



# **CORPORATE GOVERNANCE**

## **FRAMEWORK**

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## **DEFINITIONS AND ABBREVIATION**

Astral Foods Board	Board of Directors of Astral Foods Limited
Astral Foods	Astral Foods Limited and its subsidiaries which includes all local registered subsidiaries of Astral Operations Limited
Companies Act	Companies Act No. 71 of 2008 and its Regulations (as amended from time to time)
King IV	King Code and Report on Corporate Governance for South Africa 2016

### **1. INTRODUCTION**

Sound corporate governance principles are the foundation upon which the trust of investors is built and King IV endorses the primary characteristics of corporate governance from global standards. These principles are critical to growing the reputation of an organisation dedicated to excellence in performance and integrity. Corporate governance facilitates fairness, accountability, responsibility and transparency across organisations, such as Astral Foods. Corporate governance processes protects executives and employees in fulfilling their duties, and good governance instils stakeholder confidence in the organisation.

The overall intention of Astral Foods' Corporate Governance Framework ("the Framework") is to ensure continuous performance improvement while meeting its governance obligations and, simultaneously, adhering to legislative requirements.

This document provides guidance to Astral Foods staff and stakeholders and is available on the Astral Foods website.

### **2. PURPOSE**

The purpose of the Framework is to provide for the prudent management and oversight of the business within Astral Foods and to adequately protect the interests of all stakeholders. The Framework describes the governance structure and decision making processes applicable to Astral Foods.

Astral Foods is a JSE listed entity and committed to implementing and maintaining sound corporate governance practices, as set out in the Companies Act and King IV. The Board of Directors recognises that corporate governance practices must be appropriate and relevant to the size, nature and complexity of its operations, while promoting robust practices within the context of economic performance.

This document only addresses Astral Foods' overarching governance structure and decision making principles. Specific frameworks, policies, methodologies, charters, terms of reference and mandates of the various governance structures and committees are set out in separate documents. This document, therefore, does not prescribe the manner in which these structures conduct their activities.

### **3. SCOPE**

The Framework applies to Astral Foods as defined.

### **4. GOVERNANCE PRINCIPLES**

The corporate governance model that Astral Foods has implemented uses best practices which include the following:

#### **4.1 Role Players**

There are a number of assurance role players for corporate governance in Astral Foods. These role players provide different types of assurance and the key differentiating factor between these role players are their levels of independence from the entity's operational activities and the entity itself.

<b>Role Player 1</b>	<b>Role Player 2</b>	<b>Role Player 3</b>
Head of Division / Business Unit	Director: Risk Management	Internal Audit
Balance sheet Management and Capital Management Function		External Audit
Divisional Risk functions		Any other independent 3 <sup>rd</sup> party specialist

#### **4.2 Combined Assurance**

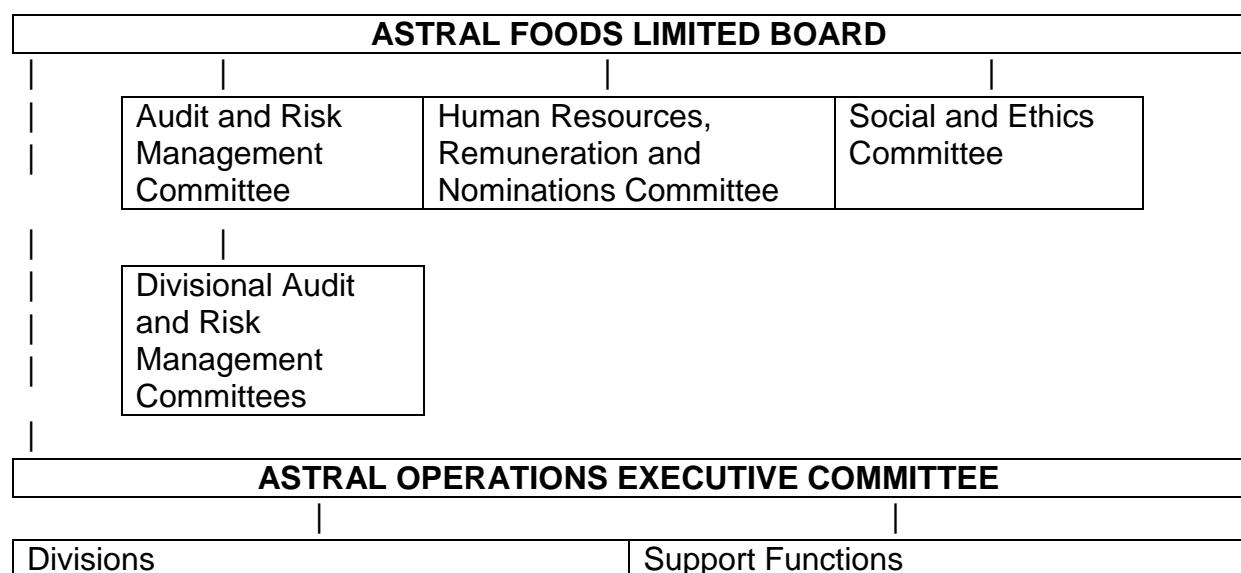
Astral Foods, in its implementation of combined assurance, has identified the components of combined assurance as per King IV. These components of combined assurance are to enable an effective control environment, and that these support the integrity of information for internal decision-making and of Astral Foods' external reports. Assurance processes in Astral Foods include internal and external audit.

## **5. GOVERNANCE STRUCTURE**

Astral Foods has established a Board of Directors with appropriate Board Committees. Therefore, in support of a transparent organisational structure and these lines of responsibility, Astral Foods has established the governance structure as depicted below.

The Astral Foods Board retains full and effective control of the group and is ultimately accountable and responsible for the performance of the group. This includes responsibility for reviewing and guiding corporate strategy, through the establishment of key policies and objectives, understanding the key risks faced by the group, determining the risk appetite, tolerance and preferences of the group and the processes in operation to mitigate these. The Astral Foods Board has overall responsibility for the management of the group and for maximising shareholder value. In discharging its responsibilities, the Astral Foods Board is supported by executive and senior management, together with the various board committees and other governance forums and panels. These committees have specific charters or terms of reference, appropriately skilled members, senior management participation and access to specialist advice when considered necessary. Various informal forums may be established for the gathering of information, agreeing and tracking actions, and where necessary, escalating findings or recommendations to decisions-making forums. In addition, the subsidiaries within the Astral Foods group also have their own Boards of Directors, which meet as required.

Various mechanisms such as strategies, policies, processes and documents have been implemented and are used to drive and support good governance in practice.



## **5.1 *Astral Foods Board***

The Astral Foods Board acts at all times in the best interests of Astral Foods and takes ultimate responsibility for Astral Foods. The Astral Foods Board has an approved Mandate and Terms of Reference which includes details such as the roles and responsibilities of the Board, its Directors and the composition of the Board. The Astral Foods Board is mandated in terms of its Mandate and Terms of Reference.

The Astral Foods Board is supported by the three Board Committees in the above organogram. These Committees have delegated responsibility to assist in specific matters.

These Committees report to the Board on a quarterly basis. The delegated responsibility and the powers, limits and authorities attached to Board Committees are approved by the Astral Foods Board, and such powers, limits and authorities are limited as determined by the Astral Foods Board from time to time. Each committee has its own Terms of Reference which sets forth its purpose, composition and duties. The Terms of Reference for each committee are posted on the Astral Foods website (<http://astralfoods.com>)

## **5.2 *Board Committees***

### **5.2.1 Audit and Risk Management Committee**

The Audit and Risk Management Committee is an independent statutory Committee appointed by the shareholders. The committee deals with matters such as recommending approval of the Astral Foods group financial results, trading updates, review of the Integrated Annual Report, approval of the risk-based internal audit plan; the combined assurance model; review of the group's Internal Financial Controls; recommendations on dividend proposals to the Astral Foods Board; external auditors' appointment and reports. The Committee discharges its responsibilities with the support of the divisional audit and risk committees, which report to the Committee on a bi-annual basis.

### **5.2.2 Human Resources, Remuneration and Nominations Committee**

The Human Resources, Remuneration and Nominations Committee is responsible for the nomination process in order to ensure that the procedures for appointments to the Board are formal and transparent, by making recommendations on all new Board

appointments and reviewing succession planning for directors. The committee also has to evaluate all candidates for the position of director on the basis of skill and experience. Thorough background checks are conducted.

The Committee assists the Board in discharging its responsibilities for the development of Astral Foods' general policy on executive and senior management remuneration and to determine specific remuneration packages for executive directors of the Company, including but not limited to basic salary, benefits in kind, bonuses, performance-based incentives, retention incentives, share incentives, pensions and other benefits. The Committee determines criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities.

#### 5.2.3 Social and Ethics Committee

The Social and Ethics Committee is mandated and authorised by the Astral Foods Board, to fulfil the following monitoring and evaluation roles:

- Transformation, focusing on Black Economic Empowerment and Employment Equity;
- Compliance with relevant social, ethical and legal requirements of the group as well as best practice codes;
- Risk and Compliance as its related to ethical behaviour within the group; and
- Environmental sustainability and corporate social investment.

#### 5.2.4 Executive and senior Management

Executive and senior management or the Astral Operations Executive Committee (EXCO) have the responsibility for the day-to-day management of Astral Foods. The EXCO serves an executive function and is the custodian of the Astral Foods strategy as approved by the Astral Foods Board and responsible for its execution. The EXCO provides the Astral Foods Board with sound information, advice and recommendations on the organisational structure, objectives, plans and policies of Astral Foods to enable the Astral Foods Board to make informed decisions.

### **5.3 Risk Management System**

Astral Foods' risk management system includes the establishment of various policies, strategies, processes, procedures and tools for identifying, measuring, monitoring, managing and reporting of all material risks to which Astral Foods is exposed. The Enterprise Risk Management Framework sets out the key principles that guide the implementation of risk and capital management at all levels. It provides the necessary foundations and organisational arrangements for managing risk within Astral Foods, and illustrates how risk management should be embedded in all business units to ensure effective risk management strategies are integrated in all work contexts.

At Astral Foods, risk management is an integral part of the management processes. The group's effectiveness is enhanced when risk management is part of the culture and is embedded in its daily practices and business processes. Risk management focuses on the relationship between risk and its impact on achieving objectives.

### **5.4 Internal Control System**

The internal control system acts as an enablers for the delivery of effective governance and to demonstrate that adequate internal controls are in place and operating satisfactorily.

The Astral Foods internal control system outlines the various elements influencing and contributing to a sound internal control environment to ensure adequate control over operations, compliance and financial reporting.

The internal control system is designed to assist the Astral Foods Board, senior management and other management within Astral Foods, and provides reasonable assurance from a control perspective that the business is being operated consistently within the:

- Strategy and risk appetite set;
- Agreed business objectives;
- Agreed policies and processes; and
- Laws and regulations.

Astral Foods' internal control environment includes the following Control Functions:

- Risk Management
- Internal Audit

The appointment, performance assessment, remuneration, discipline and dismissal of the head of these functions is done in consultation with the Audit and Risk Management Committee. The head of these functions reports regularly to the Audit and Risk Management Committee. The internal audit function is subject to periodic review by an objective external reviewer.

#### 5.5 *Risk*

The risk management function assists Astral Foods in performing specialist analysis and performing quality reviews of the risk management system, monitoring the risk management system and maintaining an organisation wide view of the risk profile.

#### 5.6 *Internal Audit*

Astral Foods has an internal audit function that provides independent, objective assurance to the Astral Foods Board in respect of the effectiveness of its governance, risk management and internal controls. The internal audit function complies with the Institute of Internal Auditors for the Professional Practice of Internal Auditing and Code of Ethics. It has established and implemented an approved Terms of Reference. The internal audit function follows a risk based approach and the internal audit plan is informed by the strategy and risks of the group.

#### 5.7 *Code of Ethics*

Astral Foods has an approved Code of Ethics and a values-based culture has been introduced in the organisation. Although the explicit values describe the core of ethical behaviour, they are not exhaustive of all the ethical norms that guide the behaviour.

Astral Foods aims to treat all its stakeholders fairly and will strive to enhance and develop products, services and communication channels to meet their expectations.

## **6. GOVERNANCE OF THIS FRAMEWORK**

### *6.1 Ownership of the framework*

Ownership of this framework is vested with the Group Company Secretary.

### *6.2 Drafting and amendments*

The Group Company Secretary of Astral Foods is responsible for the co-ordination, the drafting of and the amendments to the framework. Any proposed changes to the framework will be submitted to the relevant Board Committee for approval and the Astral Foods Board, as and when necessary.

### *6.3 Approval*

The framework must be approved by the Astral Foods Board.

## **7. NON-COMPLIANCE**

Non-compliance with any of Astral Foods policies, standards, procedures, or the like, could result in disciplinary action and possible dismissal.

## **8. IMPLEMENTATION**

The members of EXCO and the heads of support functions in Astral Foods are responsible for adherence to and implementation of this framework in their business and operational areas.

## **9. REVIEW**

The framework will be reviewed from time to time, as deemed necessary, by the Astral Foods Board.

## **10. ANNEXURE A : LIST OF KEY DOCUMENTS AS PRESCRIBED BY THIS GOVERNANCE FRAMEWORK**

1. Mandate and Terms of Reference – Board
2. Board sub-committees – Mandate and Terms of Reference
3. Approvals Framework
4. Abridged Code of Ethics
5. Risk Management Framework
6. Internal Audit Charter

*COPIES OF THE ABOVE DOCUMENTS ARE AVAILABLE ON THE ASTRAL FOODS WEBSITE, [WWW.ASTRALFOODS.COM](http://WWW.ASTRALFOODS.COM)*