

# KING IV DISCLOSURE REGISTER

*The King IV Report on Corporate Governance™ for South Africa, 2016, (“King IV”)<sup>1</sup> defines corporate governance as the exercise of ethical and effective leadership by the Board to achieve the following outcomes:*

OUTCOME	HOW THE GROUP'S GOVERNANCE STRUCTURES HELP ACHIEVE THE OUTCOME
<p><b>Ethical culture</b></p>	<p>The Board considers it a business imperative that all actions taken on behalf of Quantum Foods are executed ethically and professionally. The Board accepts collective responsibility for defining how ethics and ethical behaviour should be implemented in the Group. In line with the Group's code of conduct and ethics policies, the Board acts in good faith and in line with the best interest of the Company by:</p> <ul style="list-style-type: none"> <li>• ensuring the legitimate interests of stakeholders are considered when making decisions;</li> <li>• declaring directorships in other companies at least once a year;</li> <li>• completing the declaration of interest at every Board meeting; and</li> <li>• setting out the conduct of individual Board members to ensure integrity, competence, responsibility, accountability, fairness and transparency – thereby setting the tone from the top to support an ethical culture within the Group.</li> </ul> <p>Quantum Foods' social and ethics committee (“SEC”) is tasked with governing and managing ethics. Management is further tasked with ensuring that the code of conduct and ethics policies are familiar to all employees and other stakeholders. For example, awareness initiatives are conducted to ensure that stakeholders are aware of the avenues available for reporting fraud or irregular conduct of employees. In addition, employees are encouraged to disclose unethical behaviour. All Group employees are required to declare any gifts received from stakeholders in a register that is monitored by the executive committee and the SEC.</p> <p>A competitor contact register is also monitored by the executive committee and the SEC. These matters are regulated in the code of ethics. Suppliers to the Group are required to be ethical in their conduct at all times and this is embedded in the supplier selection as well as the performance evaluation.</p> <p>To assist the Group in monitoring and managing its ethical performance, a Tip-offs Anonymous line is available. During the year, eight tip-offs were investigated and resolved appropriately (2017: 10). The tip-offs line is managed independently and tip-offs as well as the result of subsequent investigations are reported to the ARC, SEC and Board.</p> <p>The Board-approved insider trading policy regulates trading in Group shares by employees during open and closed periods. In this regard, all executives and Board members must request permission to trade in shares from the properly authorised individuals.</p> <p>No form of bribery, corruption, theft or fraud by the Group's employees is tolerated. Quantum Foods is guided by the Prevention and Combating of Corrupt Practices Act, Act 12 of 2004, which clearly defines the offense of corruption. The SEC, as well as the ARC, monitors these matters and reports to the Board on the overall ethical performance of Quantum Foods.</p>

<sup>1</sup> Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

OUTCOME	HOW THE GROUP'S GOVERNANCE STRUCTURES HELP ACHIEVE THE OUTCOME
<p><b>Good performance</b></p>	<p>The Board strives to achieve performance across all the capitals to demonstrate the balance between the pursuit of financial capital with long-term sustainability by:</p> <ul style="list-style-type: none"> <li>• steering the business and setting its strategic direction by reviewing and approving the annual strategy presented by management;</li> <li>• reviewing compliance, timelines and progress with the implementation of the strategy;</li> <li>• considering the legitimate and reasonable needs, interests and expectations of material stakeholders when making strategic decisions;</li> <li>• overseeing approved policies and operational plans delegated to management;</li> <li>• continually assessing and responding in a responsible manner to the consequences of Quantum Foods' activities and outputs on the triple context in which it operates and the capitals which it uses and affects; and</li> <li>• reviewing Quantum Foods' going concern status biannually (including the liquidity and solvency of the Company) before committing funds in accordance with the provisions of the Companies Act.</li> </ul>
<p><b>Effective control</b></p>	<p>The Board ensures that it oversees and monitors the performance of the Company by:</p> <ul style="list-style-type: none"> <li>• remaining responsible for all internal and external audit reports;</li> <li>• ensuring accountability for performance through reporting and disclosure to stakeholders;</li> <li>• continuously being guided in its duties by the Board charter, which is reviewed at least every second year;</li> <li>• having unrestricted access to all Company information, records, documents and property;</li> <li>• each director having access to external consultants to assist the Board member where required, subject to following a Board approval process; and</li> <li>• holding at least four meetings per financial year. Attendance at meetings is detailed on page 67 of the integrated report. </li> </ul> <p>The ARC provides oversight of the governance, risk management, internal audit function and the external financial audit, while ensuring that an effective control system and environment is maintained.</p>

OUTCOME	HOW THE GROUP'S GOVERNANCE STRUCTURES HELP ACHIEVE THE OUTCOME
<p><b>Legitimacy</b></p>	<p>The Board ensures legitimacy and accountability by:</p> <ul style="list-style-type: none"> <li>• overseeing the organisation's core purpose and values and ensuring its strategy and conduct are congruent with it being a responsible corporate citizen;</li> <li>• approving the materiality of matters that are reported on by management;</li> <li>• having appointed an independent non-executive director as the chairman of the Board;</li> <li>• having appointed an independent non-executive director as the lead independent director to act as chairman when the chairman is unable to do so, as well as evaluating the chairman's performance annually;</li> <li>• ensuring succession planning in its work plan – this includes a focus on diversity at Board level;</li> <li>• ensuring that all members of committees are Board members or prescribed officers of Quantum Foods;</li> <li>• ensuring that the ARC members collectively have the prerequisite knowledge, skills and experience to exercise their duties and are independent non-executive directors;</li> <li>• ensuring that new directors are adequately inducted;</li> <li>• providing an opportunity for the external and internal auditors to have a discussion without management present at each meeting of the ARC; and</li> <li>• formally evaluating the performance of the governing body and its committees by means of an annual survey.</li> </ul>

The practices underpinning the principles espoused in King IV are entrenched in many of the Group's internal controls, policies and procedures that govern its corporate conduct, as described above. The Group is focused on strengthening its corporate governance and aspires to align itself with corporate governance best practice for a company of its nature and size.

*The following table provides a high-level overview of Quantum Foods' application of the 16 principles included in King IV, with references to where detailed information can be found within the integrated annual report.*

PRINCIPLE		REFERENCE FOR FURTHER INFORMATION
1	The governing body should lead ethically and effectively.	Unpacked in more detail on page 1 of this disclosure register.  Composition and functions of the Board – page 68.
2	The governing body should govern the ethics of Quantum Foods in a way that supports the establishment of an ethical culture.	Social and ethics committee report – from page 74.
3	The governing body should ensure that Quantum Foods is and is seen to be a responsible corporate citizen.	Social and ethics committee report – from page 74.
4	The governing body should appreciate that Quantum Foods' core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	Governing structures and delegations – from page 63.
5	The governing body should ensure that reports issued by Quantum Foods enable stakeholders to make informed assessments of the Group's performance and its short, medium and long-term prospects.	Board approval – page 8.  Audit and risk committee report – from page 90.
6	The governing body should serve as the focal point and custodian of corporate governance at Quantum Foods.	Governing structures and delegations – from page 63.
7	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Board of directors and executive committee – from page 46.  Composition and functions of the Board – page 68.
8	The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	Governing structures and delegations – from page 63.  More detail is available in the various committee reports, as referenced in the integrated annual report.
9	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	Composition and functions of the Board – page 68.

<b>PRINCIPLE</b>		<b>REFERENCE FOR FURTHER INFORMATION</b>
10	The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	Governing structures and delegations – from page 63. Remuneration report – from page 76.
11	The governing body should govern risk in a way that supports Quantum Foods in setting and achieving its strategic objectives.	Strategic risks – from page 37. Audit and risk committee report – from page 90.
12	The governing body should govern technology and information in a way that supports Quantum Foods in setting and achieving its strategic objectives.	IT governance – from page 72.
13	The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports Quantum Foods being ethical and a good corporate citizen.	Legal compliance – page 69.
14	The governing body should ensure that Quantum Foods remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	Remuneration report – from page 76.
15	The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of Quantum Foods' external reports.	Board approval – page 8. Audit and risk committee report – from page 90.
16	In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of Quantum Foods over time.	Stakeholder relations – page 71. Social and ethics committee report – from page 74.