - 25%</td> </tr> </tbody> </table>	Level of employee	VCP allocation as a percentage of TCTC	Executives	50% - 100%	Senior management	25% - 50%	Key talent	15% - 25%
Level of employee	VCP allocation as a percentage of TCTC								
Executives	50% - 100%								
Senior management	25% - 50%								
Key talent	15% - 25%								

PART 2 CONTINUED

VALUE CREATION PLAN (VCP) CONTINUED

ELEMENT	DESCRIPTION
Calculation of award outcomes	<p>The calculation of a VCP award takes place in two steps:</p> <ul style="list-style-type: none"> VCP initial allocation = TCTC x VCP allocation %; then 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")]
Performance conditions	VCP aims to track intrinsic value growth in RCL FOODS. Headline Earnings (HE) will be used as the performance condition to determine overall Business Value.
Vesting	A vesting period of three years applies. Upon lapsing 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, the award will vest and the participant will be entitled to settlement to the value of the vested award. In the event that the performance conditions have not been met, the award will not vest and the participant will not be entitled to any settlement. The VCP has a vesting cap of 200% of TCTC for executives and prescribed officers.
Settlement	VCP awards are settled in cash, subject to meeting the specified performance conditions.
Settlement condition	An operating free cash flow condition applies to the settlement of VCP awards.
Settlement cap	<p>The following settlement caps apply:</p> <ul style="list-style-type: none"> Executives and prescribed officers: 3 x TCTC; and Senior management: 3 x Award Value
Termination of employment	<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, etc.</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>

VCP FOR RAINBOW AND VECTOR LOGISTICS

Due to the ongoing management separation of Rainbow and sale of Vector Logistics on 28 August 2023, the VCP scheme described above was not extended to Vector Logistics and Rainbow have their own VCP scheme.

The Rainbow scheme differs slightly from that of RCL FOODS'. Whilst Rainbow will measure its intrinsic value growth, it will also measure net debt management relative to Rainbow's five-year growth and value restoration business plan.

Other governance aspects of the Rainbow VCP are identical to the RCL FOODS Value-Added Business plan described in the table above.

SHARE APPRECIATION RIGHTS SCHEME (SARS):

(LEGACY, OUTSTANDING AWARDS, BUT NO LONGER USED TO MAKE AWARDS)

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 the executive directors, refer to the implementation report.

CONDITIONAL SHARE PLAN (CSP):

(USED IN AD HOC INSTANCES)

The Group only uses the CSP to make allocations in circumstances such as the need to appoint or retain key senior executives, and there are currently no active CSP awards.

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

PART 2 CONTINUED

DIRECTORS' REMUNERATION

The directors are appointed to bring competencies and experience 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.

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 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 guaranteed pay and 75th percentile of the market for guaranteed pay plus STI. RCL FOODS benchmarks the CEO, CFO and directors remuneration 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 caliber 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' short- or long-term incentive 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 of similar size.

In addition to this, RCL FOODS subscribes to remuneration surveys (Remchannel and Deloitte Top Executive surveys). 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.

The Committee approved an overall salary increase mandate of 6% for Directors, Managers, and non-bargaining unit staff.

STI OUTCOMES FOR 2023

The annual targets for the 2023 financial year were achieved and the Committee approved the payment of STI awards. The details of RCL FOODS' performance, as well as the STIs payable to executive directors and prescribed officers are set out below:

- In 2023, PBT = R1 406,4 billion
- With a Rate of Share of 13%, the preliminary bonus pool (PBT x Rate of Share) was R163,7 million; after applying the ROIC modifier. The final value was adjusted to R223,6 million at the discretion of the Committee as a result of the costs associated with the managed separation of Rainbow and Vector Logistics from RCL FOODS' Value-Added Business and the impact of the Sugar special levy on results.

Description	Target (100% vesting)	Achieved	Percentage of target achieved
ROIC	10.7%	9.6%	89.7%

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

- In 2023, PBT = R35,2 million;
- With a Rate of Share of 13%, the preliminary bonus pool (PBT x Rate of Share) was R4,6 million; and
- When the ROIC modifier was applied, per the tabulated details below (bonus pool x ROIC modifier), the final adjusted bonus pool amounted to R5,4 million.

Description	Target (100% vesting)	Achieved	Percentage of target achieved
ROIC	9.06%	11.2%	120%

Rainbow Chicken performance was below target and therefore no bonus pool was generated for the 2023 financial year.

The discretionary STIs granted to RCL FOODS' executive directors were as follows:

Position	2023 STI ¹	Deferred bonus threshold for position in FY23	STI payable in cash in September 2023	STI deferred for payment in September 2024
CEO	R8 850 000	170%	R5 929 500	R2 920 500
CFO	R4 150 000	120%	R2 780 500	R1 369 500

¹ An additional R800 000 was approved post year-end.

PART 3: CONTINUED

LTI AWARDS GRANTED DURING 2023

The following are expected payouts on awards issued during the year:

	VCP Expected payout R'000
Individual	
CEO	2 228
CFO	2 082
Total	4 310

LTI AWARDS VESTING DURING 2023

As a result of the RCL FOODS share price, SARS, during the 2023 financial period, have been under water and therefore none of the allocations to the CEO and CFO have resulted in exercises.

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 2022	Rights forfeited during the year	Rights at June 2023	Fair value of rights awarded ¹ R'000	Rights exercisable at June 2023
PD Cruickshank	15.92	181 809	(181 809)			
	14.05	704 282		704 282	2 155	704 282
	15.36	366 020		366 020	1 245	366 020
	16.97	323 507		323 507	1 417	213 514
	9.93	2 068 897		2 068 897	4 903	682 736
	8.55	714 010		714 010	1 564	
	12.65	2 510 776		2 510 776	11 524	
Subtotal		6 869 301	(181 809)	6 687 492	22 808	1 966 552
RH Field						
	15.92	319 448	(319 448)			
	14.05	1 087 325		1 087 325	3 327	1 087 325
	15.36	669 653		669 653	2 277	669 653
	16.97	620 061		620 061	2 716	409 240
	9.93	1 217 339		1 217 339	2 885	401 721
	8.55	1 188 869		1 188 869	2 604	
	12.65	1 095 283		1 095 283	5 027	
Subtotal		6 197 978	(319 448)	5 878 530	18 836	2 567 939
Total		13 067 279	(501 257)	12 566 022	41 644	4 534 491

¹ 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 rights' vesting period.

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 R'000	Total R'000
2023	CEO	Paul Cruickshank	8 258	8 850	17 170
	CFO	Robert Field	6 050	4 150	10 244
2022	CEO	Paul Cruickshank	4 677	9 000	13 677
	CFO	Robert Field	5 242	5 000	11 049

NON-EXECUTIVE DIRECTORS' REMUNERATION (NEDs)

RCL FOODS annually benchmarks NEDs' 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 Johannesburg Stock Exchange. The report covers general points of relevance, interest and challenges facing boards within South Africa, including topics such as regulatory updates, gender and diversity composition of boards and global remuneration practices.

The Committee agreed that NEDs' 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 6%.

Role	2023 Retainer	2024 Retainer	% Increase
Chair	R184 582	R195 657	6.0%
Member	R115 363	R122 285	6.0%

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

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

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