

## CORPORATE GOVERNANCE REPORT

### Statement of commitment

The board of directors of Pioneer Foods is committed to the principle of effective corporate governance and strives for the highest standards of integrity and ethics.

The board supports the Code of Governance Principles as set out in the King II Code of Corporate Governance and are satisfied that the Group has complied with the South African legislation and regulations in this financial year.

The board is pleased to report that a process has been put in place to ensure that the Group complies with the provisions of the King III Code on Corporate Governance in the new year.

### Company secretary

All directors have access to the company secretary, who ensures that the board procedures and applicable rules and regulations are fully applied.

Information required for each board meeting is sent to directors timeously before each meeting to enable them to apprise themselves of the information and to consider Group information in terms of their statutory and fiduciary responsibility.

The closed periods for trading in the Group's shares are maintained to prevent insider trading. No director, members of executive management or designated affected employees may trade, directly or indirectly, in Group shares during such closed period. Closed periods apply at least every six months from 15 March or 15 September, respectively, until publication of the interim or annual financial results on SENS.

In addition, directors, executive management and other affected employees are prohibited from trading in Pioneer Foods' shares in any other price-sensitive period.

The company secretary alerts all directors and affected employees prior to the commencement of the closed period.

Outside such closed periods, all directors have obtained the necessary clearance to trade in Pioneer Foods' shares,

in accordance with the continuing obligations of the JSE Listings Requirements, in the 2009 financial year.

### Directors and board committees

The board of directors are responsible for the total and effective control of the Group. The board is composed of thirteen non-executive directors and four executive directors.

The chairman of the board is an independent non-executive director in accordance with the requirements of the King Code.

The non-executive directors are selected for specific terms and their reappointment is not automatic, but by way of vote. The executive directors and the company secretary are appointed by the board.

The board also has three committees, namely, the audit and risk committee, the nominations committee and the human capital committee wherein it addresses certain specialised issues. Each committee has a charter and mandate and each committee chairman reports on the respective committee's deliverables at the subsequent board meeting.

In this financial year, the board met six times and reviewed, inter alia, strategy, operating and capital budgets and marketing plans. Other matters relating to the overall Group objectives were also discussed.

The board fulfils its duties in terms of a decision-making framework which is reviewed from time to time.

Further, a board effectiveness assessment is undertaken annually and this process is driven by the nomination committee. This year the board followed a hybrid methodology whereby fifty percent of the board participated by way of a written questionnaire and fifty percent by way of a face-to-face meeting with an independent assessor. The results of the said board effectiveness process were analysed by the nomination committee and areas of concern as well as merit were tabled at a board meeting for discussion and strategy.

## CORPORATE GOVERNANCE REPORT (continued)

### Board committees

A synopsis of the committees of the board of directors and their mandates are contained in the table below.

	Human Capital Committee	Audit and Risk Committee	Nomination Committee
<b>Composition</b>	Five non-executive directors, four of whom are independent	Four non-executive directors, two of whom are independent	Five non-executive directors, two of whom are independent
<b>Chairman</b>	Independent non-executive director: JA Louw	Independent non-executive director: AH Sangqu	Independent non-executive director: HE Blanckenberg
<b>Frequency of meetings</b>	Four times this year	Four times this year	Four times this year
<b>Board approved charter</b>	Yes	Yes	Yes
<b>Primary responsibilities</b>	<ul style="list-style-type: none"> <li>• Maintain and approve appropriate policy</li> <li>• Executive management succession planning</li> <li>• Monitor the implementation of relevant labour legislation</li> <li>• Monitor the implementation of the transformation policy</li> <li>• Remuneration of directors and executive management</li> <li>• Evaluation and approval of the remuneration strategy, including the market-related incentive schemes for executive and senior management</li> </ul>	<ul style="list-style-type: none"> <li>• Nomination of auditors for the annual financial audit</li> <li>• Ensures that appropriate internal control procedures are in place and applied</li> <li>• Ensures that risk management procedures are adequate</li> <li>• Ensures that appropriate standards of reporting and compliance are maintained</li> <li>• Ensures that relevant legislation is adhered to</li> <li>• Ensures that the internal audit function operates effectively and is totally independent</li> </ul>	<ul style="list-style-type: none"> <li>• Proposals for all non-executive appointments</li> <li>• Proposals for the appointment of the company secretary</li> <li>• Performance evaluation of the board</li> <li>• Performance evaluation of the chairman</li> <li>• Succession planning of the chairman</li> </ul>
<b>Invitees</b>	<ul style="list-style-type: none"> <li>• Meetings are attended by relevant members of management</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings are also attended by internal and external auditors and relevant members of management</li> </ul>	
<b>Access</b>		<ul style="list-style-type: none"> <li>• The external and internal auditors have unlimited access to the audit and risk committee thereby ensuring independence is not compromised in any way</li> <li>• A fixed agenda item is a closed session discussion without management</li> </ul>	

The board attendance statistics are captured in the table below.

Directors	Board meetings (scheduled)	Board meetings (unscheduled)	Audit & Risk Committee	Human Capital Committee	Nomination Committee
<b>Meetings held this financial year</b>	<b>5</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>4</b>
HE Blanckenberg (Chairman)	5	1		4	4
JA Louw (Vice-chairman)	4	–		4	
WA Agenbach	4	1	3		
AW Bester	4	1			3
GD Eksteen	5	1		4	4
JN Hamman*	3 of 3	–	1 of 1		
AE Jacobs	5	1	4		
NS Mjoli-Mncube	5	1			3
JF Mouton**	2 of 2	–			
AH Sangqu	5	1	4		
AC Singleton	5	–	4		
Dr FA Sonn	4	–		3	
Dr MI Survé	5	–		2	
JH van Niekerk	5	–			4
WA Hanekom (Managing Director)	5	1			
TA Carstens	5	1			
LR Cronjé	5	1			
MT Swanepoel	5	1			

\* JN Hamman retired 20 February 2009

\*\* JF Mouton was appointed 20 May 2009

## Internal control and risk management

The board accepts final responsibility for the internal control and risk management systems of the Group.

All material risks in the Group have been identified and documented in a comprehensive risk framework per division. Proper internal control systems are in place and maintained through a divisionally controlled system. The timely execution of self-control procedures is controlled programmatically and compliance with self-control procedures is monitored internally.

The Sasguard Insurance Company Limited insures Group assets comprehensively. Sasguard is a subsidiary and has a limited insurance licence issued by the Financial Services Board. The Group is therefore self-insured, supported by external reinsurance cover for abnormal disasters and other material risks.

The daily treasury activities of the Group are limited to the raising of call and short-term loans, as well as short-term investments. Adequate borrowing facilities exist to ensure daily liquidity, whilst surplus funds may only be invested at institutions approved by the board.

## CORPORATE GOVERNANCE REPORT (continued)

Foreign currency trading is regulated by an approved policy to ensure optimal effectiveness between the buying and selling of currency.

Raw material purchases and the use of derivative financial instruments for the hedging of raw material costs are regulated by a comprehensive policy document approved by the board. Speculation with any financial instrument is specifically prohibited. Application of this policy is closely monitored by an executive committee under chairmanship of the managing director. Reports on the above procedures provide the board with reasonable assurance concerning the reporting of reliable financial information, as well as securing the Group's assets.

### Tip-offs Anonymous

Tip-offs Anonymous is an independent hotline service whereby any employee or stakeholder can on an anonymous and confidential basis report any dubious activity or unethical conduct in the Group. Reports are sent directly to the internal audit function and reported to the audit and risk committee.

### Internal audit function

An independent internal audit function exists, with the head of internal audit reporting directly to the managing director with ready and regular access to the chairman of the audit and risk committee.

The department consists of eight people with relevant training and experience. The objectives, authority and responsibility of the independent internal audit function are fully described in an internal audit charter approved by the audit and risk committee. The internal audit department liaises closely with the external auditors to prevent duplication.

The internal audit of specialised information technology and the SAP ERP system environment has been outsourced to a division of PricewaterhouseCoopers Inc. This division functions independently from the external audit function.

Findings and recommendations of all internal audit processes are reported to management and the audit and risk committee.

### Ethics

A new Code of Ethics has been drafted and has been circulated to each and every employee with a view that all employees may participate in the process of the design of the new Code of Ethics. The Code has been updated to include all relevant comments and will be adopted as an inherent cornerstone of the Pioneer Foods Way in the new year.