



## **ASTRAL FOODS LIMITED**

### **BOARD OF DIRECTORS MANDATE AND TERMS OF REFERENCE**

*References to “the Board” shall mean the Company’s board of directors.*

*References to “Astral” or “the Company” shall mean Astral and its subsidiary companies as contemplated in the Companies Act, 2008.*

#### **1. Introduction**

The directors of Astral have been appointed in terms of Section 68 of the Companies Act, 2008 and their duties, responsibilities, standards of conduct, liability and disqualification are governed by the Companies Act.

The duties and responsibilities of the members of the Board are set out in this mandate and terms of reference and members must exercise due care and judgement in accordance with their legal obligations.

This mandate and terms of reference are subject to the provisions of the Companies Act, the Company’s Memorandum of Incorporation) and any other applicable law or regulatory provision.

#### **2. Mandate**

To set out the duties and responsibilities of the Board and to ensure that the contents of this mandate and terms of reference are disclosed in the Integrated Report.

To represent the interests of the stakeholders of Astral, in perpetuating a successful business that ensures the achievement of the vision of the Company.

To be ultimately accountable and responsible to the stakeholders of Astral for the performance and affairs of the Company and to retain full and effective control over the Company by giving strategic direction to the management and monitoring management’s implementation of these strategies.

To ensure compliance with all relevant laws, regulations and codes of business practice.

### 3. Membership and quorum

The selection, appointment or removal of directors shall be regulated by the Companies Act, 2008 and the Memorandum of Incorporation;

Alternate directors may be elected by the directors and approved by the Board in terms of the Memorandum of Incorporation;

There shall be a majority of non-executive directors on the Board, of whom a reasonable number shall be independent as defined in the King IV Report.

The Board should appoint an independent non-executive member as the lead independent to fulfil the following functions:

- To lead in the absence of the chairman;
- To serve as a sounding board for the chairman;
- To act as an intermediary between the chairman and other members of the Board, if necessary;
- To deal with shareholders' concerns where contact through the normal channels has failed to resolve concerns, or where such contact is inappropriate;
- To strengthen independence on the Board if the chairman is not an independent non-executive member of the Board;
- To chair discussions and decision-making by the Board on matters where the chairman has a conflict of interest; and
- To lead the performance appraisal of the chairman.

Members of the Board should individually cultivate the following characteristics and exhibit them in their conduct: integrity, competence, responsibility, accountability, fairness and transparency.

The Board will form committees consisting of directors, or any other person or persons that the Board thinks appropriate and such committees may take independent professional advice at the Company's expense as and when necessary. These committees will report regularly to the Board on their activities. The committee structure, membership and mandates will be reviewed on a regular basis and updated where necessary.

The Nominations section of the Human Resources, Remuneration and Nominations Committee, at its October / November meeting each year, will recommend to the board the membership of the chairman of the board for finalisation at the November board meeting. This is necessary to fit in with the February board meeting where the chairman is appointed.

In terms of Section 72(2) of the Companies Act, non-director members of a committee do not have any right to vote on matters to be decided by the committee and these members should be aware of Section

76(1) of the Act, which places the same standards of conduct and liability on such individuals as if they were directors.

At least one-third of the non-executive directors should rotate every year.

The chairman of the board will be appointed annually for a period of five years. The period may be extended in exceptional circumstances and shall be reviewed on an annual basis.

As a minimum, the Chief Executive Officer and at least one other executive should be appointed to the Board to ensure that it has more than one point of direct interaction with management. The executive other than the Chief Executive Officer appointed to the Board may be the Chief Finance Officer or another designated executive as is appropriate for the company.

Directors will be appointed for a period of two years, renewable after a further two years.

The retirement age for an executive director will be 65 and for a non-executive director, 70 years. The board will be entitled to re-elect a non-executive director who has passed the age of 70 provided that the Nominations section of the Human Resources, Remuneration and Nominations Committee has recommended the re-election, the re-appointment was requested/approved by a majority of directors and the director consents to the appointment.

The Board should promote diversity in its membership across a variety of attributes relevant for promoting better decision-making and effective governance, including field of knowledge, skills and experience as well as age, culture, race and gender.

The Board should set targets for race and gender representation in its membership.

The Board should establish a succession plan for its membership which should include the identification, mentorship and development of future candidates.

#### **4. Role**

The Board has an independent role with accountability to the stakeholders. The Board does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

The Board should serve as the focal point and custodian of corporate governance in the company.

## 5. Attendance at meetings

If the nominated chairman of the Board is absent from a meeting, the lead independent director must act as chairman and if he is not present, the members present must elect one of the members present to act as chairman.

Non-executive directors should meet from time to time without the presence of any executive directors to consider the performance and actions of executive directors.

## 6. Frequency of meetings, agenda and minutes

- Board meetings will be held as determined by the Board or as per the Memorandum of Incorporation
- The Board shall preferably take decisions by consensus, or at least by a majority of votes;
- A record of the attendance of directors at Board meetings will be kept and disclosed in the integrated report;
- The chairman, with the assistance of the company secretary, will establish the agenda for each board meeting and in doing so shall consult with the Chief Executive Officer and other directors. The chairman shall place any item on the agenda that is proposed in writing by a director. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded to each member of the Board and any other person required to attend, at least 7 days prior to each meeting.
- The Chief Executive Officer will, with the assistance of the company secretary, ensure that information and data that is important to the Board's understanding of the business is distributed in writing at least seven days before the Board meets. This material shall be as brief as possible while still providing the essential information;
- Presentations shall be sent to the Board members in advance so that the Board's meeting time can be conserved, and the discussion time focused on questions that the Board has about the material. On those occasions when the subject matter may in the opinion of the chairman be too sensitive to record, the presentation will be discussed at the meeting;
- Minutes of all board meetings will record the proceedings and decisions taken, the details of which shall remain confidential to the Board;
- The company secretary will record the name and reasons for any director voting against any decision of the Board.

Meetings in addition to those scheduled may, with approval of the chairman, be held at the request of the other members of the Board or senior management.

The Board must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual plan must ensure proper coverage of the matters laid out in the Board's mandate and terms of reference: the more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a two-year period. The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.

Members and/or invitees of the Board may participate in and act at any meeting of the Board through the use of a conference telephone or other communication equipment by means of which all persons participating in the meeting can hear each other. Participation in such meeting shall constitute attendance and presence in person at the meeting by the person or persons so participating.

## **7. Authority**

The Board has decision making authority in regard to its duties and is accountable in this respect to the stakeholders. To this end the chairman of the Board and chairmen of all Board sub-committees must be present at all annual general meetings (AGM's) to answer questions, on the Board's activities and matters within the scope of the Board's responsibilities. The chairman of the Board will act as the chairman at the AGM.

The Board, in the fulfilment of its duties, may call upon the chairmen of any Board committees, any of the executive directors, company officers, company secretary, other company employees or assurance providers to provide it with information.

The Board has reasonable access to the company's records, facilities, employees and any other resources necessary to discharge its duties and responsibilities.

The Board, and every director individually, has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Company's cost, subject to a board approved process being followed.

Except as reserved for the shareholders in terms of the Company Act 2008, other applicable regulations and the Memorandum of Incorporation, the Board has unfettered powers to govern the Company.

## **8. General obligations**

Although directors act in concert as a Board, each director is individually responsible for being effective as a director. Directors must ensure that they:

- Devote adequate time and attention to their duties;
- Have a good working knowledge of the Company, including its organisational structure, management, internal financial controls and its products or services;
- Prepare adequately for board meetings by working through board and agenda papers;
- Ensure that management reporting is presented in a clear and easily understood format containing all necessary information about the Company that directors need to know;
- Actively participate in corporate planning including budgeting, strategic planning and the long term sustainability of the company;
- Have access to the entire management team and obtain information from them first hand where necessary;
- Assign specific areas of responsibility to the Chief Executive Officer to ensure individual accountability of each manager;
- Oversee the appointment of key executives and appoint only individuals of suitable calibre;
- Ensure compliance with relevant legislation and regulations and implement an effective reporting system to monitor such compliance;
- Conduct visits to Company premises on a regular basis;
- Have a good working knowledge of the contents of important Company documents such as the memorandum of incorporation, policy manuals, strategic plans, key contracts, the Board mandate and terms of reference of Board committees;
- Are aware of all major risks facing the company and take steps to mitigate these identified risks;
- Govern the ethics of the company in a way that supports the establishment of an ethical culture; and
- Ensure that the company is seen to be a responsible corporate citizen

## **9. Responsibilities**

The responsibilities of the Board shall include:-

### **a) Fiduciary Responsibility**

Both executive and non-executive directors will carry full fiduciary and statutory responsibility in terms of the Companies Act 2008, or any Act which replaces it, and all other applicable statute or ordinance from time to time in force affecting the affairs of the Company.

**b) Governance of risk**

The Board will be responsible for the governance of risk and determine the levels of risk tolerance that the Company is able to bear in the pursuit of its objectives. The board should determine the levels of risk tolerance at least once a year and should review these limits during periods of increased uncertainty or any adverse changes in the business environment.

The Board's responsibility for risk governance should manifest in a documented risk management policy and plan which should be widely distributed throughout the Company and reviewed by the Board at least once a year. The Board should also comment in the integrated report on the effectiveness of the system and process of risk management. A risk committee or audit committee should assist the Board in carrying out its risk responsibilities.

The Board should exercise ongoing oversight of risk management and, in particular, oversee that it results in the following:

- An assessment of risks and opportunities emanating from the triple context in which the company operates and the capitals that the company uses and affects.
- An assessment of the potential upside, or opportunity, presented by risks with potentially negative effects on achieving the company's objectives.
- An assessment of the company's dependence on resources and relationships as represented by the various forms of capital.
- The design and implementation of appropriate risk responses.
- The establishment and implementation of business continuity arrangements that allow the company to operate under conditions of volatility, and to withstand and recover from acute shocks.
- The integration and embedding of risk management in the business activities and culture of the company.

**c) Governance of Information Technology (IT)**

The Board will be responsible for IT governance and may appoint an IT steering committee or similar forum to assist with its governance of IT. The Chief Executive Officer should appoint a Chief Information Officer to be responsible for the management of IT. This position may be outsourced if necessary.

The Board should exercise ongoing oversight of technology and information in a way that supports the company setting and achieving its strategic objectives.

The Board should ensure that an IT governance charter and policies are established and implemented. The Board should also monitor and evaluate significant IT investments and expenditure.

#### **d) Governing stakeholder relationships**

The Board should consider the economic, social and environmental factors when managing the company. The Board is not only responsible for the financial bottom line, but rather for the Company's performance within the triple context in which it operates.

In execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the company over time.

#### **e) Dispute resolution**

The Board should ensure that disputes are resolved as effectively and expeditiously as possible by selecting a dispute resolution method that best serves the interests of the Company. Consideration should be given to the preservation of business.

#### **f) Integrated reporting and disclosure**

The Board should ensure the integrity of the Company's integrated report. The integrated report should be prepared every year and should convey adequate information regarding the Company's financial and sustainability performance and should focus on substance over form.

The Board should ensure that the positive and negative impacts of the Company's operations and plans to improve the positives and eradicate or ameliorate the negatives in the year ahead are conveyed in the integrated report and ensure that reports issued will enable shareholders to make informed assessments of the company's performance, and its short, medium and long term prospects.

The Board must prepare a comprehensive integrated annual report for distribution to shareholders focusing on the sustainability of the company in line with the requirements contained in the King III Report.

#### **g) Appointment of Board Committees**

- Board committees:

The following committees must be established by the Board:

- Audit and Risk Management Committee;
- Human Resources, Remuneration and Nominations Committee; and
- Social and Ethics Committee.

Each committee shall have a formal mandate and terms of reference approved by the Board and the membership of each committee shall be in terms of the mandate and terms of reference of that particular committee.

The Board may also establish other committees and will determine the functioning of those committees and delegate powers to such committees.

- Assignment and rotation of committee members:

The chairman, considering the qualities and attributes of individual directors, shall annually propose the assignment of directors to board committees for review and approval of the Board. Subject to the requirements for specific skills and experience, it shall be good practice to rotate the membership of the Board committees.

- Board committee mandates and terms of reference:

A summary of the mandates and terms of reference of all Board committees will be disclosed in the integrated report, together with the composition of each committee.

#### **h) Executive and senior management remuneration**

The Human Resources, Remuneration and Nominations Committee will assist the Board in discharging its responsibilities for the development of the company's general policy of executive and senior management remuneration and 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 the criteria necessary to measure the performance of executive Directors in discharging their functions and responsibilities.

#### **i) Strategic planning**

The Board should assume responsibility for organisational performance by steering and setting the direction for the realisation of the organisation's core purpose and values through its strategy.

The Board should delegate to management the formulation and development of the organisation's short, medium and long-term strategy.

The organisation's short, medium and long-term strategy as formulated and developed by management should be approved by the Board. When considering the proposed strategy for approval, the Board should challenge it constructively with reference to, among others, the following:

- The timelines and parameters which determine the meaning of short, medium and long term respectively.
- The risks, opportunities and other significant matters connected to the triple context in which the organisation operates.
- The extent to which the proposed strategy depends on the resources and relationships connected to the various forms of capital.
- The legitimate and reasonable needs, interests and expectations of material stakeholders.
- The increase, decrease or transformation of the various forms of capitals that may result from the execution of the proposed strategy.
- The interconnectivity and inter-dependence of all of the above.

#### **j) Approvals framework**

The Board should adopt a formal approvals framework and where appropriate, set financial limits and contract terms as well as conditions for pre-approval or post-ratification.

#### **k) Monitor operational performance**

The Board must ensure that procedures are in place for monitoring and evaluating the implementation of its strategies, policies and business plans, as a measure of operational and management performance.

#### **l) Public communications**

Public communications on the affairs of Astral shall normally be dealt with by the Chief Executive Officer and the Chief Financial Officer. The Board may by exception decide to communicate directly, in which case only the chairman shall make such communication.

Where an individual director is by reason of his/her fiduciary responsibility or compromised by a serious matter of conscience

and feels compelled to make a public communication, he or she shall first discuss the matter with the chairman.

The Board should oversee that reports such as the annual financial statements, sustainability reports, social and ethics committee reports, or other online or printed information or reports are issued, as is necessary, to comply with legal requirements and/or to meet the legitimate and reasonable information needs of material stakeholders.

#### **m) Succession and emergency planning**

The Board shall appoint the Chief Executive Officer and will determine, in consultation with the Chief Executive Officer, a succession plan for the Chief Executive officer and one for executive management. Similarly, acting arrangements for when the Chief Executive Officer is away or indisposed should be pre-planned. Should the Chief Executive Officer be indisposed for an extended period or indefinitely, the chairman shall consult with the Board on acting arrangements before an acting Chief Executive Officer is appointed.

In conjunction with the Chief Executive Officer, the Board should establish a succession plan for the chairman and executive management members, as well as a contingency plan for a stand in for the Chief Executive Officer in the event of his absence for any length of time from office.

The Board should establish a succession plan for its membership which should include the identification, mentorship and development of future candidates.

#### **n) Compliance governance**

The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the company being ethical and a good corporate citizen.

#### **o) Remuneration governance**

The Board should ensure that the company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

### **10. Evaluation of directors**

- Board and director assessment

Directors will be assessed both individually, and collectively as a Board on an annual basis.

- Board assessment

The collective assessment of the Board shall evaluate the Board's contribution as a whole and shall specifically review areas in which the functioning of the Board could be improved or enhanced.

- Individual director assessment

Formal assessments in the form of peer reviews will be conducted by the chairman of the Board. The chairman must ensure that the directors know that they will be the subject of a review, the criteria used for assessment and the procedure that will be followed. A series of assessment questions must be distributed in time for directors to complete prior to any meeting with the chairman.

- Formal evaluation of the Chairman

Formal assessment by the executive as well as the non-executive directors will formally take place on an annual basis. A series of assessment questions must be distributed in time for directors to complete prior to submission to the Lead Independent Non-Executive director for evaluation. If required, the Lead Independent Non-Executive director can call a meeting with the chairman to discuss the outcomes.

- Formal evaluation of the Chief Executive Officer

Non-executive members of the Board in consultation with the chairman, ("the evaluation committee") will formally evaluate the Chief Executive Officer annually. The evaluation must be based on objective criteria including performance of the business, accomplishment of long-term strategic objectives, development of management, etc. For this purpose the Chief Executive may be called to an interview.

This evaluation will be used by the Human Resources, Remuneration and Nominations Committee, when considering the compensation of the Chief Executive Officer.

- Formal evaluation of Board committees

The Board will evaluate the performance and effectiveness of the Board committees on an annual basis.

- Formal evaluation of the company secretary

The Board will evaluate the qualifications and experience of the company secretary on an annual basis.

## 11. Relationship to staff and external advisors

- Attendance of non-directors at Board meetings

The chairman may permit members of Astral's staff and outside parties to attend all or part of Board meetings at specific or regular times. The purpose for such attendance is to provide the Board with expert insights to their deliberations or as capacity building for potential directors. The Chief Executive Officer may also propose such attendance and shall consult the Board before reaching a decision.

- Board access to staff and the books and records

Board members have unrestricted access to consult the Company's staff regarding information about the operations of the Company, records, documents and property, which they may require to make competent decisions. Such contact shall not be distracting to the business operation of the Company and, shall be arranged for after liaison between the chairman and the Chief Executive Officer.

- Board access to external experts

Board members may collectively or individually consult external professional advisors on any matter of concern to Astral, after having advised the Chief Executive Officer and chairman as appropriate. The Company shall be obliged to bear the costs of any such consultation.

## 12. Company secretarial role

The Board is responsible for the selection and appointment of the company secretary. In addition, the Board shall recognise the pivotal role to be played by the company secretary in the achievement of good corporate governance and empower this individual accordingly. The company secretary must provide the Board as a whole and individual directors with detailed guidance regarding their responsibilities.

The company secretary will attend all board and sub-committee meetings to record the proceedings and decisions.

## 13. Code of ethics and business practices

The Board must establish and maintain the values of the Company in support of its vision and/or mission, and establish principles and standards of ethical business practice in support of such values. These principles and standards shall be communicated to affected stakeholders in codified form, and the Board shall assume responsibility and accountability to stakeholders for compliance with these.