LIBSTAR

From our home to yours

Integrated annual report 2022

CONTENTS

Libstar is a producer and distributor of quality products and brands for the consumer packaged goods industry in South Africa and internationally.

VIEWING THIS REPORT

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ADOBE ACROBAT READER

* *Functionality may differ according to device and app version used.*

NAVIGATING THIS REPORT

Navigation tools are provided at the top of every page and within the content:

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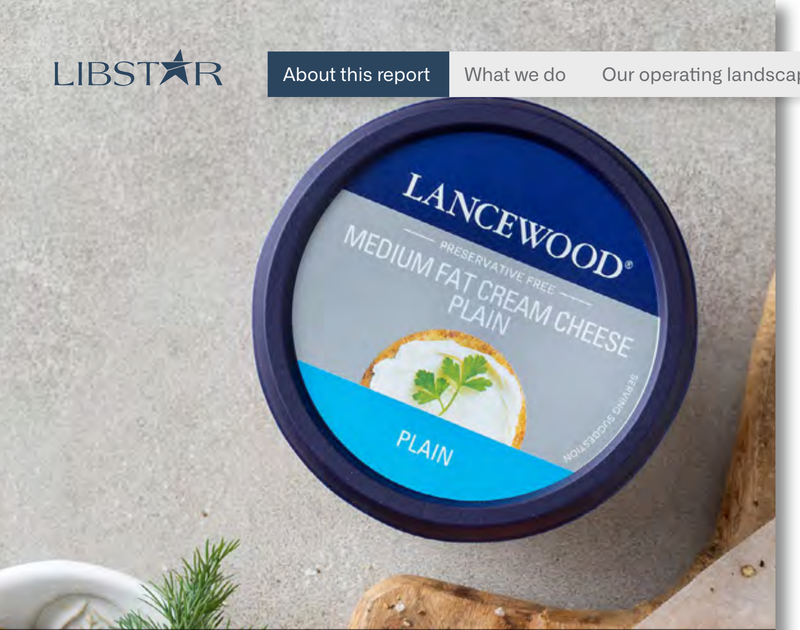
More information in this report

More information at www.libstar.co.za



ABOUT THIS REPORT

This integrated annual report addresses the activities of Libstar for the year ended 31 December 2022, as well as our future plans and expectations.

This report includes information on our strategy, how we are governed and how we navigate our external environment. It also outlines our material matters, risks and operational performance.

REPORTING BOUNDARY AND SCOPE

The Group's manufacturing facilities are situated in South Africa. We produce a range of products that are consumed locally and in certain international markets.

This report includes information on our strategy, how we are governed and operated and how we navigate our external environment. It also outlines our material matters, risks and operational performance.

REPORTING FRAMEWORKS AND PROCESS

The Group's integrated reporting process is driven by executive management. The reporting documents are reviewed and signed off by the board of directors. The board is satisfied that it fulfilled its mandate.

The integrated annual report is guided by the principles and requirements of the International Financial Reporting Standards (IFRS), the Integrated Reporting <IR> Framework, and King IV.

The audited consolidated annual financial statements comply with International Financial Reporting Standards (IFRS), the JSE Listings Requirements and the South African Companies Act.

An unqualified audit opinion was issued by the external auditors supporting the fair presentation of the financial results.

Libstar conducted a detailed materiality assessment in terms of environmental, social and governance (ESG) aspects of its business in 2021.

As we are at the start of this journey, this year we consulted the JSE Sustainability Disclosure Guidance.

We will consider the applicability of other reporting frameworks such as the sustainability and climate disclosure standards from the International Sustainability Standards Board (ISSB) for our future sustainability and climate reporting.

We will also focus on aligning our key initiatives with the UN Sustainable Development Goals in the coming year.

REPORTING SUITE

Annual financial results booklet
View online

Annual financial statements
View online

Notice of the annual general meeting
View online

MATERIALITY

The board and executive management applied the principle of materiality in determining the content of this report. We considered matters that could substantially impact the assessment and decisions of the board, key stakeholders and the group's ability to create value over time.

Determining our material matters

The board considered factors that dominated its agenda in determining material matters for inclusion in the integrated annual report. The material matters include factors that have a material impact on the sustainability of the business. The factors also align with the risks that are identified in the group risk register. These are monitored by the audit and risk committee on a quarterly basis. Any emerging risks that are identified by management are added to the group risk register for consideration by the committee.

THE PROCESS WE FOLLOWED TO IDENTIFY OUR MATERIAL MATTERS:

1. Evaluated market research, trends and operating conditions.
2. Reviewed updated risk management reports, including ranking key risks by likely impact.
3. Evaluated stakeholder feedback.
4. Consolidated management input from business divisions.
5. Presented the material issues to the board for sign off as part of the integrated annual report process.

THE VALUE WE CREATE

We use icons to indicate where we address aspects relating to capitals, key risks, material matters, value creation and stakeholders.

OUR USE OF CAPITALS

- FC Financial capital
- IC Intellectual capital
- SRC Social and relationship capital
- MC Manufactured capital
- HC Human capital
- NC Natural capital

Refer to **information on our use of capitals.**

OUR KEY RISKS

- KR1 Key risk 1
- KR2 Key risk 2
- KR3 Key risk 3
- KR4 Key risk 4
- KR5 Key risk 5
- KR6 Key risk 6

Refer to **our key risks.**

MATERIAL MATTERS

- Extremely challenging trading conditions
- Pressure on infrastructure in South Africa, with disruptions to electricity, water and supply chains
- Transition following the appointment of a new chief executive officer
- Further development of our ESG strategy

Refer to **our material matters.**

OUR VALUE CREATION

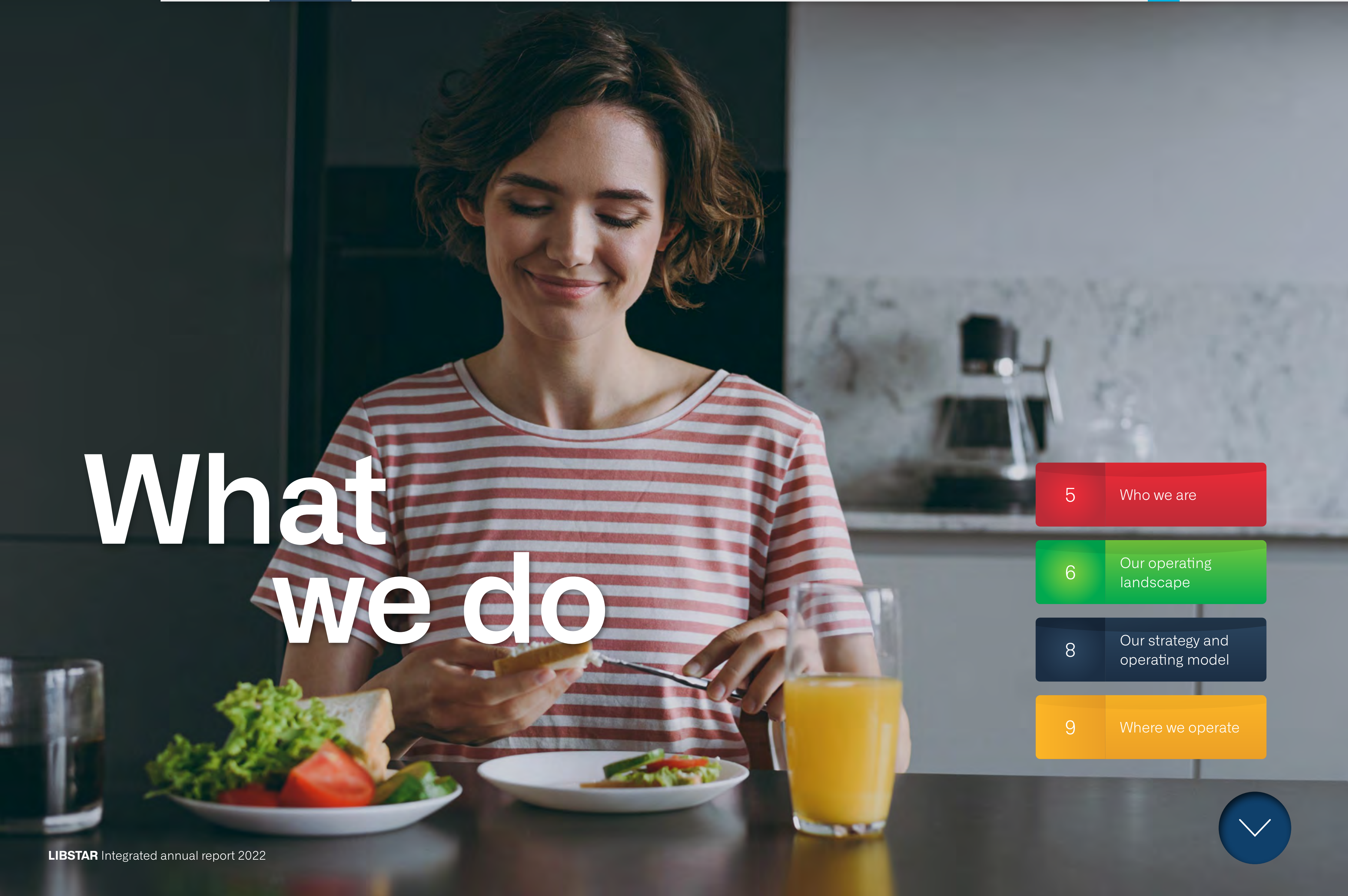
- Global exposure to high growth food categories
- Market place and category expertise
- World class manufacturing
- Value-added diversification
- Catering to changing consumer needs
- Depth of talent

Refer to **our value creation.**

STAKEHOLDERS

- Financial stakeholders
- Customers and consumers
- Employees and employee representative bodies
- Suppliers
- Communities and non-profit organisations
- Government or regulators
- Analysts and media

Refer to **our stakeholders.**



What we do

WHO WE ARE

Libstar is a producer and distributor of quality products and brands for the consumer packaged goods industry in South Africa and internationally.

94% of Group revenue is generated from food, which includes dairy and value-added meat products, fresh produce, convenience food, groceries, baking and baking aids and snacks and confectionery.

Market and category expertise

Entrenched customer relationships

High-growth value-added food categories

Diverse brand solutions through private label, dealer-own, Libstar and principal brands

Strong balance sheet and cash generation

Low exposure to volatile commodity products

Deep understanding of consumer trends

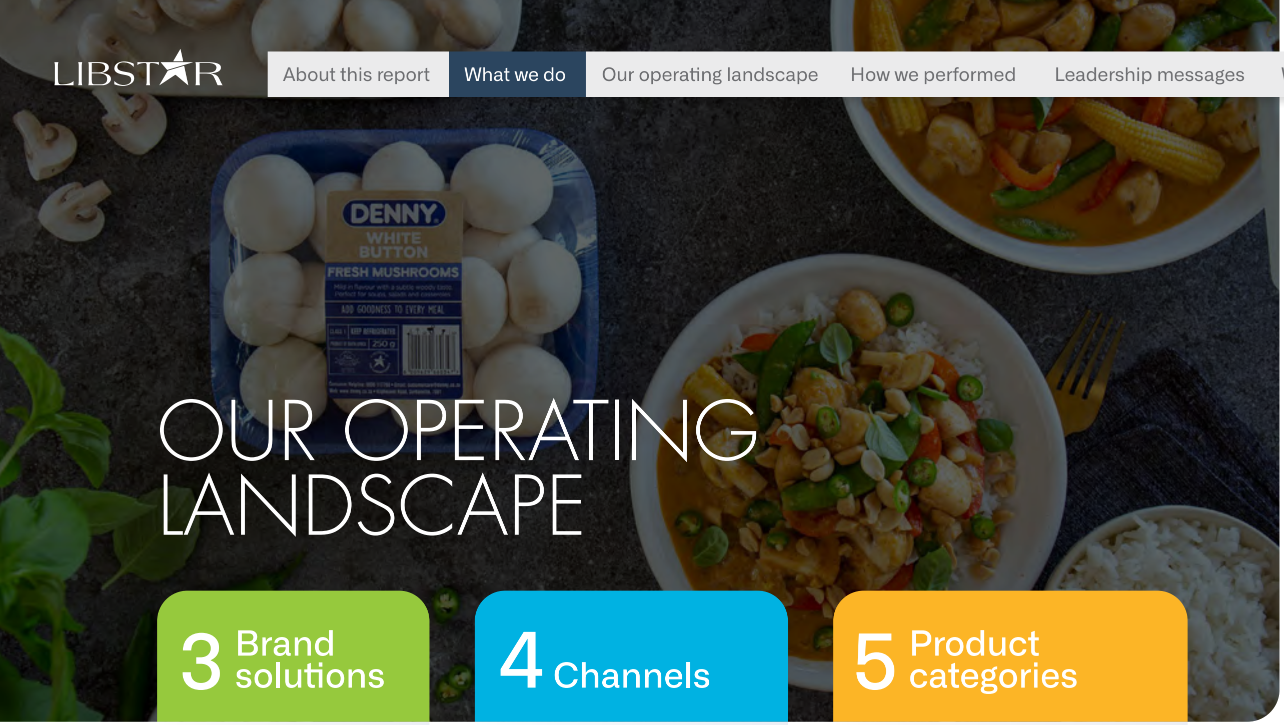
Innovative entrepreneurs

Global reach – exports to more than 50 countries

Passionate workforce

World-class manufacturing

Quality and variety of products for consumer packaged goods



OUR OPERATING LANDSCAPE

3 Brand solutions

- Private label and dealer-own brands
- Libstar brands
- Principal brands

4 Channels

- Retail and wholesale
- Food service
- Industrial and contract manufacturing
- Export

5 Product categories

- Perishables
- Groceries
- Snacks & Confectionery
- Baking & Baking Aids
- Household & Personal Care

3 Brand solutions

PRIVATE LABEL AND DEALER-OWN BRANDS

52% of branded products

Private label brands are owned and sold by a retailer under the retailer's name.

Dealer-own brands often have a unique name and are available exclusively at the retailer that owns them.

LIBSTAR BRANDS

38% of branded products

Libstar owns several well-known brands that we produce and distribute. These are sold under labels and trademarks that are proprietary to us or produced and distributed by us under licence agreements with brand owners.

PRINCIPAL BRANDS

10% of branded products

We represent several well-known international brands in South Africa – sourcing, importing, marketing and distributing these under a purchase or distribution arrangement between Libstar and the owners of the brand. Many of these are imported, marketed and distributed from European, Asian and American food manufacturers.

4 Channels

57.4% RETAIL AND WHOLESALE

We supply products across our product categories into the retail and wholesale channel.

Our brand solutions, combined with longstanding and successful relationships with South Africa's largest food retailers, allow us to strategically position our Libstar brands alongside dealer-own, private label and principal brands on retail shelves.

19.6% FOOD SERVICE

We manufacture and supply perishables, groceries, baked goods, wet condiments and packaging to the food service industry, including quick-service and sit-down restaurants.

12.7% INDUSTRIAL AND CONTRACT MANUFACTURING

We manufacture products for trusted brand owners in South Africa and globally.

10.3% EXPORT

We export to more than 50 countries.

Our operating structure *continued*

MEANING OF ICONS

5 Product categories
Supported by Libstar Group

PERISHABLES 2 878

- Value-added dairy
- Value-added meat products
- Value-added dairy and deli
- Fresh mushrooms
- Convenience meals
- Baby food and readymade frozen meals

GROCERIES 2 236

- Dry condiments
- Groceries
- Bulk tea and beverages
- Wet condiments

SNACKS & CONFECTIONERY 363

- Cereals, bars, nuts, seeds and fruit, spreads and confectionary

BAKING & BAKING AIDS 956

- Baked goods
- Baking aids

HOUSEHOLD & PERSONAL CARE 492

LIBSTAR CENTRAL 31

Number of employees 6 956

OUR STRATEGY AND OPERATING MODEL

We have a platform of diverse geographies, channels and brand solutions. This not only spreads our risk, but also allows us to service each customer through multiple offerings. We create lasting partnerships with our customers, with many relationships spanning more than 20 years.

Consistently create value for shareholders through a diverse and robust portfolio of businesses

Drive focused protection and growth of brands, private label solutions and category positioning

- Continue to optimise and reposition our portfolio towards value-added food categories
- Focus on key competencies
- Grow categories and market share

CEMENTED BY:

- Global exposure to high-growth food categories
- Value-added diversification
- Depth of talent
- Marketplace and category expertise
- Catering to changing consumer needs
- World-class manufacturing

Focus on operational excellence and execution, developing our people, measuring efficiencies, cost and margin management and strong cash generation

- Increased focus on costs and the interplay with selling prices
- Maintain and improve service levels
- Execute on strategic acquisitions

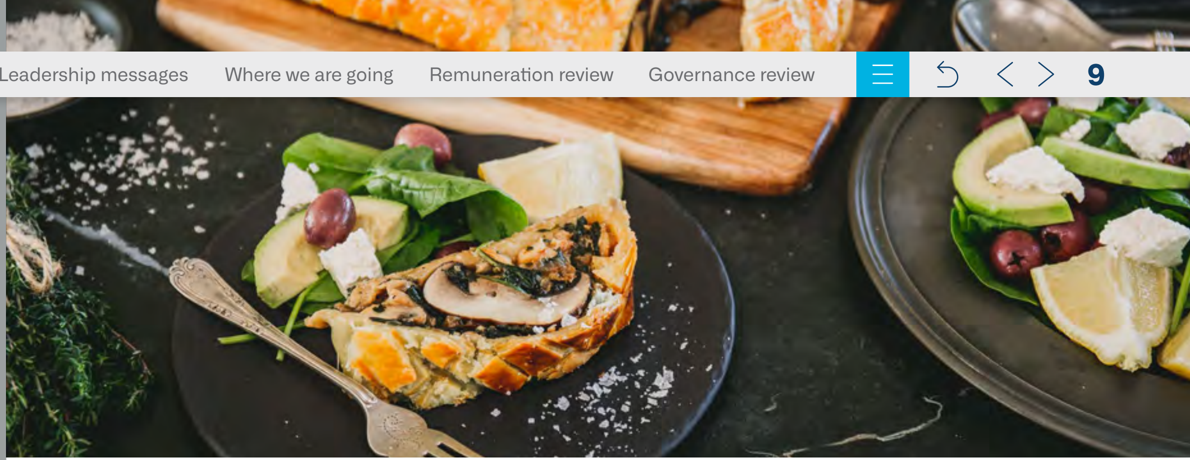
Supported by entrenched values and a dedicated focus on responsible and sustainable operations within rigorous governance guidelines and a developing ESG framework

ENVIRONMENT | SOCIAL | GOVERNANCE

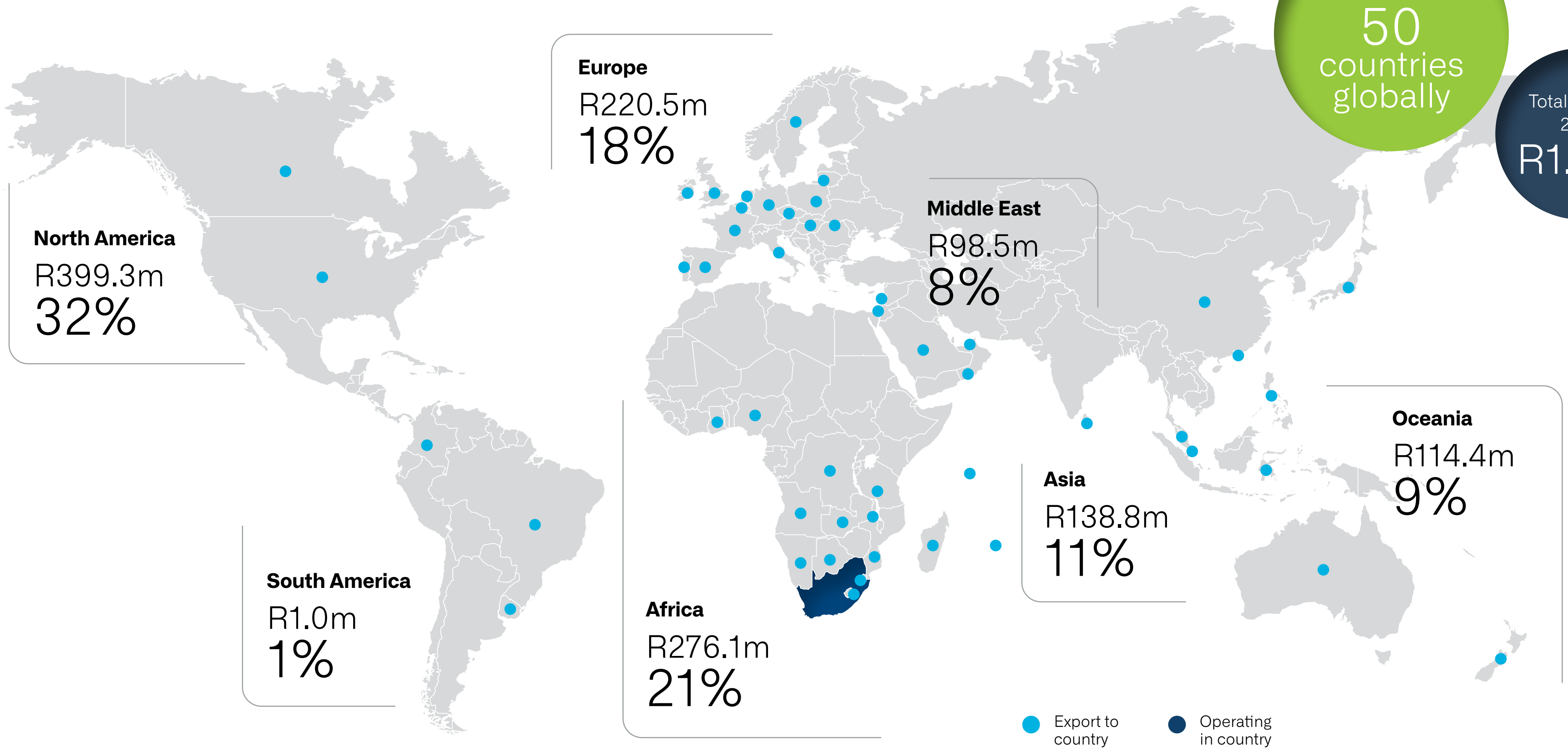
OUR VALUES: INTEGRITY • ACCOUNTABILITY • PASSION • CUSTOMER CENTRICITY • PARTNERSHIPS • ENTREPRENEURIAL SPIRIT

WHERE WE OPERATE

We are based in South Africa. We operate nationally through divisions situated in the provinces of Western Cape, Gauteng, KwaZulu-Natal, Eastern Cape and Mpumalanga.



CONTRIBUTION TO GROUP EXPORT REVENUE



We export to more than 50 countries globally

Total exports 2022 R1.2bn

Where we operate *continued*

PERISHABLES

LANCEWOOD®

Lancewood has three production facilities in George, Swellendam and Cape Town. All are in close proximity to our milk producers.

Finlar Fine Foods' operations are located in Bellville in the Western Cape and City Deep in Gauteng.

Denny Mushrooms are grown at two production facilities in Gauteng and the Western Cape.

Rialto has a perishable value-add facility in Montague Gardens in the Western Cape.

Millennium Foods' operation is in Killarney Gardens, Western Cape.

Umatie's operations are based in Stellenbosch, Western Cape.

GROCERIES

Cape Herb & Spice operates from the Western Cape, with facilities at the Westlake, Maitland and Capricorn Business Parks. Additional warehousing is based in Montague Gardens.

Dickon Hall Foods operates its facilities from Southdale and Turffontein in Gauteng.

Cape Foods operates from Montague Gardens in the Western Cape.

Cecil Vinegar operates from its facilities in the Strand in the Western Cape and Alrode in Gauteng.

Rialto operates from facilities in Montague Gardens in the Western Cape and Linbro Park and Kempton Park in Gauteng.

Montagu Foods operates from a facility in Montagu in the Western Cape.

Khoisan Gourmet operates from premises in Ysterplaat and Clanwilliam in the Western Cape.

Chamonix Spring Water operates from a farm on the outskirts of Franschhoek in the Western Cape.

Cape Coastal Honey operates from its facility in Vredenburg in the Western Cape.

SNACKS & CONFECTIONERY

Ambassador Foods' production facility is based in White River in Mpumalanga.

BAKING & BAKING AIDS

Amaro Foods' four production facilities are situated at Epping, Killarney Gardens and Montague Gardens in the Western Cape.

Amaro's gluten-free bakery's production facility is based in Epping in the Western Cape.

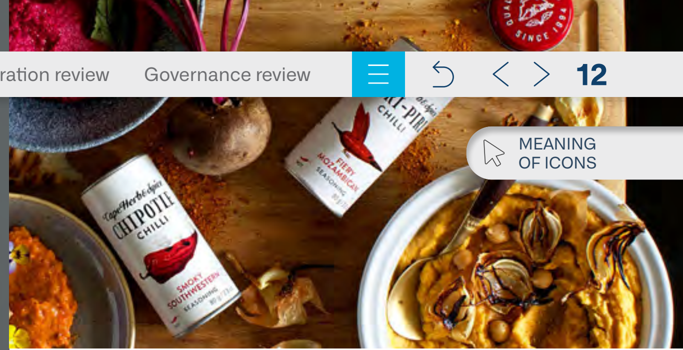
Cani Rusks is located in Blackheath in the Western Cape.

Retailer Brands' production facility is based in West Turffontein in Gauteng.

HOUSEHOLD & PERSONAL CARE

Household & Personal Care has facilities in Kempton Park in Gauteng and Pietermaritzburg in KwaZulu-Natal.

Our operating landscape



MEANING OF ICONS

OPERATING CONDITIONS

Operating conditions remained extremely volatile this year, with several additional impacts following the COVID-19 conditions of the last few years. The consumer packaged goods market has experienced a fundamental shift, with ongoing consumer pressure, record levels of load-shedding in South Africa, and ongoing supply chain disruptions. These conditions have required us to evaluate our operations on an ongoing basis, to manage our costs and to innovative product development.

KR2 KR3

THREE KEY MARKET FACTORS IMPACTED US THIS YEAR

1 Low economic growth and unprecedented load-shedding in South Africa

2 Inflationary impact of sharply rising input costs

3 Export and supply constraints

1 Low economic growth and unprecedented load-shedding in South Africa

Market conditions

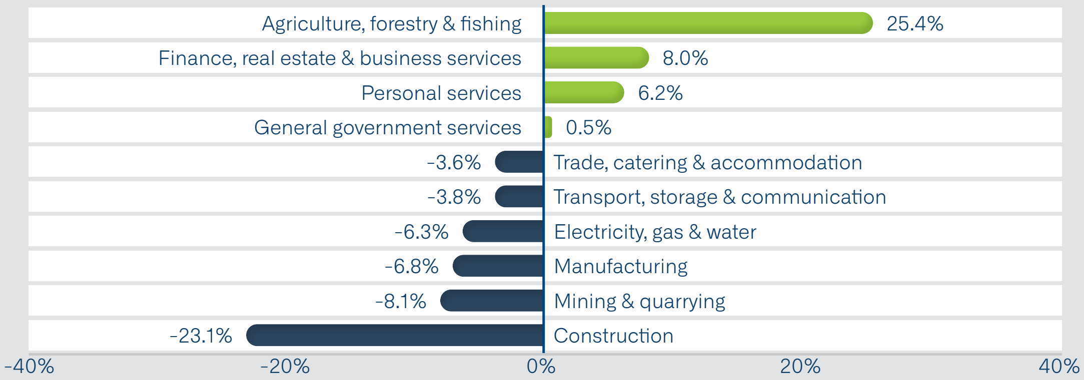
Although GDP reached an all-time high of R4.6 trillion in 2022 (up from R4.5 trillion in 2021), the economy has only grown by 0.3% from the 2019 pre-pandemic level of R4.58 trillion.

Six of the country's ten industries have also not recovered to their pre-pandemic production level, with the manufacturing sector of particular relevance to Libstar.

PwC estimates that South Africa's increased load-shedding reduced real GDP growth by five percentage points in 2022.

Six industries lag their pre-pandemic levels of production

Percentage change in annual value added – 2022 compared with 2019 (constant 2015 prices)



Source: Stats SA

Our response

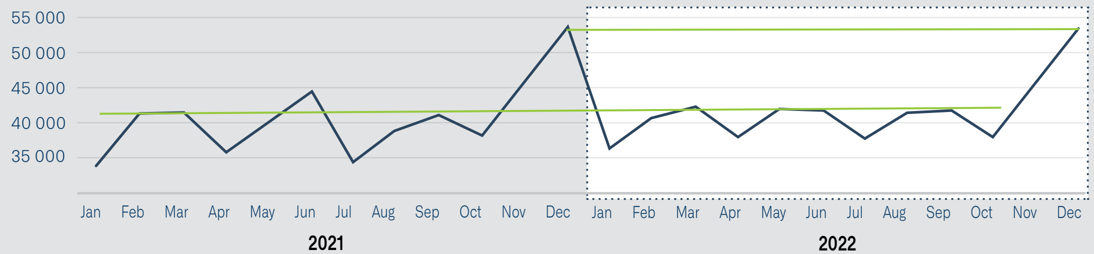
To operate in an economy where growth is under pressure and manufacturers and retailers face severe constraints, we have focused on superior customer service, delivering quality products, cost cutting and efficiencies.

Refer to pages 14 and 29 to 30 for information on **how we navigated economic conditions.**

The retail market has also been under pressure, with growth in South Africa being flat over the last two years.

Retail market for the last two years to December 2022

(constant prices, i.e. excl. inflation)



— **General dealers***

* Excludes: Specialist food, beverages and tobacco, pharmaceutical and medical goods, textiles, clothing footwear and leather goods, household furniture, appliances and equipment, hardware, paint and glass and all other retailers.

Source: Stats SA

Three key market factors that impacted us this year *continued*

KR2

MEANING OF ICONS

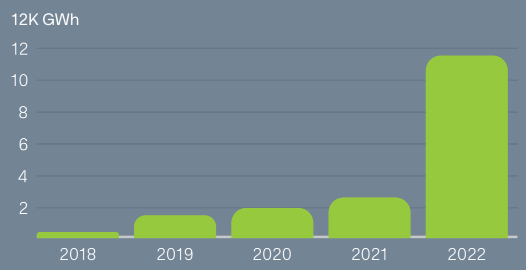
1 Low economic growth and unprecedented load-shedding in South Africa continued

Load-shedding

South Africa experienced record levels of load-shedding, particularly in the second half of the year. This led to severe operational cost and disruptions.

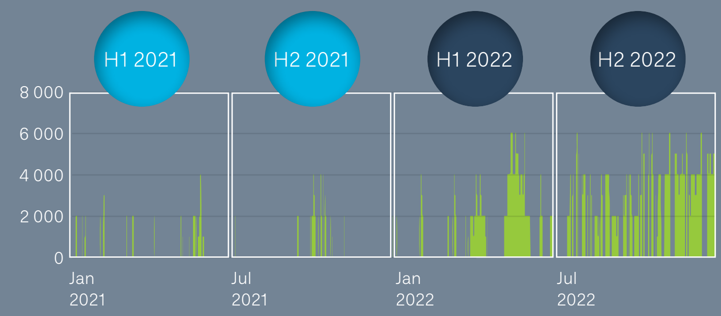
Record outages

South Africa's power cuts last year were four times the previous record



Source: Council for Scientific and Industrial Research

Maximum megawatts of electricity shed per day (2021-2022)



Source: Eskom se Push

Our response

To maintain service levels to trading partners, we invested a further R13.1 million in generator capacity during the year.

This increased our generation capacity by 5 395 kVA to 22 872 kVA. The ongoing operation of generators added R39 million of direct operating costs for the year. R31 million of this was incurred in the second half of the year and directly impacted the Group's gross profit margin.

Libstar generator capacity

	2020	2021	2022
kVA of generators	15 219	17 477	**22 872**
Cost of generators	R9.6m	R5.2m	**R13.1m**

Diesel spend in 2022

	H1 2022	H2 2022
Diesel for generators	R8.3m	R30.9m

After the year end, we added a further three generators to our Finlar Fine Foods, Amaro Foods and Umatie facilities. We are evaluating solar PV installations at some of our facilities to reduce the load on our generator capacity and the resultant maintenance cost.

Divisional impacts and actions taken include:

LANCEWOOD®

Following energy generation investments in prior years, we limited production stoppages due to load-shedding. This allowed us to service customer demand.

Although we could maintain service delivery, significant inflation was experienced on energy generation. These costs increased by 58% to R26.5 million this year, of which R11 million was spent on diesel for generators.

The use of diesel and generators added 25c per litre of milk produced in the last quarter of 2022.

RIALTO

We rescheduled production where possible. The team also conducted ongoing audits on generator capacity to ensure supply met increased demand during higher load-shedding stages.

Price increases were secured, often in a staggered approach in collaboration with our retail partners.

Cecil Vinegar Works

The manufacturing process is extremely sensitive to load-shedding, with an eight-second break in electricity supply resulting in a two-week delay to production.

As this happened several times in the year, including two very significant load-shedding incidents, supply was affected. This impacted our performance.

DENNY

The farming operations are severely impacted by load-shedding. It costs R80 000 per day at level 6 load-shedding. This not only impacted our yield production, but also added significant cost and margin pressure.

FINLAR FINE FOODS EST. 1994

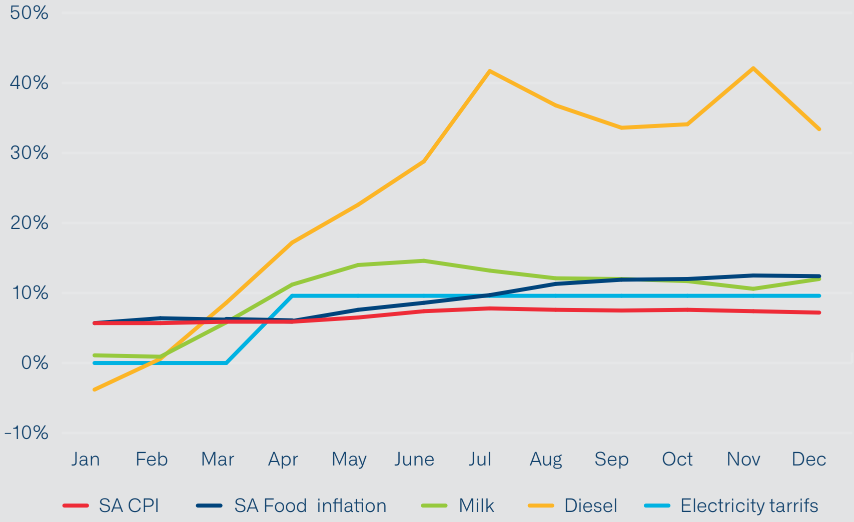
Fresh production represents 70% of this business. We maintained service levels even in level 6 load-shedding and achieved single-digit volume growth, but at a much higher cost. Although diesel costs impacted Finlar Fine Foods, the trend of people eating out, ordering in or ordering fully or partially cooked meals bodes well for the food service category.

> **At Level 5-6, South Africans spend 60% more on eating out or ordering in** – Discovery

2 Inflationary impact of sharply rising input costs

Input costs rose at a significant pace, with several key inputs increasing.

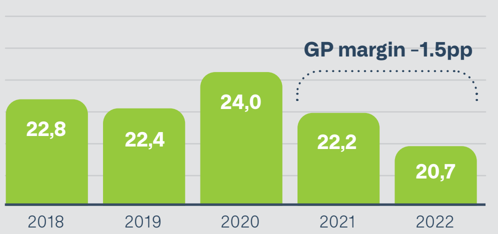
Inflation increases (2022)



We contained operating expense inflation (excluding impairments) to 6.3%. This was achieved in the context of an annual inflation rate of 6.9%, which exceeded 7% in February 2023.

However, rising input costs of raw materials and packaging and the under-recovery of overheads in our export-facing divisions impacted our gross profit margin.

Gross profit %



Our response

Divisional impacts and actions taken include:

Although the group's strong customer relationships assisted price increases, these were not sufficient to counter the excessive input cost inflation.

LANCEWOOD®

Price realisation is a key focus to manage margin impact. We continue to work closely with our trading partners to ensure we offer consumers great products at affordable prices.

We innovate and offer shoppers new products at different price points and pack sizes.

We are also concentrating on operational efficiencies and cost saving initiatives to ensure we remain a low-cost manufacturer.

FINLAR FINE FOODS EST. 1994

We constantly track key risk areas and implement action plans. We concentrate on raw material supply, production efficiencies, labour costs and reducing wastage and improving yields.

We have quarterly meetings with our key customers to negotiate cost pressures and evaluate pricing.

RIALTO

We are currently evaluating the potential consolidation of warehousing from additional divisions into Rialto's distribution model to address increased costs of external warehousing. Extra warehousing was required to accommodate organic growth and additional stock holding. We are focusing on opportunities across the value chain to mitigate freight costs and supplier price increases.

AMARO FOODS

We focused on efficiencies, evaluated shift patterns and reduced waste.

We secured price increases to counter some of the significantly higher input costs.

Flour prices were

37%

higher

AMBASSADOR FOODS EST. 1989

We negotiated three-monthly price evaluations with our key customer compared to the historic six-monthly evaluations.

Three key market factors that impacted us this year *continued*

MEANING OF ICONS
KR1 KR3

3 Export and supply constraints

Supply chains remained disrupted, with delays of import and export shipments.

> **"Supply chain issues place pressure on manufacturers, with bottlenecks and consumer goods shortages emerging. This has fed through into supply-side inflation."**
>
> **- Fitch Solutions**

Our export channel revenue declined by 4.1%. This contributed to a decline in Group gross profit margin of at least 50 basis points.

Whilst export revenue to neighbouring countries increased, international customers, particularly within the USA region, implemented dual supply strategies to mitigate ongoing supply chain disruptions. This significantly impacted volumes in our key export-facing divisions.

Our response

Divisional impacts and actions taken include:

SUPPLY CHAIN CONSTRAINTS

The requirement to increase stock holding resulted in high net working capital in the first half of the year. However, as committed, the investment in working capital reduced to 16.0% of revenue from 17.4% at interim stage (2021: 15.4%). The ratio remains above Libstar's working capital target range of 13.0% to 15.0%.

The higher inventory levels allowed a lower replenishment of raw materials and packaging in Q4, while still maintaining supply. This resulted in lower year-end trade payables days within Cape Herb & Spice and Rialto. The inventory levels remained higher than the pre-COVID period at 65 days (2021: 66 days) to mitigate the effects of ongoing supply chain disruptions and to maintain service levels.

To enhance inventory planning and sales forecasting capabilities, the Group continued to invest in and leverage the functionality of its ERP-systems during the year. Sales and operational planning modules were successfully implemented within Cecil Vinegar, Finlar Fine Foods, Household & Personal Care and Rialto. Further implementations are continuing throughout the Group.

While we do not anticipate further significant investments in working capital, the current levels are expected to remain in the short- to medium term. The working capital target range has therefore been amended upwards for 2023 planning purposes to 14.0% to 16.0%. This is a temporary revision and we expect to reach our targets again in the longer-term.

RIALTO

Certain imported goods were supplemented with secondary local supply options as a contingency. We worked closely with supply chain partners to secure the most efficient and cost-effective supply routes. In most cases these contingency measures enabled Rialto to maintain high levels of on-time delivery.

We leveraged key supplier partnerships to mitigate pricing and supply pressures. We managed to secure supply chain price reductions, mainly for inland transport between suppliers and ports around the world.

Ambassador Foods

We increased our lead time in our procurement planning and stock holding.

In certain instances, we sourced local supply alternatives for raw materials, although this is more expensive.

Cape Herb & Spice

Shipping from Cape Town to the USA West Coast traditionally took eight weeks. It is now 12 weeks.

We have worked with our long-standing customers on solutions. We are also holding stock in foreign countries, although that comes at a higher cost.

Cape Herb & Spice was impacted the most by significantly lower export volumes. This division was unable to recover costs, which impacted group margins.

Refer to **Chief executive officer's review.**

EXPORTS

Export revenue decreased by 4.1% and sales volumes were down by 8.4%. Intermittent availability of stacking dates at local ports caused shipping delays and demand for dry condiments (USA and Europe) and tea (Europe and Japan) was weak. This contributed to the under-recovery of overhead costs in the main export-facing divisions.

The dual supply strategies in the international markets that negatively affected us this year have started to shift to a more positive situation post the year-end. We have seen new customers with similar strategies adding us to their supplier lists. This has increased volumes in the USA and UK in respect of our dry condiment export-facing divisions. Our Ambassador Foods division will also strategically increase its export channel exposure in the coming years.

DickonHallFoods

We increased stock holding and successfully sourced local suppliers and alternative suppliers on certain starches and flavours.

Amaro Foods

We increased stock holding of raw materials and packaging. We also reformulated certain products and sourced alternative and secondary suppliers.

khoisan gourmet

The Ukraine war resulted in market uncertainty and customers holding less stock. We focused on working closely with our customers to maintain relationships. We also extended our deadlines for stock orders. We forward booked containers for up to two months in advance and increased our local raw material suppliers.

CAPE FOODS

As a large exporter, this business was also negatively impacted. We worked with our customers and managed to effect small price increases. We developed value-for-money alternatives, which maintained volumes, but reduced selling prices and margins.

KEY CONSUMER TRENDS

As outlined in Trade Intelligence Retail Trends 2023, there are five globally relevant mega trends shaping consumers' shopping behaviour.

VALUE

Consumers are under pressure and demanding quality at a reasonable price

EXPERIENCE

Building an effective go-to-market strategy that includes social media platforms

CONVENIENCE

Easy delivery and convenience are becoming key requirements

WELLNESS

The wellness megatrend continues to deepen. Shoppers have become aware of the benefits of a holistic approach to wellness

IMPACT

Consumers require more from their brands. This includes expecting retailers to treat their staff and suppliers fairly, support the local community, and follow sustainable practices

OUR RESPONSE

VALUE

Libstar's category-led approach and diversified portfolio of own-branded, private label, dealer-own and principal branded products provides its trading partners with value-for-money offerings across various price points.

EXPERIENCE

We work closely with our customers to provide brands that resonate. Lancewood has been particularly active in online marketing of its brand and is now the top South African food and beverage brand on Facebook.

CONVENIENCE

Our customers drive online delivery strategies. We support them with our range of brands and through ongoing development of convenience offerings.

WELLNESS

We have expanded our range of wellness products for a number of years.

We have a plant-based range in Denny, gluten-free ranges in Amaro Foods and healthy sauces in Montagu Foods.

IMPACT

We collaborate with customers to ensure responsible operations, with a key focus on our supply chain, food safety and resource management.

We are independently audited by a range of customers. We also have a developing ESG strategy in place.

Refer to **Our Response.**

Key consumer trends *continued*

MEANING OF ICONS

IC

VALUE | CONVENIENCE | WELLNESS | IMPACT

Evolving consumer preferences, which require continuous innovation

OUR RESPONSE

Our established innovation capabilities allow for product development, refinement and expansion.

During the year, we launched 718 products.

Number of new products in 2022

565

Number of renovated products in 2022

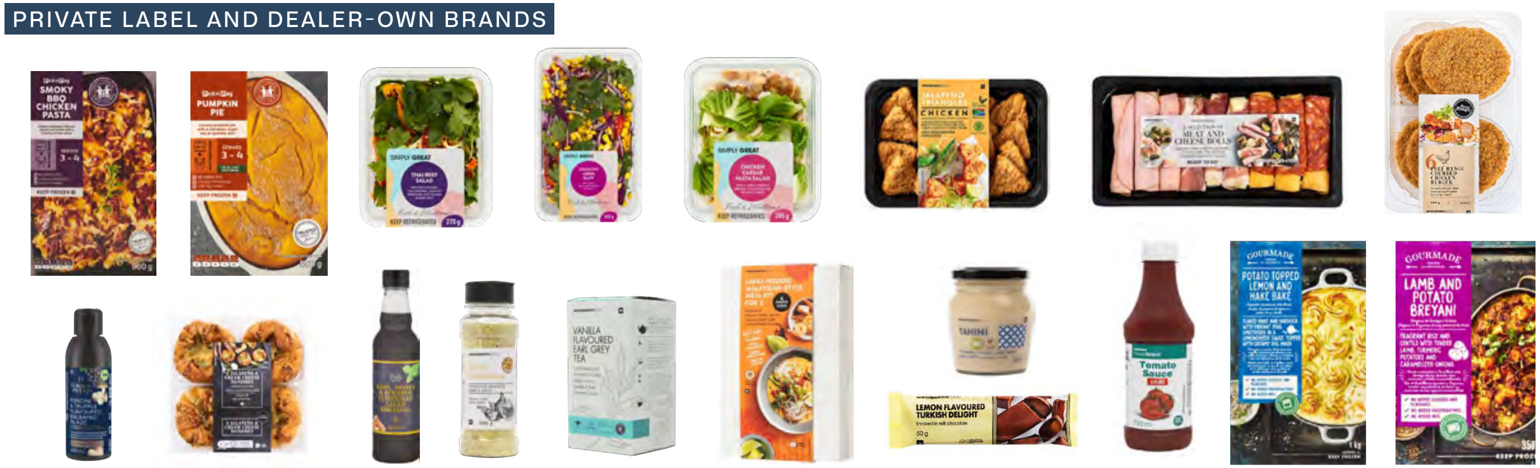
153

We are conscious of our impact during the production of our products.

Refer to **ESG strategy.**

Recent product innovations include:

PRIVATE LABEL AND DEALER-OWN BRANDS



LIBSTAR BRANDS

PRINCIPAL BRANDS

Key consumer trends / Our response *continued*

IC

MEANING OF ICONS

VALUE | EXPERIENCE | CONVENIENCE | WELLNESS

Consumers requiring more from brands

OUR RESPONSE

Libstar's products include a range of market-leading and award-winning brands.

We continue to see positive market share growth and brand recognition through leading brands in multiple categories.

Libstar's own brands grew

13.3%

Continued growth of the Lancewood yoghurt brand in double cream,

growing at

27%

compared to the market growth of

6%#

150%

increase in spontaneous brand awareness of Lancewood yoghurt*.

Processed by DataOrbis Pty (Ltd), Total Defined Retailers, Value, 12-month average total - December 2022

* NielsenIQ Brand Equity Tracker – Yoghurt – March 2022

LANCEWOOD®

SA Champion

#1 brand in:

Soft cheese, hard pre-packaged cheese, cottage cheese, cream cheese, mascarpone, cultured cream***

Most awarded soft cheese manufacturer in South Africa

SA Dairy Championships

*** Processed by DataOrbis Pty (Ltd), Total Defined Retailers, Value, 12-month average total - December 2022)

#1 SA food and beverage brand on Facebook.

Voted number one cream cheese and cottage cheese brand by South Africans.

2022/2023 Ask Afrika Icon Brands Benchmark Survey

Market share gains across key categories on Lancewood brand

TOTAL NATURAL CHEESE	SOFT CHEESE	DOUBLE CREAM YOGHURT
Share gain	Share gain	Share gain
2.2%	1.1%	3.1%
14% growth	8% growth	27% growth

DENNY

#1 canned soup brand

#1 convenience sauce brand

SAFARI

#1 vinegar brand**

2 gold and double gold awards

2022 Aurora International Taste Challenge

GOLDCREST

#2 honey brand

CANI

#2 artisanal rusks brand

ROBERTSONS

#1 baking aids brand**

RIALTO

Tabasco IMEA^

Supplier of the Year 2022

cook'n bake

#1 brand in spray oil

CAPE FOODS

Product innovation: Air fryer seasonings range

Private Label Manufacturers Association awards in Chicago 2022

** Under license

^ India, Middle East and Africa

Key consumer trends / Our response *continued*

IC

MEANING OF ICONS

VALUE | CONVENIENCE | WELLNESS

Consumers requiring value and choice across different price points

OUR RESPONSE

Libstar's portfolio provides quality products at various price levels.

Our private label solutions allow retailers to leverage Libstar's capabilities to create and grow their ranges.

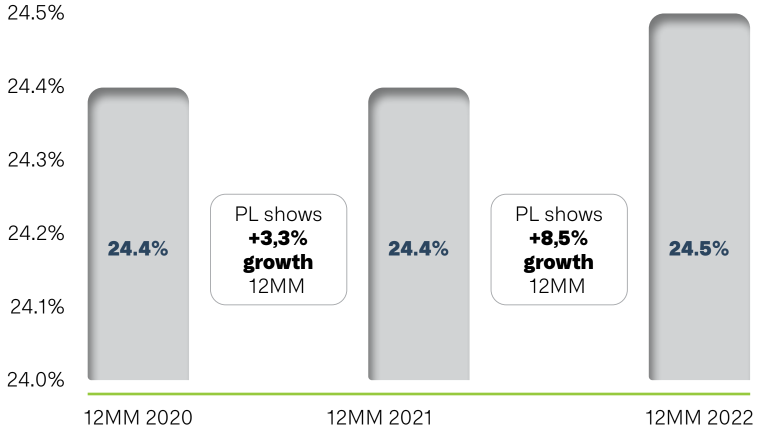
The private label market continues to grow and is now at 24.5% of total basket value. Named brands grew in line with private label at 8.2%.

Libstar participates in the key private label categories, with more than 75% of our basket value exposed to this category.

PRIVATE BRAND PROGRESS

Private brand value share trend – year ending December 2022 - 12 months moving (MM)

Private label (PL) continues to gain traction with cash-strapped consumers and growing confidence in private label



Private label accounts for **24.5%** of the total retail basket value, with named brands **growing at 8.2%**

Private label **contributes R80 billion** of the **R327 billion market**, with an absolute **growth of R6,2 billion**

Private label is growing ahead of the basket in baby care, confectionery, home and personal care and pet products – with ambient food and perishable foods remaining the largest contributors to total private label

Perishable, ambient and frozen food **contribute 73%** of private label incremental value

PRIVATE LABEL AND DEALER-OWN BRAND SOLUTIONS APPROACH

Customer relationships are based on collaboration, with Libstar functioning as an extension of internal functions instead of a product supplier.

As part of this, customers provide Libstar with three-year flexible roadmaps. This results in effective collaboration to deliver on their strategic objectives.

Libstar's role is to provide category expertise and insights. This, together with its manufacturing capabilities, ensures the delivery of the envisioned products to shelf.

Research and development processes consider the expected trading and launch windows.

Innovation to extend existing product lines take around two to three months, with an eight- to 12-month timeframe to develop new products.

During this year

490

new private label and dealer-owned products were launched

and 130 renovated.

OWN BRAND APPROACH

The own brands innovation process starts with a research phase, to capitalise on developing market trends.

Teams from the different brands combine their knowledge of customers, category insights and manufacturing expertise to deliver a streamlined manufacturing phase.

Research and development processes for owned brands also factor in trade and launch periods.

During this year

75

own brand products were launched

and 23 renovated.

KEY RISKS AND MATERIAL MATTERS

MATERIAL MATTERS

The board considered factors that dominated its agenda to determine material matters for inclusion in the integrated annual report. The material matters take factors into consideration that could have a significant impact on the sustainability of the business.

Material matters

- Extremely challenging trading conditions
- Pressure on infrastructure in South Africa, with disruptions to electricity, water and supply chains
- Transition following the appointment of a new chief executive officer
- Further development of our ESG strategy

KEY RISKS

The following key Group risks were identified during the risk reviews conducted:

1 Strategic risk

> Loss of a material customer

OUR RESPONSE

We maintain close and long-standing relationships with customers. Group and divisional management regularly assess changes in customer strategies which may impact Libstar. Developing new products and channel markets forms part of management's key performance criteria.

INHERENT RISK*	CURRENT STATE OF RISK**
High	Moderate

2 Strategic risk

> Increased cost and limited availability of critical manufacturing inputs and infrastructure
> Reduced disposable consumer income

OUR RESPONSE

We experienced extreme input price inflation this year. Although our exposure to multiple sales channels offers some resilience to changing consumer behaviour impacted by macro-economic challenges, conditions have worsened this year.

Refer to **Operating conditions.**

We have formalised foreign exchange hedging policies designed to mitigate the impact of foreign currency fluctuations.

INHERENT RISK*	CURRENT STATE OF RISK**
High	Moderate

3 Operational risk

> Supply chain: disruption to the sourcing of critical raw materials and packaging goods
> Logistics: Shipment delays, including strikes or limitation of shipment availability, may compromise the availability of raw materials and finished goods
> Water restrictions and power interruptions may limit or restrict the Group's ability to manufacture products
> Fire and/or natural disasters may disrupt manufacturing and warehousing operations
> Labour unrest and/or protracted industrial action may restrict the Group's ability to service customers

OUR RESPONSE

This year's results were significantly impacted by supply chain and logistics disruptions and rolling power cuts. Ensuring uninterrupted service levels came at a much higher cost.

Refer to **Operating conditions.**

We have borehole water or storage tanks at critical manufacturing sites and have installed power generators at our manufacturing sites. We are also investigating alternative water and power solutions.

Refer to the **ESG strategy section.**

Appropriate fire prevention plans are developed for each site and a Group-wide insurance programme is in place to mitigate losses.

Wage negotiations are decentralised. Where appropriate, wage agreements remain in place for more than a year to promote labour force stability. We engage with labour unions on a regular basis.

As outlined on pages 36, 48 and 77, we suffered a devastating fire at our KwaZulu-Natal Denny Mushrooms facility following labour unrest. An insurance payment has been received and the team is evaluating the findings of an independent investigation on the best way forward for the facility.

INHERENT RISK*	CURRENT STATE OF RISK**
High	Moderate

■ RISK CATEGORY

* **INHERENT RISK:** Before mitigations and controls
** **CURRENT STATE OF RISK:** After mitigations and controls

Key risks and material matters *continued*

RISK CATEGORY

* **INHERENT RISK:** Before mitigations and controls
** **CURRENT STATE OF RISK:** After mitigations and controls

4 Operational risk

> **Manipulation and/or interruption of electronic systems employed by the Group poses a risk to the integrity of information processed and the continuity of manufacturing operations**

OUR RESPONSE

The Group employs information technology and integration specialists to confirm compliance with a standardised Group Information and Communication Technology (ICT) framework. The framework is regularly reviewed and, where applicable, experts are employed to assist in the scoping and implementation of ICT projects across the Group. Standardised policies are applied to measure ICT contingency plans. These include fail over techniques, backups and regular testing of backups. The Group has implemented artificial intelligence tools to detect suspicious activities and generate alerts when detected.

Refer to **Governance review** and **Audit and risk committee chairman's review.**

INHERENT RISK* **High**

CURRENT STATE OF RISK** **Moderate**

5 Operational risk

> **Inability to attract, motivate and retain top talent**

OUR RESPONSE

We implement targeted skills development and training programmes. A succession planning framework has been established to identify contingencies for critical skills within the Group, and the Group continues to build succession depth. The appointment of the chief executive officer, chief financial officer and executive director to the board from within the Group confirms the success of our succession framework.

Employee incentivisation structures are benchmarked across the industry, and Group structures were revised in 2022 to meet strategic objectives. Libstar has a Group-wide broad based black economic empowerment strategy that guides skills development and socio-economic development strategies.

The ability to attract and retain a diverse group of top talent remains a key challenge. The business is impacted by a critical skills shortage across most areas. Building succession depth and retaining top talent remains a priority and work in progress.

INHERENT RISK* **Moderate**

CURRENT STATE OF RISK** **Moderate**

6 Legal, compliance and regulatory risk

> **Reputational impacts and financial losses arising from improper food quality and food safety protocols**

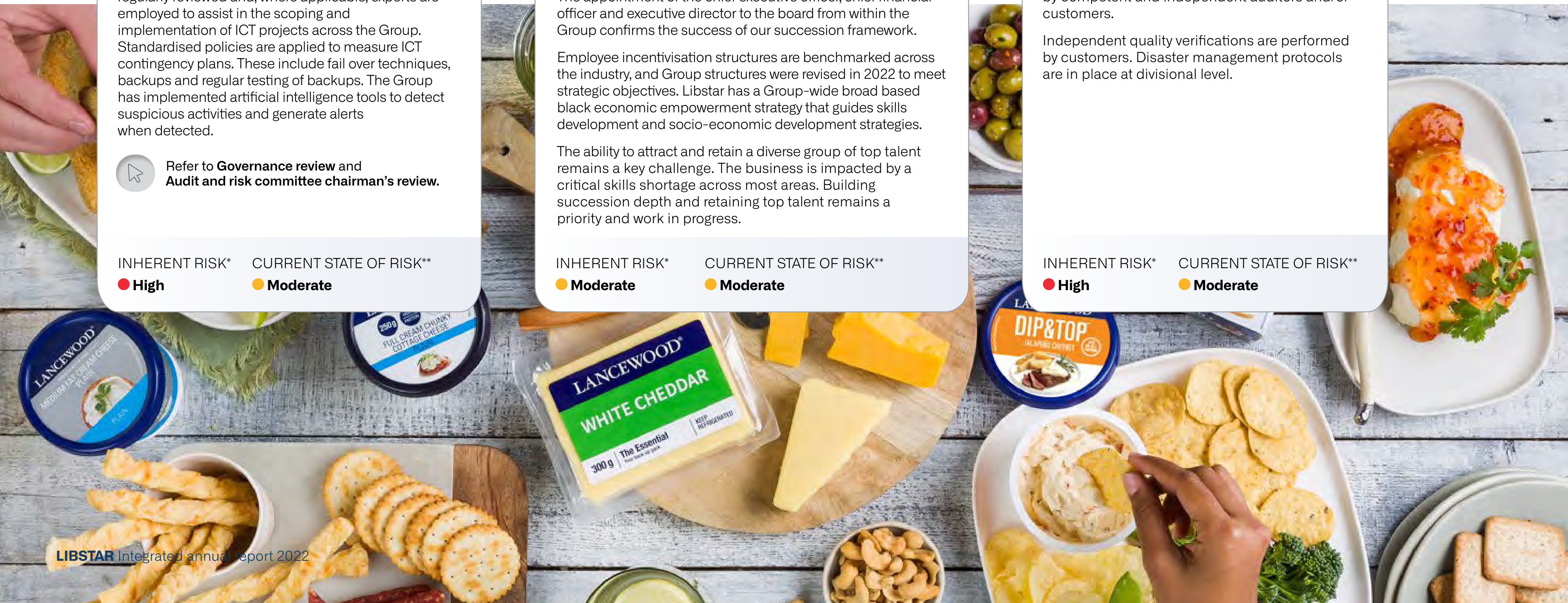
OUR RESPONSE

Libstar conducts continuous product food quality and safety testing by our in-house quality teams. Protocols have been implemented to address potential product recalls. Audits are performed by competent and independent auditors and/or customers.

Independent quality verifications are performed by customers. Disaster management protocols are in place at divisional level.

INHERENT RISK* **High**

CURRENT STATE OF RISK** **Moderate**



FC IC HC SRC MEANING OF ICONS

OUR STAKEHOLDER ENGAGEMENT

The challenges of the last few years have increased our engagement with stakeholders to ensure ongoing support and partnerships. We worked especially closely with suppliers and our retail partners to ensure continuous product supply. Ensuring the safety, health and well-being of our employees remains our core priority.

This section outlines our main stakeholders and the actions taken to address their key concerns.

Providers of financial resources (including debt providers and equity shareholders)

REASON FOR ENGAGEMENT

Providers of debt and equity are core to our existence and growth. The Group's financial strength is supported by equity from shareholders and financial guarantees from bankers and insurance companies.

EXPECTATIONS

- Sustainable return on investment.
- Meeting debt covenants and debt agreements.
- Meeting all interest payments as a minimum target.
- Optimising the Group's debt position without excessive risk.
- Sound and experienced management team.
- Good corporate governance.
- Strategic growth strategy.
- Effective talent acquisition, retention and succession planning.
- Transparency and accountability.
- A strong focus on cash generation and financial risk management.
- Dividend policy in the context of protecting the balance sheet and liquidity.

Our response

- Compliance with covenants throughout the year.
- Ongoing assessment of governance structures and regulations.
- Commitment to continuing our culture of innovation. This includes our multi-brand strategy approach, a specialist category team and investment in critical market insights.
- A dynamic succession plan with an emphasis on talent development.
- Further developing a culture of regular engagement with investors and lenders:
  – All communication is expected to be, at minimum, transparent and honest, providing as much information as possible without negatively impacting Libstar's competitive position in the market.

Analysts and media

REASON FOR ENGAGEMENT

Analysts and media provide other stakeholders, especially providers of equity capital (shareholders) and providers of debt capital (bankers), with research and information on the Group, its performance and challenges.

EXPECTATIONS

- Transparency and accountability.
- Access to leadership and information.
- Operational performance.

Our response

- Group investor meetings hosted by sell-side analysts, one-on-one meetings with key shareholders and sell-side analysts and at least two results presentations per year with the wider investing community.
- Participation in media meetings, with several interviews at the release of results.

Our stakeholder engagement *continued*

Customers and consumers

REASON FOR ENGAGEMENT

We assist our customers to deliver on their brand promises through the private label, dealer-own brands, Libstar brands and principal brand offering. These valuable partnerships assist our customers to grow their categories and stay relevant to consumers.

EXPECTATIONS

Market-leading products that deliver growth.
Ongoing innovation.
Exceptional customer service levels and product availability.
Ability to maintain competitive pricing.
Food safety.

Our response

- We invest in critical market research and insights to deliver growth plans for our customers.
- All categories invest in new product development.
- Increased customer engagement levels during the year to mitigate disruptions and continually meet changing demand.
- Strategic category consolidation and operational efficiencies contributed to cost management.
- Product testing throughout our manufacturing sites, with stringent food safety protocols in place.
- Audits conducted by independent auditors and independent verifications performed by customers.

Suppliers

REASON FOR ENGAGEMENT

Working closely with suppliers is crucial to ensure uninterrupted material supply.

EXPECTATIONS

Sustainable, beneficial relationships.
Honouring contractual terms and agreements.
Revenue growth.

Our response

- Increased engagement levels with suppliers to manage rising costs and ongoing supplier impacts.
- Leveraging procurement to evaluate input costs, bolster buying power as a Group and ensure continuity of suppliers.

Employees and employee representative bodies (including unions)

REASON FOR ENGAGEMENT

Employees drive our business through their enterprise, skills and commitment. We engage with employee representative bodies to create a constructive working environment.

EXPECTATIONS

Protection of labour and human rights and safety.
Appropriate compensation.
Employee relations and inclusive engagement.
Career progression opportunities.

Our response

- Extensive safety protocols and hygiene practices across the Group.
- Industry-benchmarked, competitive total remuneration of employees to retain talent.
- Ongoing and transparent engagement with unions.
- Continued employee engagement, with informative newsletters, recognition and motivational campaigns.
- Several opportunities for career progression across the Group.

Our stakeholder engagement *continued*

Government and regulators

REASON FOR ENGAGEMENT

Effective communication with relevant government bodies is critical for compliance with legislation.

EXPECTATIONS

Compliance with regulatory and legal requirements.

Safe manufacturing operations, products and employees.

Employment equity, broad-based black economic empowerment (B-BBEE) and transformation.

Our response

- Cultivating a culture of regulatory compliance across the Group through regular information campaigns.
- Governance system implementation and assessments.
- Mandatory FSSC 22000 certification for food manufacturing sites in place.
- The Group continues to focus on improving its B-BBEE rating. A successful B-BBEE transaction remains a challenge at the current share price. We continue to evaluate options.

Communities and non-profit organisations

REASON FOR ENGAGEMENT

We engage with communities and non-profit organisations to provide financial and physical assistance.

EXPECTATIONS

Support, especially with ongoing economic pressure.

Employment opportunities.

Our response

- We provide financial and food assistance through support for numerous NGOs.
- We employ from the communities close to our operations.

How we performed

GROUP PERFORMANCE

FINANCIAL CAPITAL FC

Revenue growth of

10.7%*

(volumes up 3.0%; price/mix up 7.7%)

Decline in **Normalised EBITDA of**

(4.1%)

* Achieved in a fundamentally changed market.

Refer to **Operating conditions.**

Return on invested capital of

10.4%

(2021: 12.5%)

Group cash conversion ratio of

68%

(2021: 97%)

Group gearing ratio of

1.6x

(2021: 1.2x)

Dividend

22 cents

(2021: 25.0 cents)

Net interest cover to EBITDA of

7.7x

(2021: 8.9x)

INTELLECTUAL CAPITAL IC

Market share gains and awards for several brands. Refer to page 18.

150% **increase in spontaneous brand awareness of Lancewood yoghurt*.**

The private label market continues to grow, with 24.5% of total basket value. Our product basket caters to the majority of the private label category.

* NielsenIQ Brand Equity Tracker – Yoghurt – March 2022

Trusted brand, with ongoing innovation

565

(2021: 537)

new products launched

153

(2021: 219)

products renovated

HUMAN CAPITAL HC

90%

(2021: 91%)

black* employees

6 956

(2021: 6 948)

total** employees

53%

(2021: 54%)

female employees, from the shop floor to the boardroom

488

(2021: 474)

bursaries, learnerships, apprenticeships and internships

* Black, Indian and Coloured.
** Permanent and contract

NATURAL CAPITAL NC

149 658

tonnes CO_2e total emissions 2022

(2021: 144 638)

R1.9 million

carbon tax

(2021: R1.9 million)

SOCIO-ECONOMIC DEVELOPMENT SPEND SRC

R18.1 million

(2021: R17.5 million)

MANUFACTURED CAPITAL MC

32

accredited manufacturing facilities

More than

200

production and packing lines

64

warehouses and storage, packing and distribution facilities

More than

75

manufacturing technologies

HOW WE MANAGED OUR CAPITAL RESOURCES

Inputs

FC

FINANCIAL CAPITAL

We rely on the financial resources given to us by our shareholders, financiers and retained profits.

- Market capitalisation of R3.9 billion.
- R9.8 million interest earned.
- Solid balance sheet, with net debt to normalised EBITDA 1.6x (2021: 1.2x).

MC

MANUFACTURED CAPITAL

We rely on our assets to deliver our operations in an efficient manner.

- 96 accredited manufacturing and distribution facilities.
- More than 200 production and packing lines.
- More than 75 unique manufacturing technologies across the business units.
- R384 million invested in capital expenditure projects to improve our manufacturing operations.
- R13.1 million invested in generators at facilities.

HC **IC**

HUMAN AND INTELLECTUAL CAPITAL

We rely on a high calibre of talent that is key to differentiating us with customers. Our trusted brands allow us to grow market share, maintain customer relationships and secure new customers.

- Permanent employees: 6 956 (2021: 6 948).
- R29.7* million (2021: R25.4 million) invested in skills development.
- Experienced executive team and board.
- Ongoing collaboration with customers to innovate in the current market conditions.

* Training investment includes salaries, stipends and other related expenditure during periods of training. These are recognised for B-BBEE verification purposes.

SRC

SOCIAL AND RELATIONSHIP CAPITAL

We rely on our relationships with stakeholders and broader communities to create a reciprocal value-creation dynamic.

- Entrenched customer relationships, with several in place for more than 20 years.
- Constructive engagement with customers facilitated price increases in tough market conditions.
- Adherence to regulations to ensure good social standing.
- Positive supplier engagement.
- Ongoing investment in communities.

NC

NATURAL CAPITAL

We rely on energy resources that are critical to our operations, particularly in the manufacturing facilities and fleet we use to deliver our operations.

- R169 million (2021: R152 million) invested in electricity use.
- R118 million (2021: R70 million) invested in gas use.
- R35 million (2021: R29 million) invested in water use.

Our value-chain activities

- Customer service
- Manufacturing excellence
- Efficient distribution channels
- Product innovation
- Talented people

How we create value

We create value by developing unique products that provide value to our customers and consumers.

We generate profit through the sale of these products, combined with efficient manufacturing processes.

Markets we deliver value to

- Retail and wholesale markets
- Food service markets
- Industrial and contract manufacturing markets
- Export markets

Outcomes

Financial capital

- Revenue up 10.7% to R11 772 million (2021: R10 630 million).
- Normalised EBITDA R1 032 million (2021: R1 077 million).
- Cash generated from operations R731 million (2021: R1 035 million).
- R119 million paid to debt funders in interest (2021: R129 million).
- Dividend per share of 22 cents (2021: 25 cents).
- Normalised HEPS of 65.3 cents (2021: 74.0 cents).
- ROIC of 10.4% (2021: 12.5%).
- Group operating cash conversion ratio decreased from 97% to 68%.

Manufactured capital

- Successful manufacturing during the year, with isolated service level interruptions to customers despite ongoing supply chain and load-shedding disruptions.

Human and intellectual capital

- Internal appointments of new chief executive officer, chief financial office and executive director.
- Remuneration and benefits paid.
  - Permanent employees: R1 393 million (2021: R1 369 million).
- 90% black and 54% female representation in South Africa (2021: 91% black and 53% female).
- 6 243 (2021: 4 780) training initiatives (internal and external) completed.
- Growth in brand positioning, with several market awards and market share gains.
- 565 new products launched and 153 products renovated.

Social and relationship capital

- Product and financial donations made.
- Adherence to all regulations.
- Ongoing focus on supplier relationships.
- R18.1 million (2021: R17.5 million) spent on socio-economic development programmes.

Natural capital

- Carbon tax liability of R1.9 million (2021: R1.9 million).
- The ongoing use of generators due to load-shedding added R39 million of direct operating costs for the year.

We include how we protected value throughout the report with the use of capitals and value creation icons.

HOW OUR CULTURE ASSISTED US

OUR CULTURE

This section outlines how our culture and approach performed in current market conditions.

PURPOSE

Enriching people's daily lives.

BRAND PROMISE

From Our Home to Yours.

VALUE PROPOSITION

Libstar – the catalyst where world-class Consumer Packaged Goods manufacturing and market insights come together, igniting lasting partnerships through innovative value creation.

OUR VALUES

OUR VALUES

Our values and how we delivered on them:

Value		How we delivered
Entrepreneurial spirit	**Innovate boldly. Work tirelessly.** We harness this spirit to always seek new ways of doing things and are not afraid to take risks. We labour with the fearless heart of an entrepreneur and the mind of a conscientious corporate.	Innovation was even more crucial this year. Our entrepreneurial culture assisted us to develop products to meet changing consumer requirements in a price-conscious market. Refer to **page 17.**
Partnerships	**Partnerships aren't just made, they are kept.** Whether we're dealing with colleagues, customers, suppliers or the community, we make a conscious effort to develop and maintain robust and wholesome partnerships.	In a high-cost environment, our established partnerships assisted us to find solutions for our customers and to secure price increases. Refer to **page 14.**
Customer centricity	**The customer is always alright. We make sure of that.** When you ensure consistent service and uncompromising quality, there's no need to question customer satisfaction.	To provide uninterrupted supply of products we had to incur significant costs. This included diesel for generators and increased stock holding. Refer to **page 13.**
Integrity	**Proper business is honest business.** We are committed to doing business properly, with solid values. Telling the truth and being ethical in all our day-to-day transactions is paramount.	We do not compromise on our values. We continued to work with our customers, suppliers and employees to deliver with integrity. Refer to **page 19 and 23.**
Passion	**The spark of perfection.** It's something that comes from inside us. It courses through our veins. It might not be something that's easy to explain, but it drives us to put our heart and soul into every second of what we do. That makes all the difference.	In these tough market conditions, our teams worked even more passionately to find solutions. As a management team, we interrogated our strategy and levers for growth. Refer to **page 68 and 69.**
Accountability	**Do your bit and be responsible for it.** Taking ownership of what you do and responsibility over your actions means everyone is accountable for their own role within the greater whole.	We had to take ownership of what we could control in volatile markets. Our focus on delivering quality products resulted in positive sales growth in all categories. Refer to **page 30.**

OUR OPERATING STRUCTURE PERFORMANCE

BRAND SOLUTIONS PERFORMANCE

Libstar's category-led approach and diversified portfolio of own-branded, private label, dealer-own brand and principal branded products provides its trading partners with value-for-money offerings across various price points. Lower exposure to volatile, low-margin commoditised categories supports a resilient revenue profile.

Refer to **page 19** and the **Chief executive officer's review** for our performance.

CHANNEL PERFORMANCE

Retail and wholesale

57.4%

This channel is the largest contributor to Libstar's revenue.

Our brands have a strong presence alongside dealer-owned, private label and principal brands on retail shelves.

This allows Libstar to offer a competitive range of products within various product categories that cater for critical price points.

Growth in product category offerings increases the share of shoppers' spend.

Performance

Retail and wholesale channel revenue increased by 8.6%, whilst sales volumes decreased by 1.2%. Price/mix contributed 9.8%. This was mainly attributable to strong sales of hard cheese, yoghurt and processed cheese within the Perishables category.

Export

10.3%

Libstar exports to more than 50 countries.

Certain export customers in the retail sales channel also act as product distributors to neighbouring African countries.

Performance

Export revenue decreased by 4.1%. Sales volumes were down by 8.4%. Intermittent availability of stacking dates at local ports and weak demand for dry condiments (USA, Europe) and tea (Europe, Japan) resulted in shipping delays. The decline in sales volumes were mitigated by a 4.3% increase in price/mix.

Food service

19.6%

The food service channel provides products to quick-service restaurants, distributors, sit-down restaurants, hospitality, and industrial customers.

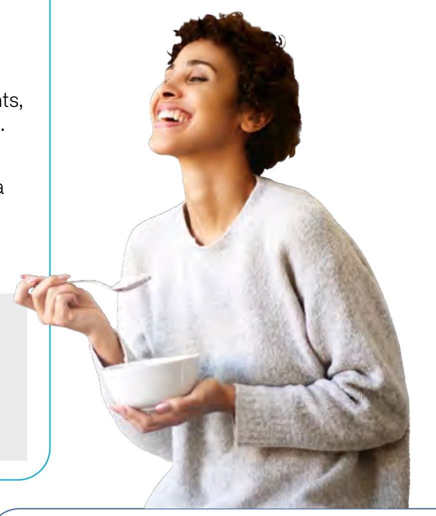
Libstar offers these customers a diverse product range. This includes beef, chicken, meat-related products, mushrooms, cheeses and tortilla wraps.

Libstar also supplies food packaging, table sauces and other wet condiments.

Performance

Food service channel revenue increased by 23.4%. We experienced strong sales of beef and chicken products, cheese and sauces in quick-service restaurants and hospitality venues.

Sales volumes increased by 8.1% and price/mix increased by 15.3%.



Industrial and contract manufacturing

12.7%

Products manufactured and sold to brand owners (excluding retailers) in South Africa and globally.

Products sold through this channel mainly service the Perishables (value-added chicken, meat and cheeses), Groceries (table sauces and food packaging), and Snacks & Confectionery (granolas and nuts) categories.

Performance

This channel revenue increased by 17.1%, with sales volumes up 13.0% and price/mix changes up by 4.1%. This reflects continued increases in customer orders and new contract manufacturing arrangements within the wet condiment sub-category.

CATEGORY PERFORMANCE

PERISHABLES

50.6% of Group revenue

43.8% of Group Normalised EBITDA before corporate costs

Revenue from Perishables increased by 14.4%. 8.7% was due to positive price/mix changes. Volumes grew 5.7%, driven predominantly by strong volume sales of hard cheese (Lancewood) and value-added meat products in the food service channel (Finlar Fine Foods).

Retail and wholesale channel revenue within this category increased by 10.6%, which contributed 56.5% (2021: 58.5%) of category revenue.

The category gross profit margin decreased to 18.7% (2021: 19.1%). Although dairy margins were lower due to significant increases in raw material costs, margins within the category's value-added meat operations (Finlar Fine Foods) benefited from improved efficiencies and price realisation.

Normalised EBITDA increased by 8.5% at a margin of 8.4% (2021 margin: 8.8%).

GROCERIES

30.6% of Group revenue

38.7% of Group Normalised EBITDA before corporate costs

Revenue from Groceries increased by 8.0%. Category volume sales increased by 4.2% and price mix by 3.8%. The performance was driven by increased volumes of sauces, vinegars, and other condiments.

Retail and wholesale channel revenue within this category increased by 6.0%. The food service and industrial and contract manufacturing channels performed strongly, with double-digit growth.

The export channel revenue declined by 10.3%, driven by shipment delays, weak demand for dry condiments (US and Europe) and tea (Europe and Japan), as well as the application of a dual supply strategy by international customers in response to continued supply chain disruption. The export-facing divisions experienced gross profit margin pressure due to significant increases in freight and raw material input cost, and the under-recovery of overhead costs as a result of lower sales volumes.

The category's gross profit margin declined to 23.4% (2021: 26.1%).

The category's normalised EBITDA decreased by 13.5% at a margin of 12.2% (2021: 15.3%) as the shipment delays and margin decline impacted performance.

SNACKS & CONFECTIONERY

4.8% of Group revenue

9.2% of Group Normalised EBITDA before corporate costs

Negative price/mix effects of 1.3% reduced the 6.0% volume growth to 4.7% growth in revenue. The retail channel performed strongly, enjoying increased demand for nuts and nut mixes, granolas and snack bars.

The category gross profit margin decreased to 30.5% (2021: 35.8%). This was due to changes in sales mix, as stretched consumers move towards value offerings within the category. Normalised EBITDA decreased by 5.4%, at a lower margin of 18.5% (2021: 20.4%).

As indicated at interim results time, the Pringles contract manufacturing arrangement was terminated with effect from September 2022.

BAKING & BAKING AIDS

7.9% of Group revenue

7.2% of Group Normalised EBITDA before corporate costs

Revenue from Baking & Baking Aids increased by 7.6%. This was supported by an 8.9% positive movement in price/mix. Volumes decreased by 1.3%. This follows lower demand for baking aids despite continued strong retail channel demand for rolls and artisanal breads.

The gross profit margin decreased to 25.2% (2021: 26.0%) due to input cost inflation (raw materials and packaging) and an adverse sales mix change towards lower-margin baking aids. The category performance was also impacted by competitor discounting of higher-margin baking aids and sustained margin pressure in branded baking aids products.

Despite strong growth in normalised EBITDA from the category's baking divisions, Amaro Foods and Cani, total category normalised EBITDA decreased by 14.1% at an EBITDA margin of 8.9% (2021: 11.2%). This was mainly as a result of the weaker performance of baking aids in the wholesale channel.

HOUSEHOLD & PERSONAL CARE

6.1% of Group revenue

1.1% of Group Normalised EBITDA before corporate costs

Revenue from this category increased by 5.0%, while volumes declined by 4.9%. This was mainly as a result of the discontinuation of unprofitable lines.

Gross profit margins improved from 10.5% to 11.3% as significant increases in raw material costs of steel, foam and PVC were offset by a positive price/mix contribution of 9.9%.

Normalised EBITDA increased by 380.6% to R12.4 million at a margin of 1.7% (2021: 0.4%).

KR1, 2, 3

MEANING OF ICONS

FC IC HC MC

OUR STRATEGY AND OPERATING MODEL PERFORMANCE

Drive focused protection of brands, private label solutions and category positioning

All categories achieved sales growth and our brands and category positioning were protected.

Refer to **pages 18 and 29 to 30.**

Continue to optimise and reposition our portfolio towards food categories

The 70% interest in Glenmor Soap (Pty) Ltd, which was part of the Household & Personal Care (HPC) division, was sold this year. The focus on repositioning the portfolio towards food categories remains, even though HPC had to be included as a continued operation this year.

Focus on key competencies

- Focus on processes, from sales management to customer relationships.
- Create opportunities in channels and increase brand presence and brand availability.
- Expand our export-led growth strategy through strategic partners.
- Identify positive net present value capital projects.

Our customer relationships supported us this year, with price increases achieved with customers.

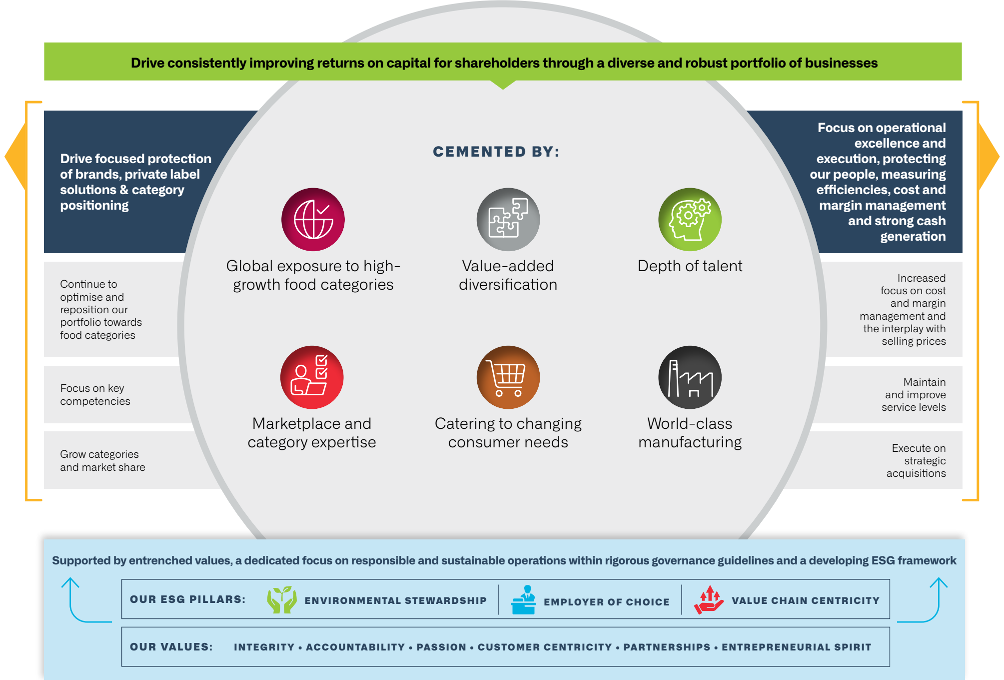
Three of our sales channels performed well. Exports were impacted by international customers implementing dual supply strategies in response to continued supply chain disruption.

Refer to **Chief executive officer's review** for our performance against capital investment and returns.

Grow categories and market share

All categories grew and several brands increased market share.

Refer to **Key consumer trends** and **Category performance.**



Focus on operational excellence and execution, protecting our people, measuring efficiencies, cost and margin management and strong cash generation

We continued to protect our people. Production execution was impacted by load-shedding. Higher costs affected margins while increased inventory levels and capital expenditure decreased cash generated.

Increased focus on cost and margin management and the interplay with selling prices.

Although we negotiated price increases with customers, significant cost pressures impacted margins. Our stringent focus on cost management limited operating expense inflation before impairments to 6.3%.

Maintain and improve service levels

Export service levels were impacted by supply chain disruptions. Global customers implemented dual sourcing strategies of also purchasing from local suppliers.

Execute on strategic acquisitions

Libstar acquired Umatie last year and Cape Foods this year. Cape Foods expands our basket of non-commoditised food products in existing categories and provides access to new territories and value-added products in the dry condiment category. Umatie is a value-added frozen baby food business with a growing footprint of stores and the development of product ranges underway.

Our strategy and operating model performance *continued*

Global exposure to high-growth food categories

The Group is focused on value-added food products and exports to more than 50 countries. Its exposure was expanded to Japan with the acquisition of Cape Foods.

Marketplace and category expertise

In a year where rising input costs resulted in retailers focusing more than ever on partnerships, our long-standing partnerships with retail customers and innovation culture assisted us with price increases and ongoing product development.

Catering to changing consumer needs

Libstar prides itself on its entrepreneurial culture which focuses on product innovation to capitalise on changing consumer trends.

Drive consistently improving returns on capital for shareholders through a diverse and robust portfolio of businesses

CEMENTED BY:

- Global exposure to high-growth food categories
- Value-added diversification
- Depth of talent
- Marketplace and category expertise
- Catering to changing consumer needs
- World-class manufacturing

Depth of talent

The new chief executive officer and chief financial officer and new executive director on the board were appointed from within the business. All the heads of the main businesses in Libstar have been with the Group for at least four years.

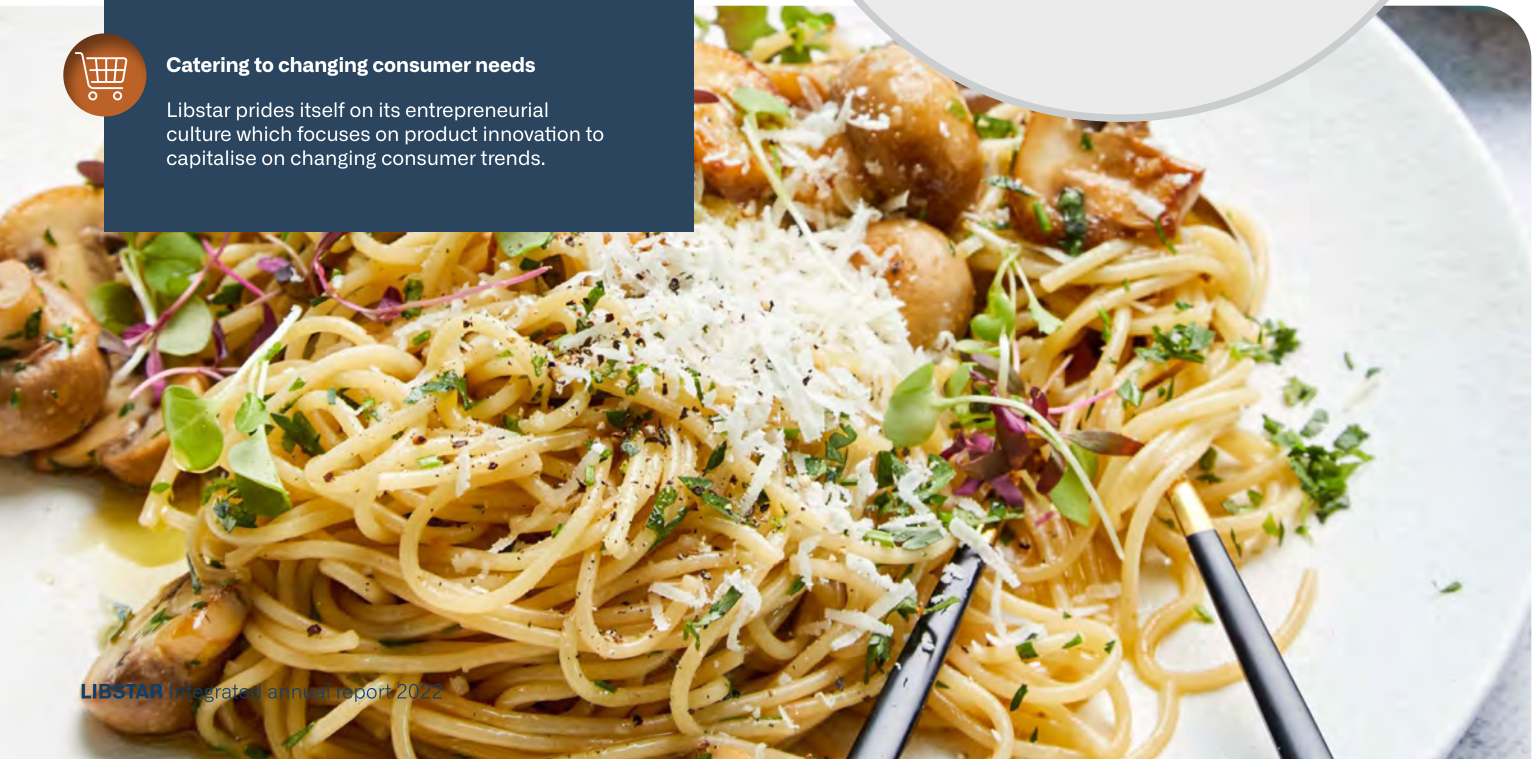
World-class manufacturing

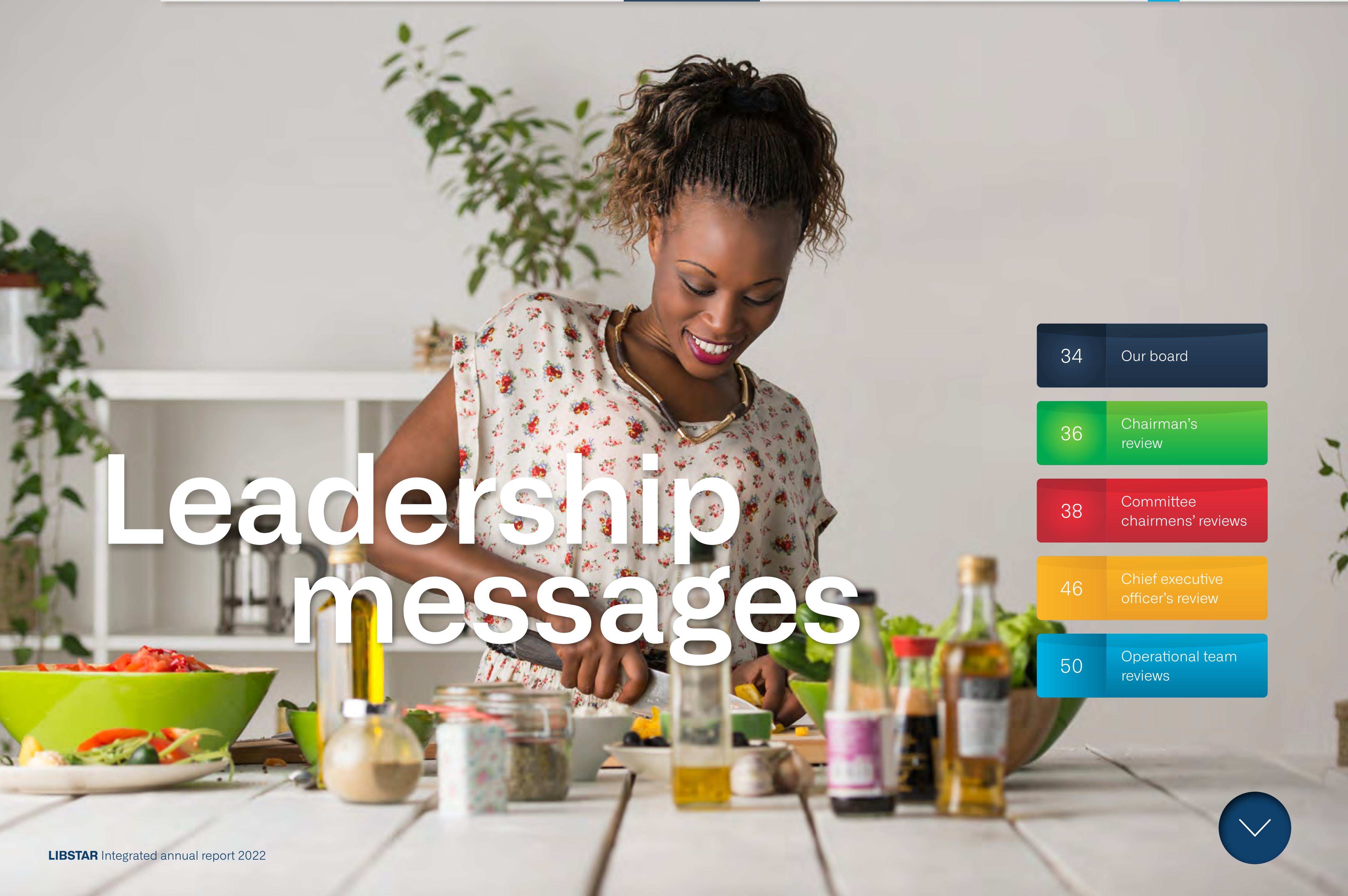
We continued to improve our manufacturing capabilities, despite the challenges from load-shedding.

Refer to the **Chief executive officer's review** for capital investment projects in 2022.

Value-added diversification

The contribution to revenue of the retail and wholesale, food service and industrial and contract manufacturing channels more than compensated for the decline in exports. The positive growth in Normalised EBITDA in the Group's largest category, Perishables, limited the overall decline experienced in Groceries, Snacks & Confectionery and Baking & Baking Aids.





Leadership messages

OUR BOARD

Wendy Luhabe (66)

CHAIRPERSON
Independent non-executive director

BCom Management – University of Lesotho
Management Advancement Programme – Wits Business School

Date of board appointment: 2018

Wendy has been a pioneer and a thought leader in the economic empowerment of women in South Africa for more than 28 years. She is a serial social entrepreneur in diverse sectors of the economy, including Smart BioTech, human capital development and the mentorship of younger generations to realise their potential and fulfil their aspirations.

She has received four Honorary Doctorates for her work with women, including from the Universities of Fort Hare and Stellenbosch. In 1993, Wendy pioneered the creation of WIPHOLD, South Africa's first investment company aimed at inspiring women to drive their involvement in South Africa's economy. In 2013, she founded Women Private Equity Fund, South Africa's first venture capital company that invests in companies owned by women.

She has served as a non-executive director and chairperson on the boards of diverse industries since 1992. Wendy currently serves as the chairperson of Pepkor Holdings, as an executive director of Compagnie Financière Richemont SA, and as a board member of the Mzansi National Orchestra.

JP Landman (68)

Lead independent non-executive director

BA LLB – University of Stellenbosch

MPhil in Future Studies (Cum Laude) – University of Stellenbosch

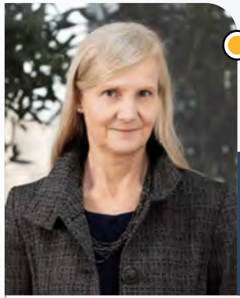
Programme on Macroeconomic Policy Management – Harvard

The Economies of the BRICS countries – Oxford University, Continuing Education

Date of board appointment: 2018

JP is an independent analyst, focusing on trends in politics, economics, demographics and social capital. His experience as a top-rated analyst in the listed environment gives him a good understanding of listed entities and relevant market forces.

JP has previously served on President Thabo Mbeki's economic advisory panel and was a member of the National Planning Commission. With this in-depth knowledge of the economy and market environment, he provides key input to the board and management. This is especially relevant to Libstar's strategy that focuses on identifying market trends and implementing a strategy that can withstand economic cycles.



Anneke Andrews (55)

Independent non-executive director

BCom Accounting (Honours), CTA – University of Pretoria

CA(SA)

Date of board appointment: 2020

Anneke is a chartered accountant. She served as a partner and director for 19 of her 28 years at Deloitte, where she held several leadership roles and served as a lead client services director on a number of key clients. Her diverse experience spans audit, risk and governance, finance, human capital, business management and leadership across a wide spectrum of industries.

She has extensive experience in assisting management in achieving their goals by mobilising the appropriate strategies and allocating the required resources in a prioritised manner. Her ability to find creative solutions, coupled with innovative thinking and a keen interest in the opportunities that future trends and technologies offer, are particularly valuable to Libstar in challenging existing paradigms.

Sandeep Khanna (50)

Independent non-executive director

Chartered Global Management Accountant

Associate Member of the Chartered Institute of Management Accountants (UK)

Date of board appointment: 2014

Sandeep is a seasoned investor and pioneer of private equity, with more than 26 years of investing and fund management experience in Africa. This experience ranges from venture capital and early-stage investing to management buyouts and building of companies in sub-Saharan Africa across several sectors.

His track record of investing in Africa through direct investment, investment committee membership and senior key leadership positions held at two leading emerging market fund management firms provides relevant experience to Libstar as an African group that continues to evaluate acquisitions that will ensure growth.

As a chartered management accountant in the United Kingdom, Sandeep's understanding of the global markets to which Libstar exports has allowed him to provide critical input as member of the investment committee.

Audit and risk committee | Remuneration committee* | Nomination committee* | Social, ethics and transformation committee | Investment committee | Chairperson

** The remuneration and nomination committee was restructured this year into two independent committees.*

Our board *continued*

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Sibongile Masinga (56)

Independent non-executive director

BCom – University of Johannesburg

US-SA Leadership and Entrepreneurship Program – Wharton School of Business

Date of board appointment: 2018

Sibongile is a co-founder and shareholder of Afropulse Group, a women-led investment, corporate advisory and investor relations group. She is the interim CEO of Delta Property Fund Limited. She has served as a non-executive director of several JSE-listed companies. She currently serves on the board of Botshilu Private Hospital and its related sub-committees.

Her past directorship of the finance and grant committee of the Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA) has provided her with particularly relevant knowledge to contribute to the Libstar board.

Charl de Villiers (38)

Chief executive officer

BAcc LLB (cum laude) – University of Stellenbosch

BAcc (Hons) – University of Stellenbosch

CA(SA)

Date of board appointment: 2020

Charl was appointed as the Group chief executive officer on 1 January 2023 after serving as the Group CFO since 2020.

Since joining Libstar in 2017, Charl has worked alongside the previous chief executive officer, Andries van Rensburg, and Group management to develop the Group's strategy. He has a deep understanding of the commercial, financial and operational disciplines of Libstar and has built strong relationships with management teams and stakeholders.

Charl has a unique combination of legal and financial qualifications, which provides breadth of technical competence, strategic problem-solving skills and attention to detail. He will continue to drive the repositioning of the Group's portfolio towards a high-growth and value-added food portfolio, as well as the expansion of its categories and channels through organic expansion and strategic acquisitions.

Terri Ladbrooke (36)

Chief financial officer

BBusSc (Finance) – University of Cape Town

BAccSc (Hons) – Unisa

CA(SA)

Date of board appointment: 2023

Terri is a chartered accountant with almost ten years' experience. She worked at Grant Thornton in South Africa before completing a secondment in Charlotte, North Carolina. She joined Libstar in 2015. She has held various financial and leadership roles at the Group, including that of Group financial controller and internal audit manager at Libstar Operations, and management accountant and finance and operations executive at Rialto.

Terri has a deep understanding of the operating environment after almost eight years with the Group. Her experience at Rialto, one of Libstar's key divisions, is particularly relevant. She has a track record of successfully integrating functions across divisions, as well as extensive knowledge of the reporting processes and systems implemented.

Cornél Lodewyks (47)

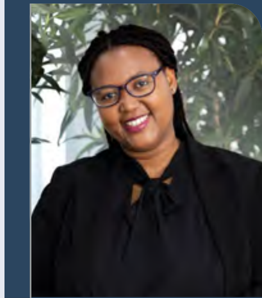
Executive director

Bachelor of Commerce in Management from Lyceum College

In progress – Executive Diploma in Organisational Leadership at Said Business School, Oxford University

Date of board appointment: 2023

Cornél is the managing executive of Lancewood, Libstar's largest operating division, and Millenium Foods. He has more than 20 years of fast-moving consumer goods experience. He has played a vital role in Lancewood's exceptional turnaround and success. Cornél joined Lancewood in 2011 as trade marketing manager and was promoted to managing executive in 2015. His knowledge and understanding of the industry has been invaluable to the division's growth. Based on Lancewood's success under his leadership, his portfolio was expanded in 2021 to also include Millennium Foods. Cornél's experience as head of the group's largest division and strategic ability led to his promotion as an executive director of Libstar.



Ntokozo Makomba (37)

Company secretary

LLB (University of the Free State)
LLM (University of Stellenbosch)

Ntokozo is an admitted attorney, with almost ten years' experience as a company secretary in the listed environment. Ntokozo started her career in 2011 as a candidate attorney at Phatshoane Henney Attorneys in Bloemfontein. She practised as a commercial attorney at Van der Spuy and Partners in the Western Cape before joining Quantum Foods as the group company secretary and head of legal in 2014. In 2018, she joined Lewis Group as the group company secretary. Ntokozo has extensive experience in company secretarial and corporate governance matters, including providing effective support to the board of directors and board sub-committees. She was appointed as the group company secretary for Libstar in 2022. She has also assumed responsibility for the group's environmental, social and governance (ESG) portfolio.

Audit and risk committee | Remuneration committee* | Nomination committee* | Social, ethics and transformation committee | Investment committee | Chairperson

** The remuneration and nomination committee was restructured this year into two independent committees.*

CHAIRMAN'S REVIEW

Operating a business in South Africa is extremely challenging at present. Despite prevailing risks, the Group retained its focus on implementing strategic decisions to ensure that we protect the Group and the interests of our stakeholders.

WENDY LUHABE

INTRODUCTION

Operating conditions remained extremely volatile this year, with several additional impacts following the COVID-19 conditions of the last few years. The consumer packaged goods market has experienced a fundamental shift, with ongoing consumer pressure, record levels of load-shedding in South Africa, and ongoing supply chain disruptions.

In 2022, South Africa faced its most intensive year of load-shedding since the rolling blackouts were first introduced in 2007. Statistics from the Council for Scientific and Industrial Research indicate that December 2022 was the highest load-shedding month ever. On its own, it entailed more load-shedding than in any previous year.

The power situation, along with unrelenting pressure on infrastructure in South Africa that has seen disruptions to water and supply chains, contributed to tough trading conditions during the year.

Notwithstanding these conditions, the team managed to grow revenue by 10.%, with pleasing volume and price mix increases. However, significant trading challenges impacted Group earnings and margins.

Refer to the **Chief executive officer's review** for a discussion on the Group's performance.

NEW LEADERSHIP TEAM

There were several leadership changes over the past year. Andries van Rensburg, previous chief executive officer and co-founder of Libstar, retired in December 2022. Charl de Villiers, the former chief financial officer, assumed the role of chief executive officer in January 2023.

Cornél Lodewyks, managing executive of Lancewood and Millennium Foods, was appointed as an executive director of Libstar and a member of the board. He is supporting the Group management team in the implementation of its strategic initiatives.

Terri Ladbrooke, the previous financial and operational executive at our Rialto division, was appointed as the new chief financial officer with effect from 15 March 2023.

The board looks forward to the value that Charl, Cornél and Terri will add in their new roles.

CREATING VALUE

With a new chief executive officer on board, we have worked with the management team to interrogate the Group's strategy and identify value creation initiatives. I am proud of the progress we have made and thankful for a team that is deeply committed to protecting the interests of our stakeholders and delivering value, sustainably.

Libstar's journey since listing has resulted in scale, market position and efficiency. The Group strategy is now geared to deliver growth and stakeholder value through a mix of organic and inorganic initiatives. During the year, we finalised the Group's longer-term strategy and objectives, with a clear vision of what we need to focus on.

Refer to **Our strategy.**

We have reached the implementation stage of our environmental, social and governance (ESG) strategy and appointed resources to drive the rollout.

Refer to **ESG strategy.**

South Africa's recent grey listing by the Financial Action Task Force (FATF), which monitors money laundering and terrorist financing activities to prevent financial crime, has highlighted the need for ethical leadership in the country, now more than ever. While it falls to government to improve legislation and prosecution of financial crime, the private sector has an important role to play in holding government accountable and detecting and preventing financial crime.

ROLE IN SOCIETY

Above and beyond seeking to uphold ethical leadership standards and deliver results to our shareholders, we aim to have a positive impact on the economy and society as a whole.

Everything we do is underpinned by our core purpose of *Enriching People's Daily Lives*. This ranges from delivering quality products that add value to consumers' lives, to employing people from within the local communities in which we operate, upskilling our workforce and seeking to improve economic empowerment for all our stakeholders.

We have improved our broad-based black economic rating this year to a level 5 from a level 7. We are very pleased with this and remain committed to continue improving. Although an ownership transaction remains challenging, we are constantly evaluating opportunities. We currently employ 6 956 people, with 90% of our employees black and 54% female. This is encouraging to me as an advocate of women's economic empowerment.

Sometimes, however, ethical leadership requires difficult decisions to be made. This has been the case with the retrenchment of 315 employees following the Denny Mushrooms fire in KwaZulu-Natal. The suspected cause of the fire was arson following a wage dispute with a small group of employees. The fire completely devastated the farm, which was the largest mushroom farm in the province.

The Commission for Conciliation, Mediation and Arbitration consulted extensively with the farm's employees. Ultimately, the unanimous decision of our people was to accept retrenchment. This meant that all employees, except a small number of core employees who have been deployed in different parts of the business, received termination, with unemployment benefits. This is a tragic example of how an indiscretion can have far-reaching consequences.

Chairman's review *continued*

PROACTIVE RISK MANAGEMENT

One of the primary responsibilities of the board is to consider material matters that could have a significant impact on the sustainability of the business and to proactively mitigate these.

Over the past year, the board has categorised our risks into six key risks. I have summarised these and our mitigation below:

Refer to **Key risks and material matters.**

1. **Loss of a material customer:** The Group has an incredible track record of long-standing customer relationships, with several relationships surpassing 20 years. Management regularly assesses changes in customer trends or strategies to ensure continued relevance. For example, 684 new and renovated products were launched this year alone.

2. **Increased cost and limited availability of critical manufacturing inputs and infrastructure and reduced disposable consumer income:** Our exposure to multiple sales channels offers some resilience to changing consumer behaviours impacted by macro-economic challenges. Our ESG strategy also includes solutions to reduce our exposure to the risks associated with availability of critical infrastructure. However, as outlined in Operating conditions, the lack of power supply in South Africa had a significant impact this year.

3. **Operational risks, including supply chain, logistics, infrastructural challenges, fire and/or natural disasters, and labour unrest and/or protracted industrial action:** Although our businesses maintain contingency plans that cater for these conditions, a number of these operational risks impacted us this year. For example, we experienced the impact that labour issues can have at Denny Mushrooms.

4. **Manipulation and/or interruption of electronic systems employed by the Group poses a risk to the integrity of information processed and the continuity of manufacturing operations:** Our ICT framework is regularly reviewed. Where applicable, experts are employed to assist in the scoping, and implementation of ICT projects across the Group.

5. **The operational risk of attracting, motivating and retaining top talent for core business and regulatory requirements:** This is a particularly challenging aspect in South Africa at the moment. We have a targeted talent management programme in place and have established contingencies for critical skills within the Group. As demonstrated through the appointment of Charl, Cornél and Terri, we believe our strategy of progression from within is bearing fruit.

6. **Legal, compliance and regulatory risks:** As a food producer, reputational impacts and financial losses could arise from improper food quality and food safety protocols. We take this responsibility very seriously. Libstar conducts regular product food quality and safety testing, performed by competent and independent auditors and/or customers.

OUTLOOK

Many of the challenges of 2022 will persist into 2023, including significant inflationary pressures relating to raw materials, logistics, packaging, labour and energy. However, the team will continue to innovate, leverage our systems, procurement expertise and trade relationships to balance cost-push inflation and selling prices.

As a board we are confident that the new team and our strategy will assist us in what will remain extremely volatile conditions.

Management and the board subscribe to the principles of value-based management. In this regard, a comprehensive assessment of the historic and forecast economic profit of each Libstar division has been undertaken. This will inform future strategies regarding portfolio composition and capital allocation.

Refer to the **Chief executive officer's review.**

We will continue to support management with the implementation of the revised strategy. As a board we will also collaborate with the social, ethics and transformation committee on the implementation of the Group's ESG strategy.

APPRECIATION

I would like to conclude my report with abiding appreciation to my fellow board members for their input, dedication, guidance and oversight during a year that has stretched and challenged us all. We acknowledge the management team, which has made our leadership transition seamless despite the challenging operating environment we find ourselves in.

I would like to extend our sincere gratitude to our previous chief executive officer and founder of Libstar, Andries, for his contribution to Libstar since its establishment in 2005. He guided and shaped the business with passion and wisdom. He instilled an entrepreneurial spirit and grew Libstar from humble beginnings to a family of 17 decentralised divisions spanning a diverse portfolio of food products and channels.

Andries was also instrumental in the Group's transition from a private to a public company in 2018. He guided his teams to navigate the challenges of the COVID-19 pandemic by successfully protecting Libstar's people, its customers and the financial stability of the Group. The board is indebted to him for his esteemed leadership, We wish him well in his retirement.

I would also like to acknowledge our new chief executive officer Charl for his dedication, working alongside Andries since joining the company in 2017 and stepping into the role this year. Charl has already added significant value with his in-depth review of what will assist the Group to succeed in volatile market conditions.

Without the passion of the Libstar family in every division and department and without their continued support of the company and hard work and dedication that keeps Libstar moving forward, Libstar would not be the inspiration it is.

Finally, we are extremely grateful to our customers, suppliers, partners and other stakeholders. We appreciate you and will do our best to deliver value to you into 2023 and beyond.

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COMMITTEE CHAIRMEN'S REVIEWS

AUDIT AND RISK COMMITTEE CHAIRMAN'S REVIEW

Anneke Andrews

It is my pleasure to present a summary of our activities for the year under review, as well as our planned future focus areas.

INTRODUCTION

The audit and risk committee (ARC) serves in an advisory capacity to the board. It assists the directors to discharge their duties relating to the safeguarding of assets, the operation of adequate financial systems, financial risk management and controls, the review of financial information, and the preparation of annual financial statements and other matters incorporated in the integrated annual report.

The committee comprises four independent non-executive directors. Meetings are held quarterly, with an additional joint meeting with the board focusing on the integrated annual report. The chairman of the board, chief executive officer and chief financial officer are standing invitees to all audit and risk committee meetings. Meetings are held through a combination of in-person attendance and through Microsoft Teams.

In addition to its governance responsibilities, the committee also works with management and the board in support of the creation of value for all stakeholders in line with the group's purpose and commitment of *Enriching People's Daily Lives.*

Members of the committee interact with the management team throughout the year. At regular intervals, I meet with external and internal audit and head office leadership. In addition, I interact with divisional leaders, and visit operations.

DELIVERY ON FOCUS AREAS

The table below outlines how we delivered on the focus areas we outlined in last year's report.

Focus areas	How we delivered
Refine the Group risk register to focus on key risks.	The committee reviewed the risk register at a Group and divisional level, debated the most pertinent risks and made recommendations. The Group risk register was refined to a more focused approach to key risk areas. Relevant mitigating controls were considered. Refer to **Key risks and material matters.**
From a risk perspective, consider the implementation of the ESG strategy, including metrics, reporting and disclosure.	The Group is at the start of its ESG strategy implementation journey. The committee works with the board, the social, ethics and transformation committee and management. From a risk perspective, it maintains visibility of the five-year ESG strategy implementation plan and progress made in defining and driving the way forward.
Consider cyber security, strategy and controls.	Several process improvements were implemented during the last 18 months. These include vulnerability management, intrusion detection and prevention and disaster recovery. A simulated cyber-attack is conducted bi-annually to measure vulnerabilities and to test the recovery of critical business systems. The committee continues to evaluate the proactive steps taken by management to mitigate risks.
Address mandatory audit firm rotation.	The committee followed a comprehensive proposal and engagement process, which involved six audit firms. EY was appointed as the external auditors for the December 2024 year-end. This will facilitate a shadow period before the current auditors are required to rotate at the end of 2023. This appointment will be presented to shareholders for approval at the upcoming annual general meeting (AGM).
Monitor developments in respect of new, updated or pertinent legislation, including the proposed Companies Amendment Bill.	The committee continued to monitor developments in respect of the proposed Companies Amendment Bill and other relevant legislation.

Other actions taken include:

Finance matters

- Reviewed and recommended the 2022 annual financial statements, the final dividend declaration, and the interim results for the six months to 30 June 2022, for approval by the board.
- Considered and recommended the integrated annual report for 2022 for formal approval by the board.
- Considered the quarterly chief financial officer (CFO) reports, management accounts, forecasts and other relevant matters presented.
- Confirmed the appropriateness of the going concern assumption as the basis of preparation of the annual financial statements.
- Considered areas of significant judgement and key sources of estimation uncertainty, including:
  - The annual impairment testing of intangible assets with indefinite useful lives, with due consideration of key inputs into the discounted cash flow model, including forecast revenue and profit growth before interest, tax, depreciation and amortisation, perpetuity growth rates, and the discount rates applied to the projected future cash flows.
  - The measurement of the fair values of share-based payments.
  - The useful lives of property, plant and equipment.
- Reviewed the process and accounting treatment of Libstar's acquisition of the Cape Foods business.
- Considered major capital allocations to, and returns on, value and efficiency-enhancing projects.
- In conjunction with the nomination committee, considered the appointment of the chief financial officer, Terri Ladbrooke, following the appointment of Charl de Villiers, the previous incumbent, as the chief executive officer. Following her appointment as interim chief financial officer in January, she was appointed permanently in March 2023. The committee reviewed and assessed the expertise, experience and performance of the chief financial officer and the finance function.
- Reviewed and considered the Group's tax update reports.
- Reviewed the proposed budget for the 2023 financial year.

External audit

- Reviewed and approved the external audit plan and fees.
- Held private sessions with the external auditors. The external auditors did not express any concerns relating to the finance function.
- Reviewed and considered key audit matters.
- Assessed the suitability of the external auditor, in particular the lead engagement partner.
- Assessed the external auditor's independence.
- Approved non-audit service fees and ensured that these were permissible in terms of the Companies Act.

Internal audit

- Reviewed and approved the internal audit plan and monitored its execution.
- Considered quarterly reports from internal audit, the internal control environment and the status of remedial actions implemented.
- Considered feedback received from calls to the anonymous ethics hotline, and conclusions reached by the social, ethics and transformation committee from a risk perspective.

Risk management

- Reviewed, made recommendations and approved the risk management policy and plan.
- Considered quarterly risk management reports and reviewed the risk registers for the Group and individual divisions.
- Considered the impact of unprecedented levels of load-shedding and its potential effect on sustainable water supplies, as well as mitigating strategies to lower dependence on existing utility infrastructure.
- Considered the insurance renewal programme.
- Considered the impact of the fire at Denny Mushrooms Shongweni farm in KwaZulu-Natal.
- Considered current and potential litigation matters.

Information and Communication Technology (ICT)

- Considered quarterly ICT reports from a risk and optimal business contribution perspective, including disaster recovery plans and improved business intelligence information.
- Considered the Group's approach and further actions taken in relation to cyber security, strategy and controls.

Governance

- Considered compliance with the principles of King IV.
- Considered the amendments to the JSE Listings Requirements which came into effect on 1 July 2022.
- Reviewed and augmented the committee's work plan for the year ahead.
- Reviewed quarterly reporting on compliance with loan covenants and hedging policies.
- Reviewed the hedging policy and non-audit services policy.
- Reviewed quarterly reporting on compliance with legislation, including the Companies Act 71 of 2008. This included compliance with the financial assistance requirements of the Companies Act.
- Reviewed and updated the committee's terms of reference.

LOOKING AHEAD

Focus areas	What this means
Oversee the transition between the current and newly-appointed auditors.	As required by mandatory audit firm rotation, EY was appointed as external auditors for the December 2024 year-end. This was done a year in advance to allow for a shadow period and to facilitate a considered and structured transition. Shareholders will be required to ratify this appointment at the upcoming AGM.
Proactive and ongoing oversight of key risks.	Ongoing consideration of key risks and opportunities remains a priority, especially in the volatile current climate. This includes the continued careful evaluation of mitigating controls.
Monitor the integration of the newly-acquired Cape Foods business.	Continue to monitor the integration of the Cape Foods business, from a risk and opportunities perspective.
Collaborate with the social, ethics and transformation committee to progress the implementation of the ESG strategy.	From a risk perspective, continue to consider the implementation of the ESG strategy. The committee will work with the social, ethics and transformation committee to drive progress.
Continue to evaluate pro-active measures to ensure robust cyber security systems.	This dynamic space requires vigilant monitoring. The committee will continue to evaluate the pro-active measures taken by management, and the impact of the ICT steering committee. This committee was established to further strengthen this function.
Oversee the transition in leadership from an organisational and finance perspective.	Following the appointment of a new chief executive officer and chief financial officer, the committee will continue to oversee the management of operational and financial risk during the transition of leadership in the organisation and finance function.

APPRECIATION

I extend my sincere appreciation to the members of the audit and risk committee and board for their respective valuable and insightful contributions. I also commend the leadership, finance, internal audit and ICT teams for their hard work and dedication during a particularly challenging year.

REMUNERATION COMMITTEE CHAIRMAN'S REVIEW

Sandeep Khana

It is my pleasure to present a summary of our activities for the year under review, as well as our planned future focus areas.

INTRODUCTION

The committee assists the board to consistently apply the remuneration policy throughout the Group, to ensure that directors and executives are fairly and responsibly remunerated and that the disclosure of the remuneration of directors and prescribed officers is accurate, complete and transparent.

The remuneration and nomination committee was restructured this year into two independent committees of remuneration and nomination.

The remuneration comprises three independent non-executive directors.

DELIVERY ON FOCUS AREAS

The table below outlines how we delivered on the focus areas we outlined in last year's report.

Focus areas	How we delivered
Discussions with shareholders to address concerns and ensure our remuneration policies and disclosures are supported.	Refer to **Feedback relating to the 2022 remuneration implementation report.**
Review the incentive scheme structure to deliver value for stakeholders and motivate and retain employees.	The rules for the new short-term and long-term incentive schemes were provisionally approved at the November committee meeting. The rules are expected to be finalised during the first half of 2023. The committee also approved the malus and clawback policy.
Attract new and retain existing talent by remaining competitive through benchmarking against industry peers.	A comprehensive external benchmarking exercise for executive director and senior management remuneration was conducted. The feedback was presented to the committee to ensure appropriate levels of remuneration within the Group. The committee approved the remuneration package for the chief executive officer and chief financial officer and the new executive director on the board. The committee also reviewed and approved salary increases for senior management.

Refer to the **remuneration policy.**

Refer to the **remuneration review.**

AGM VOTES

Remuneration implementation report	2022 AGM	2021 AGM
For	**74.82%**	69.13%
Against	**25.18%**	30.87%

Remuneration policy	2022 AGM	2021 AGM
For	**81.65%**	65.09%
Against	**18.35%**	34.91%

We have engaged with our large shareholders during the last few years to create an understanding of the Group's remuneration policy and its implementation. Although 25.18% of shareholders voted against the implementation report last year, this was an improvement from the previous year. The remuneration policy passed in 2022 after failing in 2021.

Dissenting shareholders on the implementation report did not take up our offer to engage with the company following the AGM. We remain committed to constructive engagement.

Feedback relating to the 2022 remuneration implementation report	How we addressed this
Long-term incentive performance targets Return on invested capital vs weighted average cost of capital (WACC) target: 75% vesting of awards was considered inappropriate where the return on average assets (ROAA) is equal to WACC.	The committee and board considered the feedback and resolved to maintain 75% vesting where ROAA is equal to WACC in respect of the 2022 awards. This was due to the strong likelihood of an increasing WACC rate in a high-inflationary environment. The board and committee evaluated this against the opportunities and challenges (in terms of input cost pressure and the consumer environment) facing the food producer industry. The maximum vesting target for return on adjusted assets will be increased from WACC + 1.5% to WACC + 5% in 2023.
Normalised HEPS growth target: The stretch target (300% vesting) should be increased from the current CPI + 2% to CPI + 3% or 4%	The committee and board considered the feedback and resolved to set the stretch target (300% vesting) at CPI + 4% for the 2022 awards. The maximum vesting target for Normalised HEPS growth will be increased from CPI + 4% to CPI + 5% in 2023.

TABLING OF NON-BINDING ADVISORY VOTES AT AGM

As required by King IV, the remuneration policy and implementation report detailed in the remuneration review will be tabled for separate non-binding advisory votes by shareholders at the upcoming AGM.

We urge shareholders to provide feedback on the resolutions to ensure that we can address areas of concern.

LOOKING AHEAD

Focus areas	What this means
Review the remuneration policy and implementation report.	Ensure that Libstar's approach to remuneration is fair, equitable, transparent, market-related and considers both the strategic priorities and performance of the Group.
Review and approve compensation of executive directors and senior executives based on a benchmarking exercise.	Ensure that executive directors and senior executives are fairly rewarded based on market trends, surveys, individual performance and contributions.
Recommend non-executive directors' fees for shareholder approval.	The committee reviews the fees paid to non-executive directors annually, taking into consideration the individual's responsibilities and board committee membership. Fees are reviewed annually against a market benchmark.
Review incentive schemes to ensure continued alignment to the enhancement of shareholder value.	The committee will ensure that the implementation of the rules of the incentive schemes achieve its objectives.
Approve the award of share incentives.	This is allocated annually in accordance with the rules.

APPRECIATION

Thank you to the committee members for their valuable input, especially in these difficult times. Finding the optimal balance between financial preservation and remunerating effectively will continue to be our focus. I appreciate the ongoing support from the management and human resources team.

NOMINATION COMMITTEE CHAIRMAN'S REVIEW

JP Landman

It is my pleasure to present a summary of our activities for the year under review, as well as our planned future focus areas.

INTRODUCTION

The committee oversees:

- The appropriate composition of the board to execute its duties
- Succession planning of board members and senior management
- The process of re-election of board members
- The process for nominating, electing and appointing board members
- The evaluation of the performance of the board and its committees
- The induction and ongoing training and development of board members

The remuneration and nomination committee was restructured this year into two independent committees of remuneration and nomination.

The committee comprises three independent non-executive directors.

DELIVERY ON FOCUS AREAS

The table below outlines how we delivered on the focus areas we outlined in last year's report.

Focus areas	How we delivered
Re-evaluate key leadership positions and ensure that effective succession is in place.	The committee focused on talent management and succession. The committee assisted the board with the appointment of the new chief executive officer, chief financial officer and executive director. A special sub-committee of the board, chaired by the nomination committee chairman and assisted by the Group's external succession consultant, led a comprehensive search process. This involved multiple rounds of engagement with internal and external candidates, screened by a reputable executive search firm. Shortlisted chief executive officer candidates were interviewed by the board and a selection made. Shortlisted chief financial officer candidates were interviewed by the sub-committee and presented to the nomination committee for recommendation to the board. The board scrutinised the proposed candidates. The chief executive officer and chief financial officer appointment processes spanned almost a year.
Review talent pool.	The committee reviewed the talent pool for the divisions and is satisfied that the correct processes are being followed to develop talent in the business.
Review board composition.	The committee evaluated the composition and is satisfied with the composition and skills mix of the board. An additional executive director was appointed this year.
Oversee the board evaluation process.	The committee recommended an independent evaluation of the board and its committees in respect of the year under review. The evaluation took place in the first quarter of 2023, with positive initial feedback.
Recommend directors up for re-election.	The committee considered directors due for re-election and recommended them for election at the 2023 annual general meeting.
Reviewed the board diversity policy.	The target of a minimum of 30% female board members was retained and continues to be exceeded. The board will set diversity targets in the coming year.

LOOKING FORWARD

Focus areas	What this means
Oversee talent management.	This continues to be an important aspect at Libstar. The Group is in the process of implementing an electronic data system to improve the mapping and development of the internal talent pool.
Succession planning.	Following the successful succession of senior roles this year, the committee will continue to ensure that key positions have formal succession programmes in place.
Board training and development.	The committee will continue to assist the board with the required development programmes.

APPRECIATION

Thank you to my committee members and the board for their ongoing support and for dedicating several additional hours to successfully appoint the new candidates. I welcome the new chief executive officer and chief financial officer and executive director to their roles. As a committee and board, we are confident that we have the correct people in place to implement the Group's strategy.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE CHAIRMAN'S REVIEW

Sibongile Masinga

It is my pleasure to present a summary of our activities for the year under review, as well as our planned future focus areas.

The committee comprises two independent non-executive directors and one executive director.

Refer to the **ESG strategy** for additional information on the responsibilities of the committee.

INTRODUCTION

The social, ethics and transformation committee functions in line with the requirements of the Companies' Act and King IV.

The committee assists the board to monitor the Group's activities in terms of legislation, regulation and codes of best practice relating to corporate citizenship, organisational ethics, sustainability and stakeholder engagement.

Our policies and processes are guided by the requirements of King IV to ensure that the rights of shareholders, employees, customers, suppliers and other stakeholders are respected and upheld.

Policies are aligned with the recommendations of the Organisation for Economic Cooperation and Development (OECD) on corruption and the ten principles set out in the United Nations Global Compact.

The committee assumed responsibility for environmental, social and governance (ESG) aspects last year.

Role of the committee

The committee's responsibilities include monitoring the company's activities in the context of relevant legislation, other legal requirements or prevailing codes of best practice; in respect of:

- Social and economic development, including the company's standing in terms of the goals and purposes of:
  - The ten principles set out in the United Global Compact Principles.
  - The OECD recommendations regarding corruption.
  - The Employment Equity Act.
  - The Broad-Based Black Economic Empowerment Act.
- Good corporate citizenship, including the company's:
  - Promotion of equality, prevention of unfair discrimination, and reduction of corruption. This includes transformation policies and strategies and social responsibility policies and strategies.
  - Contribution to the development of the communities in which the Group's activities are predominantly conducted or within which its products or services are predominantly marketed.
  - Record of sponsorship, donations and charitable giving.
- Environmental, health, safety and quality considerations. This includes the impact of the company's activities and that of its products or services.
- Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws.
- The company's management of ethics.
- Labour and employment, including:
  - The company's standing in terms of the International Labour Organisation Declaration on fundamental principles and rights at work.
  - The company's employment relationships, and its contribution towards the educational development of its employees.
- Drawing the board's attention to matters within its mandate and terms of reference.
- Reporting, through the chairman of the committee, to the shareholders at the company's annual general meeting on any area of the business or the meeting that relates to the committee's functions.

The committee is responsible for providing recommendations relating to these activities to the board. It reports to shareholders at the AGM every year on matters within the committee's mandate.

DELIVERY ON FOCUS AREAS

The table below outlines how we delivered on the focus areas we outlined in last year's report.

Focus areas	How we delivered
Continue to monitor talent and succession initiatives.	Libstar's vision is to be an employer of choice, with the purpose of attracting, developing and retaining talent. The committee continued to monitor the development and depth of talent at Group and divisional level.
Implementation of the ESG strategy and development of measures.	The implementation of the ESG strategy was a key focus during the year. Management appointed an external service provider to drive the implementation of the strategy. Divisional surveys on ESG matters were conducted to identify the status within divisions. The committee approved the following policies: ▪ Corporate social responsibility policy ▪ Human rights policy ▪ Anti-bribery and anti-corruption policy Refer to the **ESG strategy** for additional information.
Improve the Group's broad-based black economic empowerment (B-BBEE) level and transformation status through key strategic initiatives.	Libstar improved its B-BBEE score to a Level 5 from a level 7 contributor status last year.

B-BBEE

Libstar is committed to the principles of B-BBEE and transformation. AQRate Verification Services evaluated and independently verified Libstar for the year ended 31 December 2022.

We are very pleased with the improvement in our B-BBEE rating from a score of 70.46 in 2021 to **75.25** in 2022 and from a level 7 to a **level 5.**

The improvements followed enhancements in several elements on the B-BBEE scorecard, with the most significant improvement in skills development.

B-BBEE scorecard

	Maximum score	2022	2021
Ownership	25.0	**10.32**	8.86
Management control	19.0	**6.21**	5.63
Skills development	20.0	**15.68**	12.58
Supplier and enterprise development	40.0	**28.04**	28.39
Socio-economic development	15.0	**15.00**	15.00
Total	**119.0**	**75.25**	**70.46**

OWNERSHIP

The improved score for ownership followed an increase in our black shareholding through mandated B-BBEE investments.

MANAGEMENT CONTROL AND EMPLOYMENT EQUITY

Black* non-executive directors accounted for 28.57% of the board, which include a black female chairman and a black non-executive director.

We are committed to improve the representation of black people in management positions.

Current black representation

Executive management, excluding directors	9.09%
Senior management	11.61%
Middle management	23.50%
Junior management	47.65%

* African, Coloured and Indian

SKILLS DEVELOPMENT

The Group invested R29.7* million (2021: R25.4 million) in skills development. Skills development programmes included bursaries, learnerships, internships, apprenticeships and skills programmes.

Skills development initiatives focused on business requirements and addressing the scarce and critical skills in the agriculture and food and beverage sector.

BURSARIES, LEARNERSHIPS, APPRENTICESHIPS AND INTERNSHIPS

2022	2021
488	474

* Training investment includes salaries, stipends and other related expenditure during periods of training, recognised for B-BBEE verification purposes

Refer to the **ESG strategy** for additional information on skills development.

SUPPLIER AND ENTERPRISE DEVELOPMENT

During the year, we continued to improve the procurement component of the scorecard through the following initiatives:

- Introduction of new black-owned businesses in the supply chain.
- Expanding the current supply agreements with black-owned and black female-owned businesses.
- Increasing support to our enterprise partners through the:
  - Provision of products.
  - Shorter payment periods.
  - Assistance with overhead costs.
  - Interest-free loans.
  - Professional services at reduced rates or for free.

SOCIO-ECONOMIC DEVELOPMENT

Socio-economic development initiatives focused on support to local and previously disadvantaged communities. The total spend for the year was R18.1 million (2021 R17.5 million). The spend was allocated to a variety of programmes within divisions.

Contributions during the year included:

- Product and financial donations made to local and previously disadvantaged communities.
- Donations to support community development and education programmes.

Refer to the **ESG strategy** for additional information on our programmes.

LABOUR

The national minimum wage was adjusted on 1 March 2022 by 6.9%. This was implemented in all divisions.

LOOKING AHEAD

Focus areas	What this means
Roll out of ESG strategy.	Refer to the **ESG strategy** for additional information.
B-BBEE strategy.	We will aim to retain our level 5 by focusing on improving preferential procurement and maintaining progress in other elements.
Ongoing formalisation of policies.	The committee will continue to implement policies to support its ESG strategy. Policies that will be implemented this year include the environmental policy statement and stakeholder engagement policy.

APPRECIATION

I express my sincere appreciation to the members of the committee for the work done during the year.

I would also like to congratulate management on our improved B-BBBEE rating. I look forward to the progress that we will make on the ESG strategy and embedding it within the Libstar family.

INVESTMENT COMMITTEE CHAIRMAN'S REVIEW

JP Landman

It is my pleasure to present a summary of our activities for the year under review, as well as our planned future focus areas.

INTRODUCTION

The committee assists and advises executive management on the evaluation of merger and acquisition opportunities, investment transactions and commercial positioning of the Group. Based on its evaluation of these matters, the committee provides recommendations to the board.

The committee comprises two independent non-executive directors and one executive director.

DELIVERY ON FOCUS AREAS

The table below outlines how we delivered on the focus areas we outlined in last year's report.

Focus areas	How we delivered
Evaluate value-unlocking alternatives.	The committee considered various transactions. This included assisting the management team and board with the commercial assessment and conclusion of the Glenmor disposal. The disposal of the remaining Household & Personal Care (HPC) divisions, Chet Chemicals and Contactim, was unfortunately not successful due to the proposed commercial terms not meeting the board's expectations.
	The committee ssisted management and the board with the commercial assessment and conclusion of the acquisitions of Umatie (initiated last year) and Cape Foods this year.
	The committee and board assisted management to formulate a portfolio strategy review that culminated in the identification of six divisions that drive 80% of the Group's intrinsic value.
Capital allocation to improve and optimise the Group's return on tangible invested capital in difficult market conditions.	This forms part of the key strategic objectives to improve return on investment. The board regularly assesses capital allocation. During the year, it assisted with the refinement of the capital allocation strategy of the Group. Refer to **Our strategy.**

LOOKING AHEAD

Focus areas	What this means
Reposition the portfolio towards value-added food categories and unlock value from under-performing operations.	The committee will continue to explore options for the disposal of HPC and unlocking value from the Group's under-performing and marginal return divisions, including Denny Mushrooms.
Expand the Group's profitability and size through various organic and inorganic strategies.	The committee will continue to consider opportunities for growth.
Monitor the return on invested capital.	Oversee management's initiatives to improve returns.

APPRECIATION

I thank members of the committee for the work done on the disposal of Glenmor, the ongoing evaluation of options for the HPC category and the acquisition of Cape Foods. I am confident that we will continue to identify opportunities for the Group going forward.

CHIEF EXECUTIVE OFFICER'S REVIEW

Operating conditions remained extremely challenging, with ongoing global and local supply chain challenges, substantial input cost inflation, constrained consumer spending and unprecedented levels of load-shedding. Despite these challenges, we met our stated objective of reliably delivering quality products to our customers.

As the new chief financial officer was only appointed in March 2023, financial information has been included in this report.

CHARL DE VILLIERS

INTRODUCTION

Three key factors impacted our business this year – unprecedented levels of load-shedding, sharply rising input costs and the underperformance of our export channel due to weak demand and supply constraints. These factors severely tested our operations and management teams.

Refer to **Operating conditions.**

Despite these challenges, we met our stated objective of reliably delivering quality products to our customers. We focused on cost management, added alternative energy generation capacity to ensure uninterrupted production, and grew our own-branded and private brand market shares. Our entrenched category-led and multi-channel operating model contributed to the achievement of positive sales growth in all categories. We also limited annual operating expense increases to 6.3%. Operating expenses before impairments and selling and distribution costs increased by only 0.5%. This is a pleasing achievement against the background of an onslaught of significant cost pressures and a consumer price inflation rate of 6.9% during the year. Load-shedding alone added R39 million to our cost base.

The food service and industrial and contract manufacturing channels delivered particularly strong revenue growth despite the ongoing market volatility. However, weak demand and shipment delays contributed to the under-recovery of overhead costs in the main export-facing divisions. These factors diluted the Group's revenue growth of 10.7% to a gross profit growth of 3.7%.

For a detailed discussion of results, refer to our **results announcement.**

> "Our entrenched category-led and multi-channel operating model contributed to the achievement of positive sales growth in all categories."

OUR KEY PRIORITIES

We concentrated on our key strategic priorities to navigate dynamic market conditions.

1 ACTIVELY REPOSITIONING THE PORTFOLIO

We continued to pursue our strategic intent of reducing our exposure to non-food categories to optimise our portfolio composition and economic profits.

The disposal of our interest in Glenmor shortly after the close of the first half of the year served as an important milestone in our repositioning. Our strategic intent to dispose of the Household & Personal Care (HPC) division remains unchanged. However, in terms of IFRS 5, the criteria to disclose this division as a Held for Sale and Discontinued Operation was not met at 31 December 2022. This division was therefore reclassified as a continuing operation and included in the results of continuing operations.

Our 2023 objective is to deliver a sustainable operating result from HPC, whilst actively pursuing value-unlocking options for this category.

2 EXECUTING STRATEGIC ACQUISITIONS

We acquired Cape Foods for R120 million with effect from 10 November 2022. This business was founded in 2002 and is a manufacturer of branded and private label herbs, spices and seasoning mixes. Cape Foods' products are exported to approximately 30 countries worldwide. The transaction aligns with our strategy of growing our basket of non-commoditised food products in existing categories. It also provides access to new markets, such as Japan, and value-added products in the dry condiment category. The full acquisition price for Cape Foods was paid during the period, while only two months of earnings were included in the results.

3 DELIVERING SUPERIOR SERVICE LEVELS

We had to contend with the operational cost and disruption brought about by extreme levels of load-shedding, particularly in the second half of the year. To maintain service levels to trading partners, we continued to invest in further generator capacity during the year. Although this increased our capacity, it added R39 million of direct operating costs for the year.

Refer to **Operating conditions.**

To enhance inventory planning and sales forecasting capabilities, we continued to invest in and leverage the functionality of our enterprise resource planning (ERP) systems during the year. Sales and operational planning modules were successfully implemented in Cecil Vinegar, Finlar Fine Foods, HPC and Rialto. We will continue to implement this throughout the group.

Supply chains remained disrupted, with significant delays of import and export shipments. This necessitated a pro-active approach towards inventory management. This increased net working capital in the first half of the year.

Our key priorities *continued*

4 PRESERVING THE GROUP'S FINANCIAL STABILITY AND IMPROVING RETURN ON INVESTED CAPITAL

We experienced significant margin pressure in the second half of the year as raw material, packaging and distribution costs increased significantly, resulting in full-year gross profit margins declining to 20.7% (2021: 22.2%).

Our operating cash flow, before working capital movements, remained strong. However, it decreased by 2.0% in line with the reduction in Normalised EBITDA of 4.1%. The Group's cash conversion ratio of 68% (2021: 97%) improved from 15% at the interim reporting date, but continued to be impacted by lower creditors days and higher levels of inventory holding to mitigate supply chain disruptions and maintain product availability to customers. We expect inventory levels to remain at elevated levels in the year ahead. Refer to Looking forward.

Net interest-bearing debt increased to R1.4 billion (2021: R1.1 billion), as the cash generation from operations was impacted by a R277 million investment in working capital and the R120 million acquisition of Cape Foods. Net interest-bearing debt to EBITDA increased to 1.6 times (2021: 1.2 times), but remains within our stated optimal range of 1x-2x normalised EBITDA. Interest cover at 7.7 times (8.9 times in 2021) is well above the Group's stated minimum target of 3.5x. We are targeting an improvement in the Group's gearing ratio and interest cover ratio in 2023. We expect net working capital levels to remain elevated in the year ahead. The Group was fully compliant with lender financial covenants during the reporting period.

Return on invested capital (ROIC) was lower at 10.4% (2021: 12.5%) compared to a weighted average cost of capital (WACC) of 13.1% (2021: 12.5%). This was impacted by the operating result and an increased capital base due to the investment in working capital and acquisition of Cape Foods during the year. The Group remains committed to the improvement of ROIC in its ambition to achieve a long-term average ROIC of WACC plus 2%. Refer to the strategy section to see how we aim to achieve this through applying value-based management and capital allocation.

MAJOR CAPITAL INVESTMENTS

Main capital expenditure projects	Project description	2022 project cost (Rm)
Lancewood		
> Hard cheese pre-pack, capacity and utility upgrade	Remove bottlenecks, increase efficiencies and margins and service demand. Utility upgrade supports growth and future expansion	**R7.7**
> Yoghurt factory upgrade	Continued focus on quality. Increases capacity and efficiencies	**R17.7**
Amaro Foods	Increased wrap manufacturing capacity	**R76.0**
Finlar Fine Foods	New crumbed product line and upgrades to the value-added chicken facilities in Cape Town	**R26.0**
Montagu Foods	Wet condiments capacity expansion	**R14.0**
Dickon Hall Foods	New pourable sauces line	**R12.0**

We continued to invest in capital projects with the objective of increasing capacity, establishing new capabilities, and unlocking efficiencies within our Group. We apply a discounted cash flow model using the group's weighted average cost of capital to assess the viability of these projects. We target a payback period of three years for smaller projects and five to eight years for larger projects. Even with a reduction in the Group's ROIC during the year under review, the significant capital allocation to our top six divisions (by economic profit) since 2018 represents a cornerstone for the Group's ability to drive improvement in ROIC in the coming years.

Our largest division, **Lancewood**, completed upgrades to its Langeberg cheese manufacturing facility in Swellendam during the prior year. This improvement provided access to a new milk procurement area and increased hard cheese production capacity at a lower conversion cost. The largest capital project completed by the group since 2019 is the hard cheese capacity upgrade at Lancewood in George. This project focuses on removing bottlenecks and improving both labour and throughput at higher margins. The project will assist the division to meet the increased demand for hard cheese through the development of Lancewood's branded and private label offering. We also completed the upgrade to cleaning-in-place machinery at Lancewood's Athlone yoghurt facility. This will assist us to produce quality yoghurt at efficient manufacturing costs whilst continuing to grow our market share in the single-eating yoghurt category.

Amaro Foods ordered a new wrap line from the USA. This will be installed in May 2023 and will significantly add to our volume production capabilities of wraps – a product that is experiencing increased demand in the retail and the quick service restaurant channels.

At **Finlar Fine Foods**, we invested in a new crumbed product line and upgraded the chicken facilities in Cape Town.

At **Montagu Foods**, we invested in two new retort machines. These machines increase our capability to produce high-quality condiments.

Our pourable lines at **Dickon Hall Foods** were upgraded to meet the new contract manufacturing volumes secured.

Chief executive officer's review *continued*

IMPAIRMENTS

Following the annual impairment assessment, we recognised impairments of intangible assets attributable to four divisions in the total amount of R277 million (net of tax). At a Group level, the impairment assessment was impacted by rising interest rates which resulted in an increase to the discount rates applied to our discounted cash flow scenarios from 12.5% to 13.1%.

The divisional factors contributing to the impairments are outlined below.

Denny Fresh Mushrooms
The loss of production volume after a fire that destroyed the Shongweni facility on 9 September 2022.
R98 million

Retailer Brands
Sustained margin pressure due to weak demand for higher-margin baking products.
R89 million

Cecil Vinegar
The discontinuation of certain lemon juice and flammable product lines, sustained pressure on margins and increased operational challenges.
R70 million

Household & Personal Care
A review of the sustainable trading forecast.
R20 million

The impairments decreased Total Diluted earnings per share (EPS) and Normalised EPS, but are added back to the calculation of Total Diluted headline earnings per share (HEPS) and Normalised HEPS.

OUR STRATEGY

Refer to **Our strategy.**

The challenges faced by food producers and the local industrial sector have highlighted the importance of assessing the positioning of each of the divisions within Libstar's broader portfolio. We conducted this assessment using the principles of value-based management, which included a review of historic and forecast economic profits at a divisional level.

This assessment highlighted the critical importance of our top six divisions, Lancewood, Rialto, Cape Herb & Spice, Ambassador Foods, Finlar Fine Foods and Amaro Foods. These divisions drive 80% of the past and projected intrinsic value of Libstar. We will focus on delivering on our economic profit targets within these divisions, called the Stars.

The Stars

These businesses have benefited most from capital expenditure since 2018, with nearly R1.1 billion of the R1.6 billion capital investment made. Some of these investments are outlined earlier in this review. It is critical that we deliver on our economic profit targets within these divisions. Certain divisions have been included in the Stars category even though they are not within the top six businesses. These businesses are either under the stewardship of a top six divisional management team in line with our strategy of clustering certain businesses to improve efficiencies, or delivering appropriate returns in line with the Group's focus to improve return on invested capital.

One of these businesses is Cape Foods. We will focus on successfully integrating this business to deliver a return significantly in excess of our weighted average cost of capital.

Within the context of a constrained local consumer environment, the development of our export channel becomes increasingly important. To mitigate the impact of supply chain disruptions this year, our export customers elected to diversify their supply base to include in-country suppliers. Even with the adverse impact of these dual supply strategies on our results in the year under review, we have recently seen increased volumes from new customers applying the same strategies in the USA and UK markets.

The Ambassador Foods, Finlar Fine Foods and Amaro Foods divisions will also strategically aim to increase their export channel exposure in the coming years, with a particular focus on the snacking category, fully-cooked chicken products and long-life baked goods.

It remains crucial to protect and grow the market share of our largest brand, Lancewood. During the year, this business continued to grow market share. Pre-packed hard cheese grew by 10% in volume despite many challenges experienced during the first half with our new packing line, gaining 2.8% market share. Yoghurt grew ahead of the market at 24%.

We do face the risk of the introduction of local competition, particularly in relation to Finlar Fine Foods within its quick-service restaurant product range. This increases the importance of growing our exposure to both the export channel and the value-added product range within the local market.

Going forward, we will further prioritise our capital allocation to positive net present value projects within the cluster of Stars.

The Rising Stars

We have to unlock value from the remainder of the portfolio. These smaller divisions, Dickon Hall Foods, Retailer Brands, Montagu Foods, Cecil Vinegar, Chamonix, Cani and Umatie, have not yet reached appropriate scale within the broader portfolio.

At the start of 2023, we combined the sales and marketing functions of these divisions and are aggressively investigating further operational and back-office integrations. An example of this was the integration of Multi-Cup Solutions and Rialto which improved our go-to-market strategies. This was evidenced by the strong food service channel growth during the year.

Where relevant, we will implement additional combinations within this cluster of divisions to leverage our existing capabilities in a cost-efficient manner. Where clustering is not possible and scale is not reached naturally, the Group will investigate other value-unlocking strategies to achieve the required stakeholder returns.

The wet condiments category has been a beneficiary of changing consumer behaviour since the COVID-19 pandemic. Retail shoppers are increasingly entering the wholesale market where we will be launching new products in the coming months. We are confident that our wholesale exposure can be significantly improved. This will be supported by the production capabilities of these divisions.

The Under-performers

Addressing our under-performing and marginal return units is a key management priority. We are focusing on our turnaround strategy within HPC, whilst exploring opportunities to unlock value for stakeholders.

The Denny Fresh Mushrooms division has been problematic for several years. Following the devastating fire at our farm in KwaZulu-Natal, we will carefully consider the redeployment of further capital to this operation, given the high sensitivity of the farming operation on yields and cost structures to the ongoing electricity crisis. We are currently evaluating the findings of an external assessment.

LOOKING FORWARD

Retail channel demand pressure is expected to continue. We anticipate the food service channel to show resilience as local tourism rates improve and the channel offers a convenient alternative to consumers during times of load-shedding. We anticipate that the export channel will benefit from improved average foreign exchange rates from the third quarter, as well as an improvement in cost recoveries as our volume production increases with the addition of new customers.

Operating conditions will remain tough. Inflation broke through the 7% mark in February 2023, with higher interest rates further constraining consumer spending. A reduction in inflation is not anticipated until the second half of 2023 and interest rates are likely to remain elevated.

In this environment, our capital allocation strategy will focus on the top six divisions where we will seek to extend our product ranges and improve our manufacturing efficiencies. Budgeted capital expenditure for 2023 is R308 million.

We will also concentrate on renewable energy and sustainable water supply solutions to reduce the burden on our back-up power generation plants and further lower our dependence on existing utility infrastructure. Our operations can service the manufacturing facilities in stage 6 load-shedding, although at significant cost. Further direct load-shedding operating costs of at least R60 million are expected in 2023.

Our water contingency plans include either boreholes or storage tanks at major facilities, but storage capacity is limited. We are currently investigating off-grid water purification solutions. As this has a nine- to 12-month lead time, it is not an immediate solution.

The maintenance of appropriate inventory levels will receive particular attention to improve cash conversion. As net working capital levels will remain elevated to maintain customer service levels, we have revised our maximum working capital days target to a level of 14% to 16% of revenue in the short-term. We are enhancing inventory planning and sales forecasting capabilities through our ERP systems.

We are committed to the repositioning of our portfolio towards value-added food categories in the forthcoming year, placing an increasing emphasis on delivering value from the HPC division and other lower economic profit operations. Our focus on extracting value from those businesses which benefited from investments in capital projects over the last three years will support an improved return on invested capital.

Gross profit margins are expected to remain under pressure in the first half of the financial year with high manufacturing inflation and ongoing direct and indirect operating costs due to load-shedding. Additionally, consumer spending is expected to remain muted as shoppers increasingly seek value offerings across category price points.

Refer to results presentation for margin guidance

Protecting our gross and operating profit margins will be our foremost financial priority. We will manage our controllable overheads and aim to retain those below the current published inflation rate.

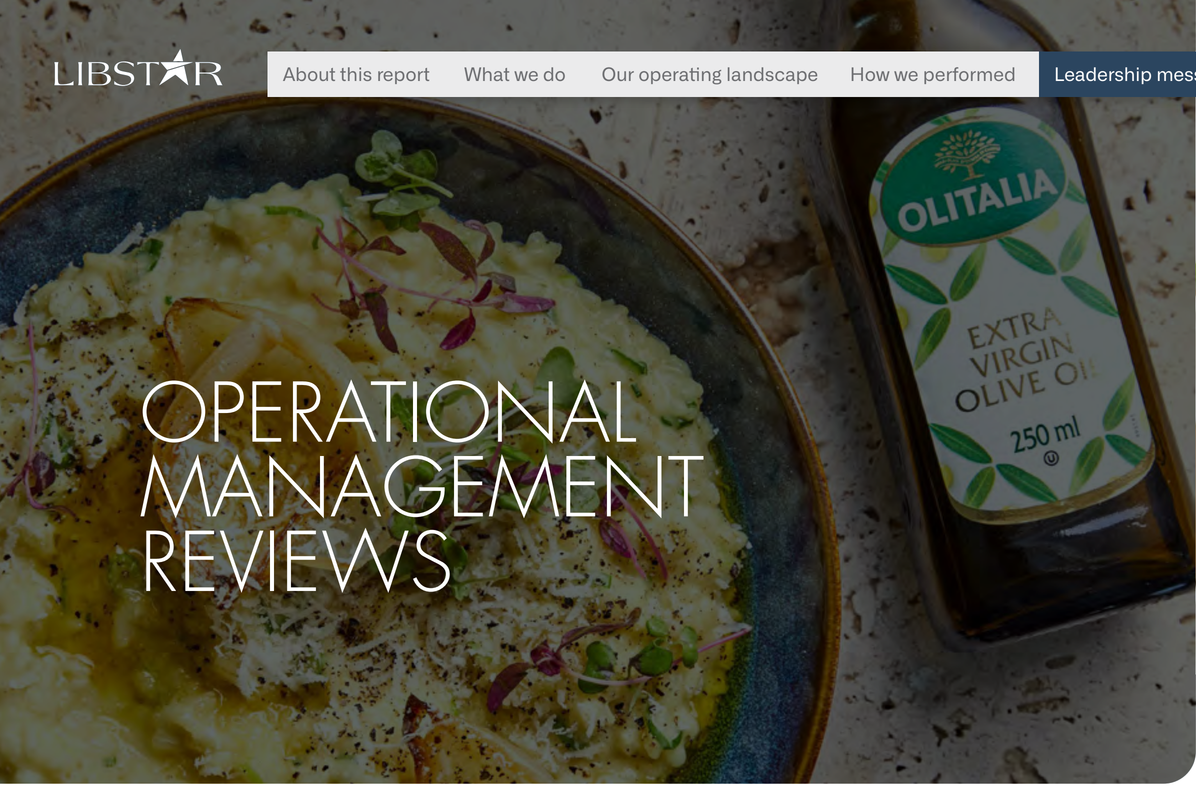
We will broaden product categories by providing innovative and alternative solutions to customers across various price points. Our entrenched customer relationships will contribute to our understanding of customer requirements in the current operating environment. We will concentrate on the management of the price/volume equation and the channel mix of each business. Our entrepreneurial and innovative culture lends itself towards an agile response in fluid circumstances.

Notwithstanding the clear headwinds facing the food producer industry, I am confident that our multi-channel exposure provides a resilient platform for longer-term stakeholder value creation.

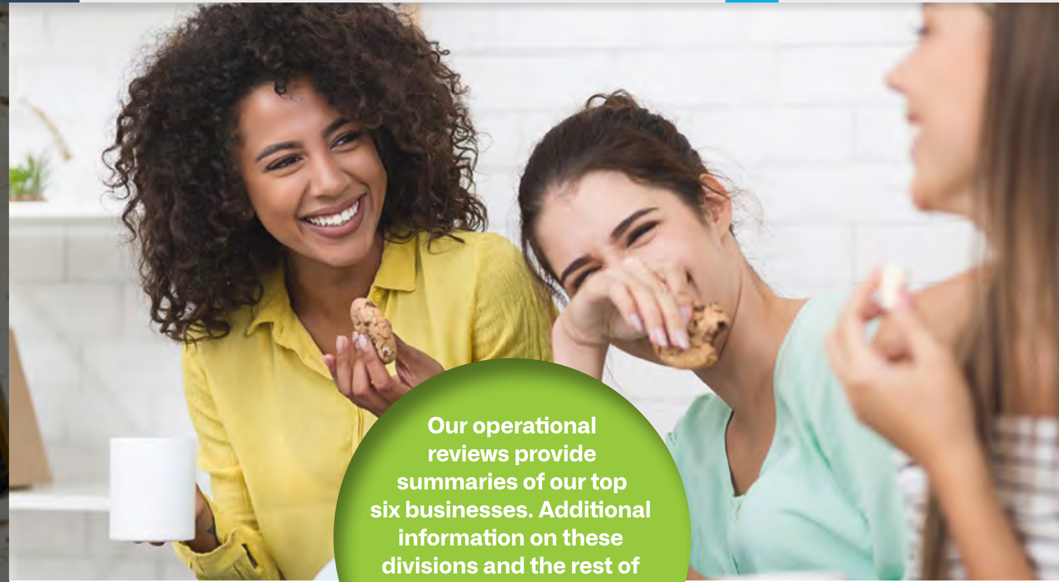
APPRECIATION

The first few months of my tenure have, of course, been challenging given the current market conditions. I am thankful for the support of divisional and Group management, the board, our people, trading partners and other stakeholders.

As we look ahead to another challenging year, I believe the strong resolve of our people will provide the necessary impetus to unlock value for all stakeholders.



OPERATIONAL MANAGEMENT REVIEWS



Our operational reviews provide summaries of our top six businesses. Additional information on these divisions and the rest of the group is included throughout the report.

As outlined in the Chief executive officer's review and in Our strategy, the top six businesses in the group contribute

80%

of the Group's intrinsic value.

LANCEWOOD® – Go to **page 52**
FINLAR FINE FOODS EST. 1994 – Go to **page 54**
CapeHerb&Spice™ – Go to **page 57**
RIALTO – Go to **page 59**
AMBASSADOR FOODS EST. 1989 – Go to **page 62**
AMARO FOODS – Go to **page 65**

OUR DIVISIONS WERE IMPACTED BY THREE KEY FACTORS THIS YEAR:

- Unprecedented levels of load-shedding
- Inflationary impact of sharply rising input costs
- Export and supply constraints

Information on the impact and responses of these factors are outlined in **Operating conditions** and not repeated in these reviews.

PERISHABLES

LANCEWOOD	FINLAR FINE FOODS	RIALTO	DENNY	Millennium Foods	Umatie
Value-added dairy	Value-added meat products	Value-added dairy and deli	Fresh mushrooms	Convenience meals	Baby food, readymade frozen meals

Lancewood and Finlar Fine Foods are the main contributors to this category.

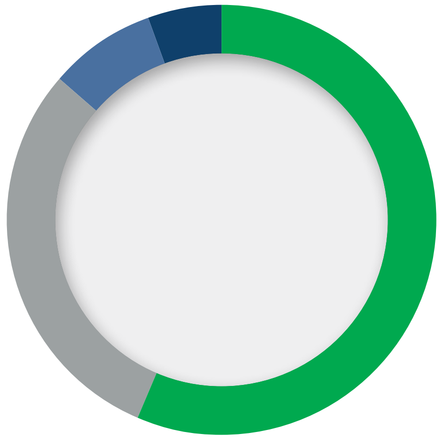
They contributed 88% of the category's normalised EBITDA. This review therefore includes their performance as the key drivers of the results of the category.

THIS CATEGORY CONTAINS PRODUCTS THAT ARE REFRIGERATED OR FROZEN.

THE PERISHABLES CATEGORY CONTRIBUTED:

51% 
of group revenue
(2021: 52%)

44%
of group normalised EBITDA before corporate costs
(2021: 39%)



57%
Retail and wholesale
(2021: 58%)

30%
Food service
(2021: 28%)

8%
Industrial and contracting manufacturing
(2021: 8%)

5%
Exports
(2021: 5%)

BUSINESS LEADER:
Cornél Lodewyks

LANCEWOOD®

Lancewood was founded in 1996 and produces a range of dairy products at its state-of-the-art manufacturing facilities.

These are strategically situated in close proximity to local farms, ensuring fresh milk is delivered daily. This rich, creamy milk is critical to the production of Lancewood products, which are renowned for their distinctive taste and quality.

PRODUCTS

- Cheddar
- Gouda
- Mozzarella
- Cottage cheese
- Cream cheese
- Mascarpone
- Yoghurt
- Whey powder
- Sour cream
- Spreads
- Sauces
- Maas
- Buttermilk
- Cream
- Pasteurised milk
- Juice
- Dips
- Processed cheese
- Butter
- Cultured cream

KEY IMPACTS*

Higher cost of capital and devaluation of the Rand

A higher cost of capital increased our borrowing costs, while the devaluation of the Rand increased the cost of imported raw materials and brands.

Delayed earnings realisation on capital projects

Capital projects gained significant traction towards the end of the second half of the year. The new pre-packed hard cheese packaging and the newly-installed grating and dicing lines are delivering pleasing progress.

The previous year's investment at our Swellendam facility has provided Lancewood with an additional 7 000 tonnes of hard cheese production capacity. The investment is meeting the Group's return on investment criteria. It generated income of R22 million during 2022.

The commissioning of our pre-packed hard cheese packing facility in George was delayed, with output affected during the first half of the year. We recovered in the second half of the year, which grew our pre-packed hard cheese volume by 10%.

* Our divisions were impacted by three key factors this year. Information on these impacts and responses are outlined in Operating conditions and not included again in these reviews.

HOW DID WE ADD VALUE THIS YEAR?

Despite difficult trading conditions, we delivered on our core purpose of being a consumer-centric, value-added dairy manufacturer

Our capacity and margin enhancing projects of pre-packed hard cheese packing and dicing production lines will add value. This investment supports our strategy of growing higher-margin, valued-added convenience products in the dairy category across various usage occasions.

We also improved net working capital from the first half to the second half, with optimal inventory levels achieved.

LANCEWOOD *continued*

KEY SUCCESSES

Successful milk balancing ensured consistent supply of our products to meet growing consumer demand.

Lancewood brand revenue grew at

19%

Market shares gains across key categories on the Lancewood brand

Total natural cheese:

Share gain

2.2%

with 14% growth

Soft cheese:

Share gain

1.1%

with 8% growth

Double cream yoghurt:

Share gain

3.1%

with 27% growth

Pre-packed hard cheese grew by

10%

in volume despite many challenges experienced during the first half with our new packing line. It gained 2.8% market share.

Yoghurt grew by

24%

This was ahead of the market.

150%

increase in spontaneous brand awareness of Lancewood yoghurt.

TOP CONSUMER TRENDS

Consumer requirement for healthy alternatives

Our response

We constantly expand our product portfolio to cater for different consumer lifestyle or product needs, such as lactose intolerance, sugar-free alternatives, high-fat diets, or guilt-free treats.

Consumer need for convenience

Our response

We provide lunchbox friendly and on-the-go yoghurt and cheese snacking solutions for the whole family.

Increased consumer online presence

Our response

We continued to entrench our online presence through social media and digital platforms. Lancewood is the top South African food and beverage brand on Facebook.

FOCUS AREAS GOING FORWARD

Ongoing management of the key conditions that impacted us this year, with a focus on margin improvement through price realisation, production efficiencies, improved product mix and innovation.

Further improvements to:

- **01 Quality**
- **02 Capital projects**
- **03 Procurement**
- **04 Innovation and renovation**
- **05 Business intelligence tools**
- **06 Training and development**

Cash generation through inventory management.

Further cost-saving initiatives.

Protection of our milk source.

Ongoing brand entrenchment.

Operational management reviews / Perishables *continued*

BUSINESS LEADER:
Tim Judge

Finlar Fine Foods (Finlar) manufactures red and white meat products, as well as vegetable products for the retail and food service markets. The company's first plant was established in Cape Town in 1994, with a second operation opened in Johannesburg in 1995.

PRODUCTS

- Formed patties
- Value-added coated beef and chicken products
- Value-added coated plant-based proteins

KEY IMPACTS*

Investment requirements for global manufacturing quality assurance

Global food and quality assurance processes continue to evolve. This requires significant investment in quality and technical aspects of our facilities to maintain the highest standards.

Tough economic environment

The tough economic environment required us to work closely with customers on price increases. The pressure on our employees also led to challenging wage negotiations. We reached an amicable agreement without any labour action.

Turnaround programme

Our two-year turnaround programme improved operational plant efficiencies, with the investment in technology improving our manufacturing yield and inventory controls.

HOW DID WE ADD VALUE THIS YEAR?

Finlar introduced category management into its two key customer retail accounts. We have identified growth opportunities, with strategic plans being developed in partnership with our customers.

In line with our focus on innovation, we further improved and expanded products. This included extrusion, fully-cooked and uncoated offerings, as well as refining packaging formats to improve recyclability and shelf life.

* Our divisions were impacted by three key factors this year. Information on these impacts and responses are outlined in Operating conditions and not included again in these reviews.

Finlar Fine Foods *continued*

KEY SUCCESSES

Finlar continued to invest in systems, skills and operational factory improvements. This resulted in increased overall equipment effectiveness and an improved fully-absorbed margin.

Achieved service levels of more than

97%

We improved operational efficiencies, with a

5%

improvement in beef process efficiencies

TOP CONSUMER TRENDS

At Level 5-6 load-shedding, South Africans spend 60% more on eating out, ordering in or buying fully or partially-cooked meals

Our response

We are utilising our manufacturing facility to tap into this market with fully-cooked and partially-cooked products.

Consumers continue to look for quality frozen products

Our response

We manufacture private label and branded frozen crumbed chicken for several retailers. Our frozen retail chicken category grew ahead of the market.

Stretched consumers are looking for affordability, with chicken growing in popularity

Our response

We manufacture coated, uncoated and bone-in chicken products. This offers a wide range of products to consumers.

FOCUS AREAS GOING FORWARD

Ongoing management of the key conditions that impacted us this year, with a focus on innovation, addressing the opportunities in our categories and investing in additional capacity.

Address the risk of local competition within our quick-service restaurant product range. We will do this through growing our exposure to both the export channel and the value-added product range within the local market.

Target the rest of Africa and the Middle East. Our facilities are Halaal certified.

Develop new categories with existing customers to broaden our service offering.

Operational management reviews *continued*

GROCERIES

Cape Herb & Spice™ | Cape Foods — Dry condiments
Rialto — Groceries
Libstar Chamonix Spring Water | Khoisan gourmet — Bulk tea and beverages
Cape Coastal Honey | Cecil Vinegar Works | Montagu Foods | DickonHallFoods — Wet condiments

Cape Herb & Spice (the largest exporter in the Group) and Rialto (the largest importer in the Group) contributed 61% of normalised EBITDA in this category. This review therefore includes their performance as the key drivers of the results of this category.

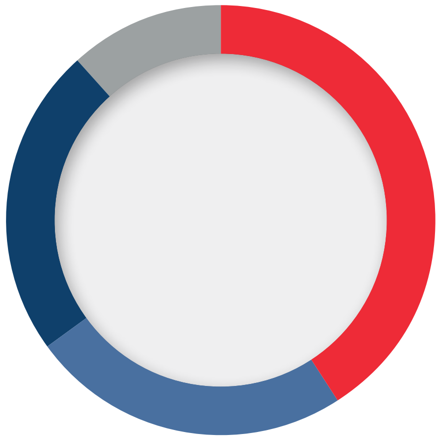
GROCERIES ARE PRODUCTS THAT ARE STORED AND PRESERVED AT ROOM TEMPERATURE.

THE GROCERIES CATEGORY CONTRIBUTED:

31%

of group revenue
(2021: 31%)

39%
of group normalised EBITDA before corporate costs
(2021: 43%)



41%
Retail and wholesale
(2021: 42%)

24%
Industrial & Contract Manufacturing
(2021: 21%)

23%
Exports
(2021: 28%)

12%
Food service
(2021: 9%)

BUSINESS LEADER:
Paul Jibson

CapeHerb&Spice™

Cape Herb & Spice was founded in 1994 and procures, blends, treats, packages and sells a wide range of herbs and spices as private label and branded products to local and global retailers.

PRODUCTS

- Herbs and spices
- Seasonings
- Dessert decoration products

CAPE FOODS
Purveyors of Fine Foods

The Group expanded its export and dry condiment category with the acquisition of Cape Foods in November 2022.

As the business was only included for two months of the financial year, information has been included in the Cape Herb & Spice divisional overview.

Refer to **the Chief executive officer's review.**

KEY IMPACTS*

Lack of critical skills

Securing or developing specialist internal industry skills continue to be a challenge. To address this, we have amended our approach and appointed a highly experienced senior practitioner to develop a team and expand our technical capacity.

Regulatory changes

Amendments to food safety and compliant ingredients often lead to complex logistical challenges. In 2020, regulations were changed for nearly 60 different pesticide residues. In 2022, regulations around mineral oil hydrocarbons in food were published. These new requirements are sometimes implemented with immediate effect. This complicates sourcing, as growers can often only change their techniques to comply with the new regulations in the following crop season.

* Our divisions were impacted by three key factors this year. Information on these impacts and responses are outlined in Operating conditions and not included again in these reviews.

HOW DID WE ADD VALUE THIS YEAR?

Following efficiency improvements last year, Cape Herb & Spice improved technology and business intelligence tools to manage supply chain disruptions.

The acquisition of Cape Foods allowed for cross-selling opportunities. An example includes a current customer buying tea from Khoisan Gourmet. Cape Foods also assisted with the product development and cost engineering for the Jan Braai dry condiments range.

CAPE HERB & SPICE *continued*

KEY SUCCESSES

Developed a differentiated range for discounters.

Launched an eco-clip grinder which contains **30%** less plastic.

TOP CONSUMER TRENDS

Requirement for more environmentally-friendly packaging

Our response

We continue to launch environmentally-friendly options.

Refer to **ESG strategy.**

Consumer convenience, which includes easier cooking methods

Our response

Cape Foods developed a specific innovative spice Air Fryer range.

Strained consumers searching for cost-effective options

Our response

We sell a range of economically priced products through our channel of global discount grocers.

FOCUS AREAS GOING FORWARD

Ongoing management of the key conditions that impacted us this year, with a focus on increasing volumes, margins and cost containment.

Improved information tools to provide a higher level of visibility for decision-making.

Optimise cross-selling opportunities and assist with the integration of Cape Foods into the Libstar stable.

> "We will optimise cross-selling opportunities in the Libstar stable."

Operational management reviews / Groceries *continued*

BUSINESS LEADER – RETAIL AND FOOD SERVICE:
Derek Couzens

BUSINESS LEADER – PRIVATE LABEL:
Roan Dowling

RIALTO

Rialto sources, imports and procures local food and packaging products in private label or leading international brands.

As part of an integrated solution, Rialto offers our customers sourcing, supply chain, compliance, marketing, sales and value-add manufacturing in some products and categories.

Rialto is the exclusive importer and distributer of several leading international brands in South Africa.

PRODUCTS

- Pasta, rice and noodles
- Sauces and condiments
- Oil, vinegar and dressings
- Canned products

KEY IMPACTS*

Devaluation and volatility of currency on landed costs

Whilst global freight costs and reduced energy costs in Europe during the fourth quarter mitigated extreme price increases going forward to some extent, this is strongly countered by the current deterioration of the Rand.

We are focusing on buying forward and hedging where appropriate.

Regulatory changes

We had to manage numerous changes to regulations. These included:

- Amended regulations from the government veterinarian for our chilled products. This results in delayed delivery times, which reduce our product life.
- The Waste Act and its impact on extended producer responsibility and the management of packaging waste.

To ensure compliance, we engage with relevant regulatory bodies and suppliers.

We have joined several Producer Responsibility Organisations to ensure compliance across a range of packaging materials.

HOW DID WE ADD VALUE THIS YEAR?

We extracted supply chain efficiencies through the Libstar logistics model. This resulted in significant savings for participating Libstar divisions.

We also enhanced inventory planning and sales forecasting through the use of Libstar's enterprise resource planning system.

We successfully launched value-added offerings and improved yields and efficiencies in the manufacturing facility.

> "We enhanced inventory planning and sales forecasting through the use of Libstar's enterprise resource planning system."

* Our divisions were impacted by three key factors this year. Information on these impacts and responses are outlined in Operating conditions and not included again in these reviews.

Operational management reviews / Groceries *continued*

RIALTO *continued*

KEY SUCCESSES

The food service channel continued its recovery post-COVID, with

30%

growth this year.

11 SKUs*

were relaunched in recyclable packaging for a key retail customer. We also launched private label eco-sensitive retail packaging.

* Stock-keeping units/products

We maintained high levels of service delivery even with severe load-shedding and port disruptions.

We continued to meet operational standards by adhering to customer and prescribed compliance audits.

TOP CONSUMER TRENDS

Increased requirements for responsible operations and environmentally-friendly packaging

Our response

We expanded sustainable packaging from only five products in 2018 to more than 130 current products. This includes a new range of eco-sensitive packaging into retail under private label and our own Precious Planet brand.

We are also addressing our Extended Producer Responsibility compliance in terms of the Waste Act. We are strengthening our current partnerships with established Producer Responsibility Organisations to increase our participation in nominated projects, such as the Fibre Circle and its projects around paper recycling infrastructure development.

Our social media campaigns continue to focus on influencers and remaining relevant to younger generations.

Online ordering in the quick-service restaurant channel in the food service category

Our response

We have focused on the development of our packaging design and materials to meet the demands of online ordering and supply chain to the market and home consumption.

The return to certain historic pre-COVID-19 trends, including snacking

Our response

Product innovation and consumer sales are shifting back to convenience and value-add as consumers have transitioned back to the office and schools. Sales of both ambient and chilled snacking products continue to increase. The range and sales of entertainment and event solutions continued to grow.

FOCUS AREAS GOING FORWARD

Ongoing management of the key conditions that impacted us this year, with a focus on cost reduction, while ensuring a careful balance between under- and overstocking in the face of an erratic supply chain.

Improvement programmes that focus on:

- Growth category development.
- Margin management.
- Protection of assets, with a focus on people, fixed assets, stock and cash.
- Warehouse and distribution efficiencies to address rising costs.

Enhancing growth categories within the international brands portfolio.

> Significant growth in sustainable packaging, with only five products in 2018 to more than 130 current products.

Operational management reviews *continued*

SNACKS & CONFECTIONERY

Cereals, bars, nuts, seeds and fruit, spreads and confectionary

Ambassador Foods contributes 79% of normalised EBITDA in this category. This review therefore focuses on this division's performance as the key driver of this category.

THESE PRODUCTS RESPOND TO THE CONSUMER'S DEMAND FOR CONVENIENCE AND "ON-THE-GO" SNACKING.

THE SNACKS & CONFECTIONARY CATEGORY CONTRIBUTED:

4%

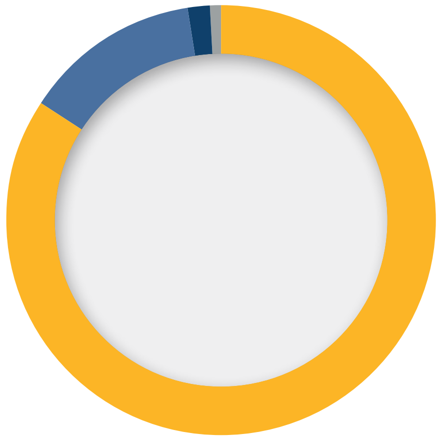
of group revenue

(2021: 5%)

9%

of group normalised EBITDA before corporate costs

(2021: 9%)



84%
Retail and wholesale
(2021: 81%)

13%
Industrial & Contract Manufacturing
(2021: 17%)

2%
Exports
(2021: 1%)

1%
Food service
(2021: 0%)

Operational management reviews / Snacks & Confectionery *continued*

BUSINESS LEADER:
Rani Bosch

Ambassador Foods specialises in the import and export of varieties of edible nuts, dried fruit, seeds and related snack products. The business is the major supplier to a range of well-known retail groups, with some relationships spanning more than 20 years.

PRODUCTS

- Cereals: granola, muesli, pops
- Bars: health, snack, protein and confectionery bars
- Nuts, seeds and fruit: various flavours and mixes
- Spreads: nut, seed and indulgent spreads
- Confectionery: Turkish delight, nougat, fudges
- Vacuum crisps
- Vegan cheese

KEY IMPACTS*

Foreign exchange fluctuations

As a large importer, we currently manage this through forward exchange contracts. We are also focusing on growing our export market as a natural hedge.

Manufacturing waste

We currently have significant off-cuts from our plastic moulding. As these are fully recyclable, we are investigating opportunities for recycling to achieve cost rebates. We are also analysing our processes to further minimise waste.

Wage negotiations in tough market conditions

We have focused on constructive labour relations with our teams. This resulted in successful wage negotiations this year. This year was also the final implementation of a three-year pension plan agreement.

HOW DID WE ADD VALUE THIS YEAR?

Each factory now has a waste recycling plant.

We have converted all the products for a key retailer to recyclable packaging.

* Our divisions were impacted by three key factors this year. Information on these impacts and responses are outlined in Operating conditions and not included again in these reviews.

Operational management reviews / Snacks & Confectionery *continued*

Ambassador Foods *continued*

KEY SUCCESSES

We are growing
+1.1%
ahead of the market at
-0.1%

TOP CONSUMER TRENDS

Customer requirement for alternative offerings, such as plant-based products

Our response
This continues to be a major focus. We are currently reviewing options for a macaroni and cheese made with nut-based cheese.

Customer shopping behaviour normalising after COVID-19, with a requirement for out of home snacks

Our response
We continued with innovation and have seen an increase in the smaller 30g packages of nuts.

Consumer focus on value offerings

Our response
We have successfully launched new nut mixes, which is an alternative option to luxury nuts. We are also evaluating flavour extensions in nuts and additional mixes this year.

We launched a 1kg value offer of almonds, and are launching a bulk bar offering at a lower price point.

FOCUS AREAS GOING FORWARD

Ongoing management of the key conditions that impacted us this year, with a focus on meeting customer requirements after the extreme volatility of 2022.

Centralising functions and investing in talent management. We are consolidating certain functions under a revised senior management team. This will improve efficiencies and decision-making.

Efficiency increases. We will work closely with customers to continue to create innovative products. We are also identifying supply chain improvements to offer reduced prices on the shelf for strained consumers.

Several product innovations planned, with around 30 new SKUs* to be launched.

Expanding customer base.

* Stock-keeping units/products

> We have converted all the products for a key retailer to recyclable packaging.

Operational management reviews *continued*

BAKING & BAKING AIDS

Baked goods

Baking aids

The Baking & Baking Aids category sells an extensive range of baking products to leading retailers in South Africa, as well as to businesses operating in the food service industry.

Amaro Foods accounts for the bulk of the Baking & Baking Aids category EBITDA. This review focuses on this business' performance as the main driver of the results of the category.

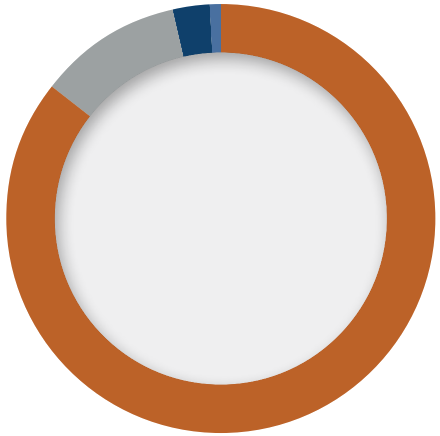
THE BAKING & BAKING AIDS CATEGORY CONTRIBUTED:

8%

of group revenue
(2021: 9%)

7%

of group normalised EBITDA before corporate costs
(2021: 8%)



86%
Retail and wholesale
(2021: 84%)

11%
Food service
(2021: 11%)

3%
Exports
(2021: 4%)

1%
Industrial & Contract Manufacturing
(2021: 1%)

BUSINESS LEADER:
Tony Amaro

AMARO FOODS

The Amaro Foods bakery produces products of the highest quality, using traditional processes and ingredients. Amaro Foods also has a separate gluten-free processing facility.

PRODUCTS

- Wraps
- Croissants
- Gluten-free baked products
- Hot cross buns
- Naan breads
- Soft white and brown rolls
- Speciality breads, rolls and baguettes
- Confectionery/sweet range

KEY IMPACTS*

Inconsistent flour quality impacted order fill and waste

We included secondary suppliers that reduced waste by 50% and improved order delivery.

Reduction in volumes in retail in the second half of 2022

We exited slow-selling lines and extended core lines to more stores.

HOW DID WE ADD VALUE THIS YEAR?

We upgraded our par-bake frozen line and successfully launched in five retail stores. This will be launched nationally from this year.

We improved employee programmes, including a bursary programme and upgraded employee facilities.

* Our divisions were impacted by three key factors this year. Information on these impacts and responses are outlined in Operating conditions and not included again in these reviews.

AMARO FOODS *continued*

KEY SUCCESSES

A successful Easter period, with
16%
growth in value and 6% in volume

Certain par-baked lines have now been successfully rolled out.

TOP CONSUMER TRENDS

Consumer requirement for healthier options, such as plant-based, ethical food sources and bread products with nutritional additives

Our response
Ongoing focus on using quality, natural ingredients with reduced sugar and sodium.

Consumer focus on quick service restaurants and convenience

Our response
Our new wrap line and par-baked offering will meet this growing demand.

FOCUS AREAS GOING FORWARD

Ongoing management of the key conditions that impacted us this year, with a focus on mitigating load-shedding costs by securing bulk costs on diesel and passing through required price increases to customers.

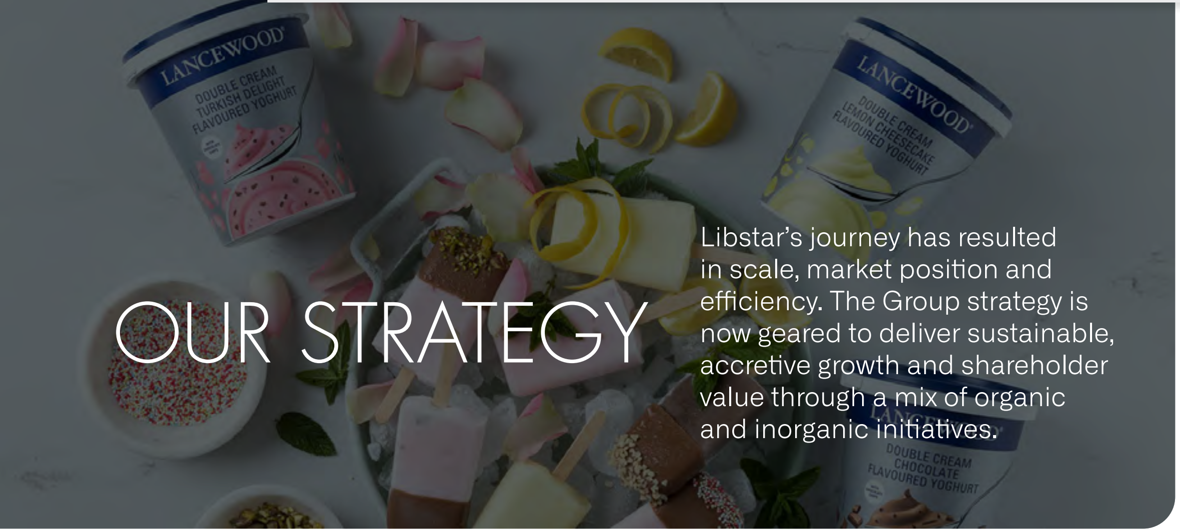
Grow our customer base in the quick-service restaurant and export category. The commissioning of the new wrap line will significantly increase our capacity.

Secure additional secondary suppliers for especially flour.

Re-engineer core lines with low volumes.

> "We included secondary suppliers that reduced waste by 50% and improved order delivery"

Where we are going



OUR STRATEGY

Libstar's journey has resulted in scale, market position and efficiency. The Group strategy is now geared to deliver sustainable, accretive growth and shareholder value through a mix of organic and inorganic initiatives.

FC IC

MEANING OF ICONS

Management and the board subscribe to the principles of value-based management. A comprehensive assessment of the historic and forecast economic profit of each Libstar division was conducted. The businesses have been grouped in categories and critical success factors have been identified to focus our value-creation efforts.

Our evaluation established that the top six divisions – the Stars – drive 80% of the past and projected intrinsic value of the group.

Refer to the **Chief executive officer's review** for additional information.

We have historically been an exclusively decentralised group with a diversified portfolio of both value-added and non value-added food and non-food categories. The focus was on the reinvestment of capital in all of the divisions. Our refined strategy will focus on accelerating the clustering and integration of certain divisions, simplifying the portfolio and allocating capital to the top six divisions.

The success of this strategy will be measured by our ability to continue to operate the top six divisions in a decentralised manner going forward, with more coordination in the remainder of the portfolio.

By 2026 we want the portfolio to comprise exclusively of value-added food operations and for us to deliver on our return on invested capital and economic profit targets.

WHAT DOES OUR STRATEGY AIM TO ACHIEVE?

THE PAST
2017 – 2022

- Exclusively decentralised group
- Diversified portfolio
- Capital reinvestment

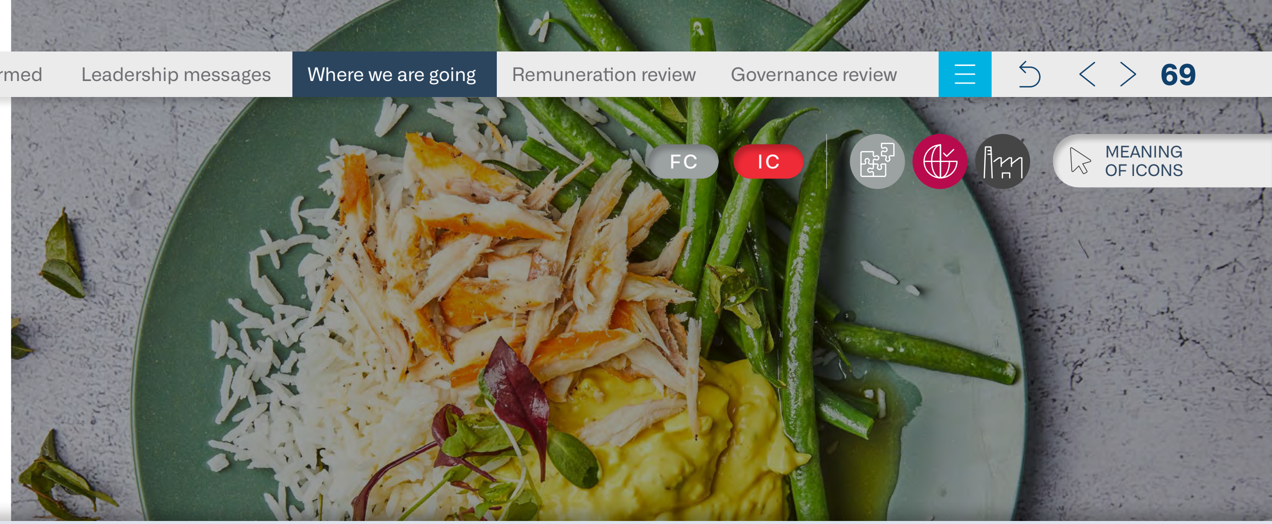
THE PRESENT
2023 – 2024

- Accelerate clustering and integration of certain divisions
- Simplify the portfolio
- Capital prioritisation in top six divisions

THE FUTURE
2024 – 2026

- Top six decentralised, with increased coordination in remainder of portfolio
- Portfolio comprising exclusively of value-added food operations
- Deliver return on invested capital above the weighted average cost of capital + 2%

Our strategy *continued*



Our businesses have been grouped in categories – Stars, Rising Stars and Under-performers. Each category has clear success factors in place to deliver on the Group's strategy and improve returns.

01 The Stars

LANCEWOOD® | Cape Herb & Spice™ | Ambassador Foods | Rialto | Amaro Foods | Finlar Fine Foods

* khoisan gourmet | Cape Foods | Cape Coastal Honey | Millennium Foods

* While not part of the top six, these divisions are included in the Stars category as they are clustered with a top six division management team, or they have returns in line with the Group's strategy to create stakeholder value and improved return on invested capital.

Critical success factors

- Deliver economic profit targets on around R1.1 billion capital expenditure since 2018
- Successfully integrate Cape Foods and deliver an internal rate of return on the acquisition that is more than the weighted average cost of capital +2%
- Expand the export channel
- Protect and grow market share
- Prioritise capital allocation to positive net present value projects and where best returns will be achieved

02 Unlock value from the Rising Stars

Cani | Cecil Vinegar Works | Libstar Chamonix Spring Water | Umatie | DickonHallFoods | Montagu Foods | Retailer Brands

Critical success factors

- Deliver scale from combined sales and marketing
- Investigate further operational and back-office integration
- Grow wholesale channel representation

03 Address underperforming and marginal return units

Libstar Household & Personal Care | Denny

Critical success factors

- Deliver sustainable results from the HPC turnaround
- Critically assess value-unlocking options

ESG STRATEGY

As part of the redefinition of our strategy, we have spent significant time evaluating how we operate and what our purpose means. As a food business, we have the pleasure of playing a role in creating happy memories in people's homes. We are conscious that our production processes of creating and supplying good food involve using natural and human resources.

We carefully considered these aspects and our overall role in society during the process of defining our company strategy.

We defined a five-year environmental, social and governance (ESG) strategy in 2021, with action plans and measurement criteria. The strategy comprises a single framework for sustainability to be applied throughout the Group. The goals set out will guide Libstar's actions to 2025 and beyond.

The overall Group and ESG strategies are driven by the chief executive officer. He is responsible for the integration of the ESG strategy into the business. The execution of the strategy is supported by the executive and senior management at each division.

MEANING OF ICONS

KR3, 4, 5, 6

LIBSTAR

PURPOSE
Enriching People's Daily Lives

VISION
To be a sector-leader in sustainable practices

Three initial pillars of Libstar's sustainability strategy

1 **ENVIRONMENT**
- CLIMATE ACTION
- ENERGY USE
- WATER MANAGEMENT
- WASTE MANAGEMENT

2 **SOCIAL**
- HUMAN RIGHTS
- HEALTH, SAFETY & WELLBEING
- DIVERSITY, INCLUSION & EQUITY
- FOOD SAFETY
- POSITIVE NUTRITION
- SUSTAINABLE & RESPONSIBLE SOURCING
- COMMUNITY ENGAGEMENT

3 **GOVERNANCE**
- ANTI-BRIBERY AND CORRUPTION
- DATA AND IT SECURITY

SUPPORTED BY: VALUES • CULTURE • ETHICS • TRANSPARENCY

ESG strategy *continued*

Measures have been defined for each risk area. Several of these measures are already entrenched at the Group, with monitoring and reporting. These include measures around the social aspects of ESG.

Although we measure a number of other outputs, such as water, waste and energy for our carbon tax calculations, we are now further refining these processes to also include clear risk minimising strategies.

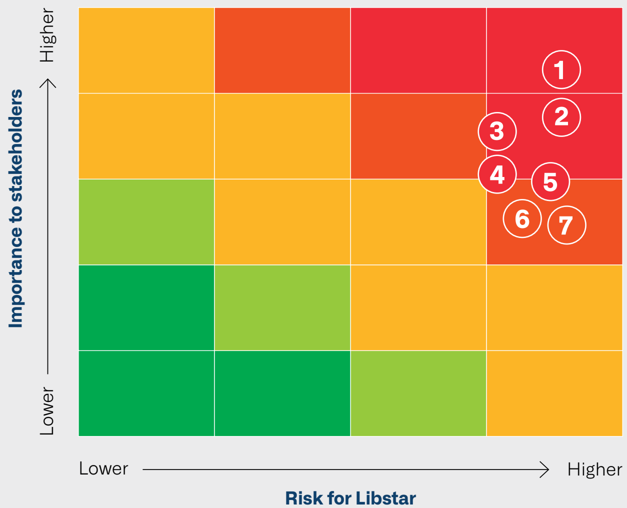
ACHIEVEMENTS THIS YEAR

- Appointed dedicated ESG resources to assist in driving implementation.
- Identified short-term improvements.
- Signed off a longer-term action plan.
- Expanded carbon footprint data.

AREAS TO FOCUS ON

- Fully integrate ESG matters with our business strategy and management processes.
- Link these measures to management's key performance indicators.
- Although measures have been defined, we have to set science-based targets from the baseline created by carbon footprint data.

ENERGY USE	Assess the options available to increase on-site renewable energy generation.
WATER MANAGEMENT	Develop baseline usage across Libstar's portfolio and supply chain.
WASTE MANAGEMENT	Develop a packaging waste strategy to be implemented across the group over the next five years.
HUMAN CAPITAL	Optimise performance and values-based culture.



LIBSTAR'S MATERIAL ESG RISKS

1. Water
2. Climate change
3. Sustainable and responsible sourcing
4. Waste management
5. Employee health, safety and wellbeing
6. Data and IT security
7. Positive nutrition

ENVIRONMENT

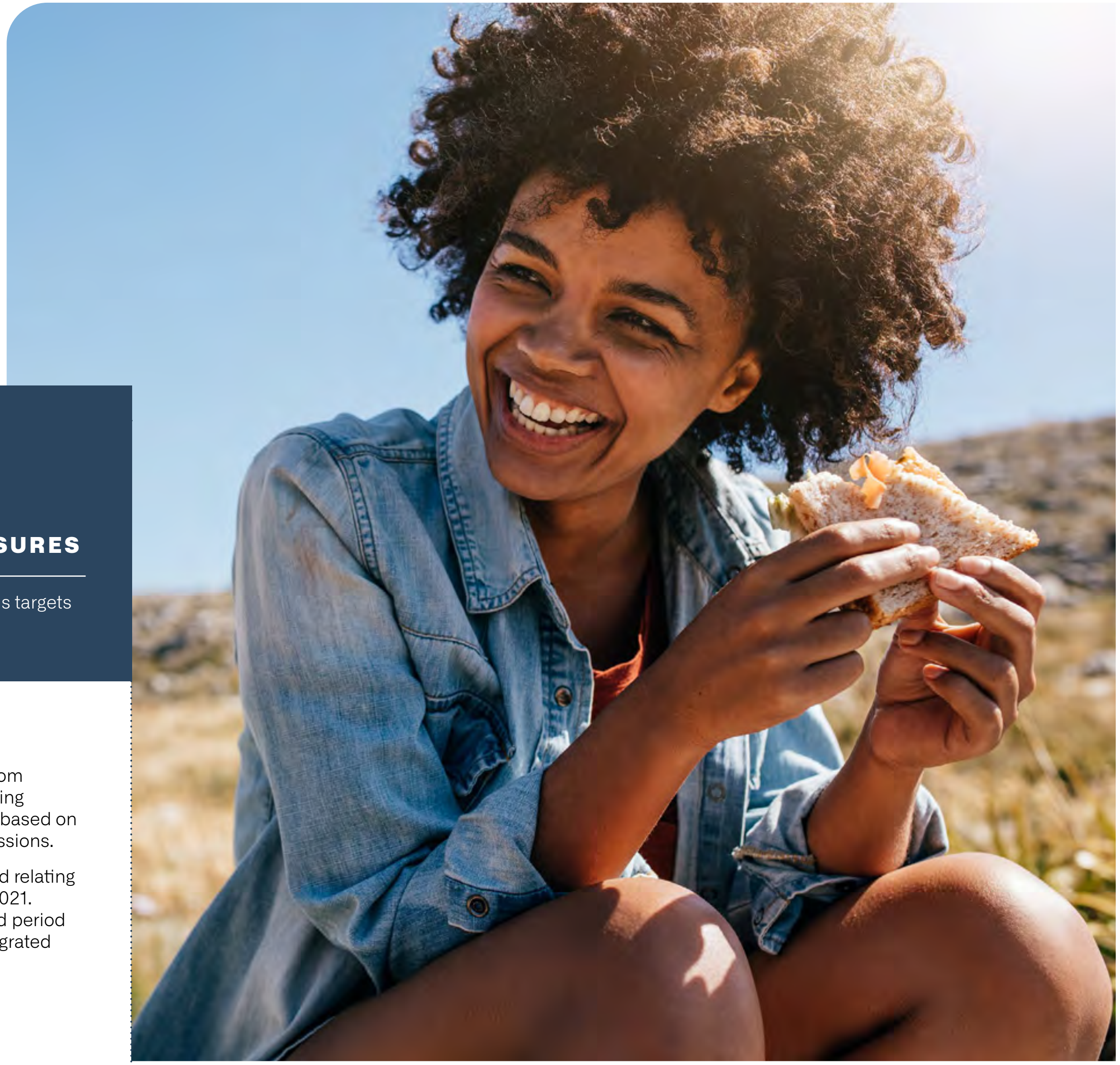
CLIMATE ACTION

Commitments

- Identify which reporting framework will be used.
- Conduct a climate risk assessment.
- Continue to assess the financial implications of carbon tax and associated emerging legislation.
- Engage with suppliers and value chain partners to reduce emissions in their operations and supply chains.

OUR FIVE-YEAR STRATEGY MEASURES

Science-based emissions targets



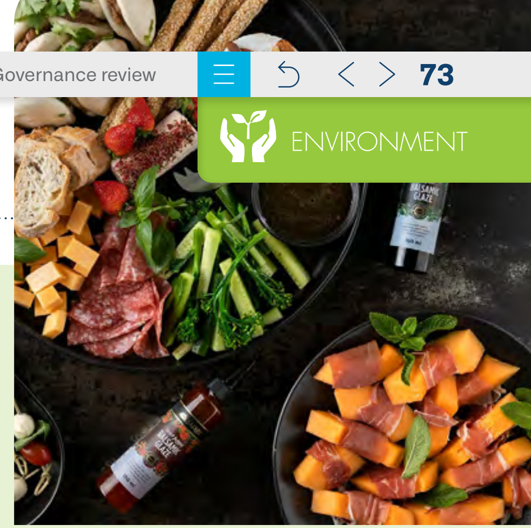
Our response

Libstar implemented systems to formally start measuring carbon emissions on 1 June 2019.

Taxpayers in the food processing, beverages and tobacco industries should exceed a threshold of 10MW before they become liable for registration in terms of the Carbon Tax Act. Once the threshold is exceeded, the CO_2 equivalent of the GHG emissions of the taxpayer is calculated by combining the emissions from fuel combustion, fugitive emissions and industrial emissions.

While Libstar does not emit GHG from fugitive emissions in its manufacturing processes, it is liable for carbon tax based on fuel combustion and industrial emissions.

A carbon tax of R1.9 million was paid relating to 1 January 2021 to 31 December 2021. This was the most recently assessed period at the time of finalisation of the integrated annual report.



CLIMATE ACTION *continued*

CARBON FOOTPRINT

Libstar's carbon footprint has been calculated since 2020.

Greenhouse gas emissions are measured in accordance with the GHG Protocol Corporate Standard (WRI & WBCSD, 2004) using the operational control approach.

Emissions associated with stationary combustion relate to fuel combusted in energy-generating equipment used by Libstar's divisions. As we have manufacturing operations, this is a significant source of emissions.

Fugitive emissions from refrigerator gas refills are reported for divisions where refills took place during the reporting year.

Fuels combusted in company-owned vehicles are included in Scope 1. Some data was provided in fuel quantities, while other data was provided in distances travelled per vehicle type. Forklifts are either electric or LPG.

Waste water treatment is reported as a direct source of emissions where this activity takes place onsite. This occurs at six of the divisions. Emissions are primarily in the form of methane and are calculated based on the volume of water treated and the average annual chemical oxygen demand.

All Scope 1 and Scope 2 emissions were measured in the last period, while limited Scope 3 emissions were included.

Municipal electricity use contributed 51% tonnes of CO_2e of the Group's total emissions, whilst stationary fuels comprised 24% tonnes of CO_2e of total emissions.

Scope 1

Stationary fuels
48 635 tonnes CO_2e
2021: 35 877

Fugitive emissions (Kyoto gases)
3 050 tonnes CO_2e
2021: 8 891

Company-owned vehicles
6 161 tonnes CO_2e
2021: 4 656

Wastewater treatment
1 547 tonnes CO_2e
2021: 384

Scope 2

Purchased electricity – location based
76 863 tonnes CO_2e
2021: 77 601

Scope 3

Category 1: Purchased goods and services (water consumption)
1 392 tonnes CO_2e
2021: 1 616

Category 5: Waste generated in operations
5 047 tonnes CO_2e
2021: 7 460

Category 6: Business travel
436 tonnes CO_2e
2021: 188

Category 9: Downstream transportation and distribution
6 249 tonnes CO_2e
2021: 5 836

Other direct emissions

Fugitive emissions (non-Kyoto gases)
278 tonnes CO_2e
2021: 2 130

Scope 3

Category 1: Purchased goods and services – Packaging
53 770 tonnes CO_2e

Category 3: Fuel and energy-related activities
35 293 tonnes CO_2e

During 2022, we increased the scope for Scope 3 emissions, by measuring "Category 1: Purchased goods and services - Packaging" and "Category 3: Fuel and energy-related activities" across the Group.

This is excluded from the total scope 3 emissions and total emissions for 2022 for comparability to 2021.

Scope 1 & 2
136 256 tonnes CO_2e
2021: 127 409

Scope 3
13 124 tonnes CO_2e
2021: 15 099

Other direct emissions
278 tonnes CO_2e
2021: 2 130

Total emissions
149 658 tonnes CO_2e
2021: 144 638

ENERGY USE

Commitments

- Measure the Group's baseline energy consumption.
- Reduce total Scope 1 and 2 carbon emissions arising from energy consumption.
- Assess the options available to increase on-site renewable energy generation.
- Establish science-based targets to be used across all divisions.
- Develop a roadmap towards a low carbon business (to meet the internal targets set).
- Become more efficient in our energy consumption across all operations.
- Improve data collection and reporting on energy use.

OUR FIVE-YEAR STRATEGY MEASURES

Reduction in total carbon emissions from energy use:

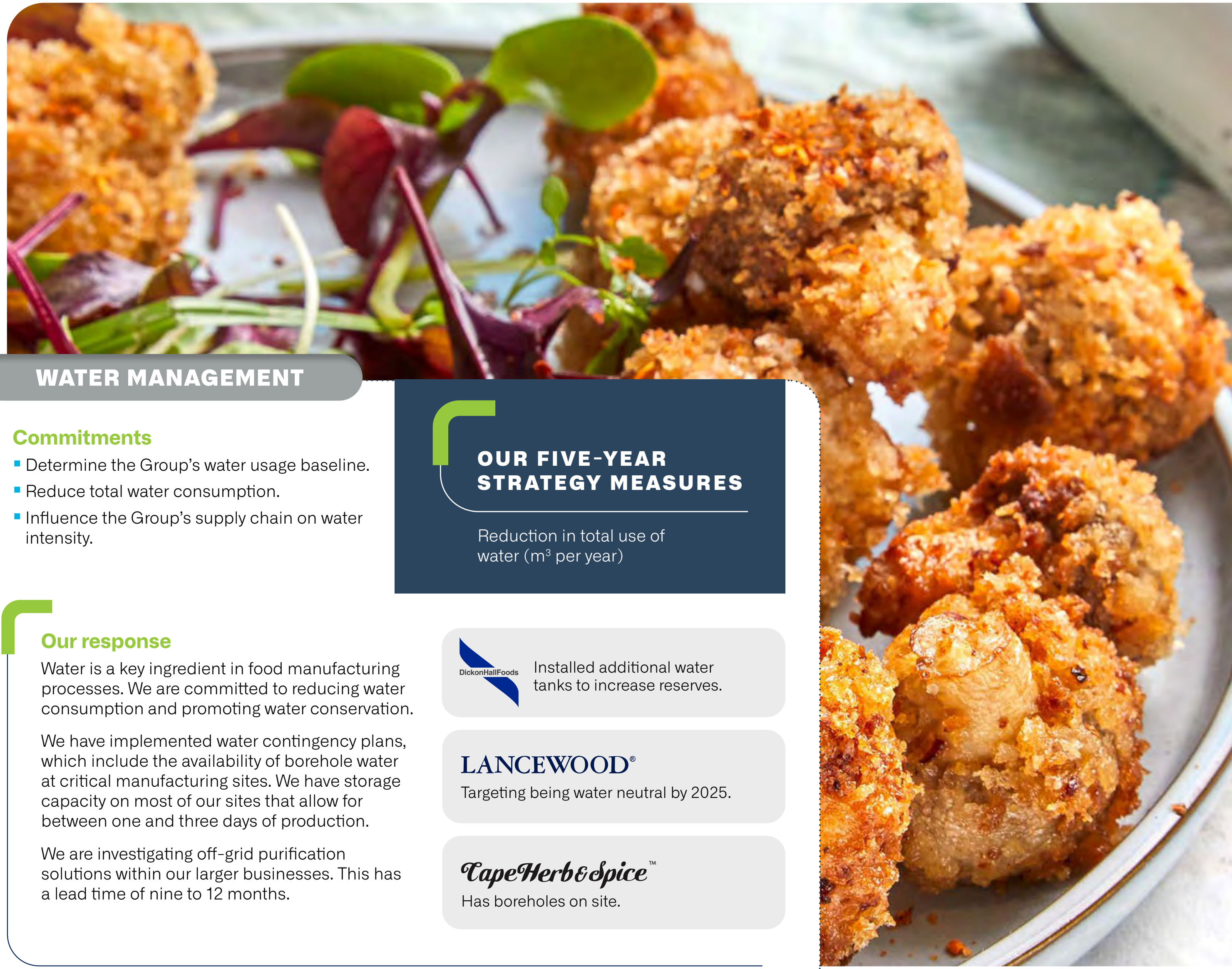
- Absolute (tons CO_2e)
- Intensity emissions per revenue (tonnes CO_2e/R)
- Intensity emissions per building area (tonnes CO_2e/m^2)

Our response

With the increase in load-shedding in South Africa, diesel use for generators has increased significantly, with R39,2 million spent on diesel in 2022.

We are evaluating alternative power solutions, with planned acceleration of solar photovoltaic use.

Refer to our **carbon footprint disclosure.**



WATER MANAGEMENT

Commitments

- Determine the Group's water usage baseline.
- Reduce total water consumption.
- Influence the Group's supply chain on water intensity.

OUR FIVE-YEAR STRATEGY MEASURES

Reduction in total use of water (m^3 per year)

Our response

Water is a key ingredient in food manufacturing processes. We are committed to reducing water consumption and promoting water conservation.

We have implemented water contingency plans, which include the availability of borehole water at critical manufacturing sites. We have storage capacity on most of our sites that allow for between one and three days of production.

We are investigating off-grid purification solutions within our larger businesses. This has a lead time of nine to 12 months.

DickonHallFoods
Installed additional water tanks to increase reserves.

LANCEWOOD®
Targeting being water neutral by 2025.

CapeHerb&Spice™
Has boreholes on site.

WASTE MANAGEMENT

WASTE STREAMS

Commitments

- Measure baseline data for waste streams.
- Reduce waste sent to landfill by being efficient in the use of resources and through reusing and recycling unwanted materials, where possible.

OUR FIVE-YEAR STRATEGY MEASURES

- Reduction in waste sent to landfill (tons per year)
- Total waste produced by type (tons)
- Total waste to landfill

Our response

We are increasingly focusing on improvements in waste management. We are starting to identify and classify various waste streams.

LANCEWOOD®
Reduced waste to landfill over the last three years, and continue to strive to zero to landfill.

DENNY
Waste is reviewed annually and targets set to avoid, minimise and only landfill waste which cannot be reused or recycled.

Cape Herb & Spice™
Traces all waste to landfill. Recycles monthly and measures use against set targets.

RIALTO
Employs an external supplier to recycle waste, and tracks waste in its production facility weekly.

PACKAGING

Commitments

- Reduce single-use plastics and minimise total packaging material.
- Undertake a packaging baseline assessment.
- Monitor and report packaging material usage in line with extended producer responsibility requirements.
- Develop a packaging waste strategy and implement this across the Group over the next five years.
- Continue to work with customers regarding eco-friendly packaging options.
- Measure volumes and increase percentage of sustainable packaging options used.

OUR FIVE-YEAR STRATEGY MEASURES

- Packaging baseline assessment
- Increased use of sustainable packaging
- Total packaging used (metric tons)
- Total sustainable packaging used (metric tons)
- Percentage sustainable packaging used (%)

Our response

The Group works closely with various customers towards sustainable packaging.

To contribute to reducing waste and increasing recovery, as well as the recycling and reuse of materials in the South African market, extended producer responsibility fees were introduced in November 2021. Libstar registered with the Department of Forestry, Fisheries and the Environment (DFFE) as a Producer in terms of the Extended Producer Responsibility (EPR) Regulations. We are working on determining the fees payable and capturing the data required for the EPR submission to the DFFE.

RIALTO
11 products relaunched in recyclable packaging for a key retail customer.

Launched private label eco-sensitive retail packaging.

Target: To grow eco-sensitive packaging to total sales in Rialto Food Service to 40% in 2023.

Grew from five sustainable packaging products in 2018 to more than 130 this year. This includes a new range of eco-sensitive packaging into retail under private label and our own Precious Planet brand.

Cape Herb & Spice™
Objective with a key retail customer: To reduce waste by 50% by 2030.

Launched an eco-clip grinder with 30% less plastic.

100% Rainforest Alliance accreditation for the board used in one of our dealer-owned brand offerings in South Africa.

Launching a new grinder in 2023 with less plastic.

LIBSTAR Household & Personal Care
Continues to investigate packaging that is plastic free.

CAPE FOODS
Replacing plastic case wrapping with cardboard packing.

DickonHallFoods
Replaced current materials with products that contain 30% recycled material. Also increased the use of fully recyclable materials.

khoisan gourmet
Uses compostable and biodegradable tea bag paper. The silver and matt pouch papers are recyclable.

Retail boxes are printed on FSC certified board and are recyclable. It also uses recyclable glass and metal as packaging material.

FINLAR FINE FOODS EST. 1994
100% recyclable packaging for major customers.

ESG strategy *continued*

SOCIAL

HUMAN RIGHTS

Commitments

- Focus on effective human capital management to result in engaged, productive employees.
- Develop and deliver basic human rights training for employees in line with the Human Rights Policy.
- Assess options for influencing the supply chain with respect to human rights.

OUR FIVE-YEAR STRATEGY MEASURES

- Successful implementation of Group Human Rights Policy
- Implementation of human rights training for all employees (including new hires)
- Zero human rights incidents
- Increased employee engagement, production and efficiencies

Our response

HUMAN CAPITAL

The Group's success depends on the skills, experience and conduct of its employees. We are committed to attracting, developing, deploying, and retaining talent to ensure continuity and competitiveness.

We are a major employer in the communities where we operate, offering direct employment through permanent and part-time positions. The Group's human resource philosophy is based upon equal opportunity, irrespective of race, religion or gender.

The awareness of managing health and wellbeing is increasing globally. We are improving our employee education to encourage healthy and happy employees.

HUMAN RIGHTS

Libstar supports and respects the protection of internationally proclaimed human rights. The Group ensures that it does not participate, either directly or indirectly, in human rights abuses and does not tolerate discrimination of any kind. It does not support forced or child labour. Libstar strives to provide fair working conditions and maintain a safe and healthy working environment. Open communication is encouraged to resolve workplace issues between team members or between employees and management.

The social, ethics and transformation committee signed off a new Human Rights Policy.

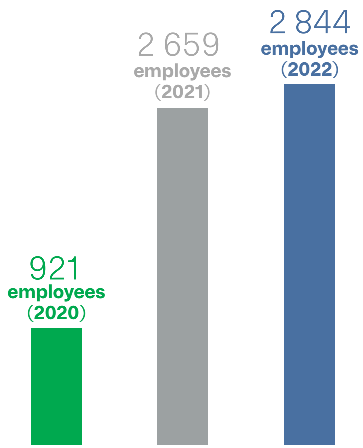
Human Rights Policy

The policy was guided by the Constitution of South Africa and internationally-recognised human rights standards encompassed by the Universal Declaration of Human Rights. This includes those contained within the International Bill of Rights and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work. Libstar is committed to respect and uphold internationally-recognised human rights standards.

Divisions successfully negotiated wage increases.

Denny Mushrooms experienced a fire, which resulted in the destruction of its facility in KwaZulu-Natal. The team negotiated retrenchment packages for all employees.

TRADE UNIONS (REPRESENTATION DATA)



HEALTH, SAFETY AND WELLBEING

Commitments

- Implement health and safety management systems across the Group and drive continuous improvement.
- Train employees.
- Roll out a health and safety assurance programme.

OUR FIVE-YEAR STRATEGY MEASURES

- Zero fatalities or permanent disablement
- Reduced number of incidents
- Reduced lost-time injury frequency rate
- Limit significant findings in audits

Our response

Libstar values the health and safety of employees, suppliers and customers. Health and safety committees have been established across the Group. Committee members and employees receive training. A health and safety policy covers employees, contractors and customers.

Health and safety measures include:

Health and safety training: Businesses provide regular health and safety training to employees to ensure that they are aware of potential hazards and know how to respond to them.

Health and safety refresher training: Refresher training assists employees to maintain their knowledge and skills related to health and safety, especially if there are changes in work processes or equipment.

Equipment testing: Businesses regularly test equipment to ensure that it is working correctly and safely.

Disciplinary action: When employees violate health and safety policies, disciplinary action is taken to deter others from engaging in similar behaviour.

Increased awareness of safety routines and protocols: Businesses increase awareness of safety routines and protocols through regular communication, signage, and reminders to employees.

Initiatives and areas of improvement that are identified through risk assessments, incident reports, and health and safety committees: Regular risk assessments and incident reports identify areas for improvement in health and safety practices. Health and safety committees collaborate with management to implement initiatives to address these issues.

Safety incident

There was a fire at Denny Mushrooms in KwaZulu-Natal that destroyed the facility. Independent investigators have confirmed that petrol was used to start the fire. No-one was injured.

Disabling injury frequency rate (DIFR)

We are tracking the Group's historic DIFR to create a benchmark. The Group's DIFR as at 31 December 2022 was 1.4 (2021: 1.5).

Critical injuries or fatalities

There was sadly one fatality during the reporting period when a driver died while making deliveries at a customer's premises. We have reiterated the importance of health and safety practices and requirements to employees.

Other work injuries

The largest injury categories, representing half of disabling injuries, were hand injuries and falls.

We continue to educate employees on safe working practices to address areas of risk.

DIVERSITY, INCLUSION & EQUITY

Commitments

- Measure employees' performance based on their contribution to the achievement of business goals and against behavioural expectations.
- Continue to:
  - Integrate diversity and inclusion with the business strategy.
  - Focus on increasing female representation in the workplace.
  - Increase the representation and advancement of black talent.
  - Continued focus on talent management for effective succession.
  - Invest in mentoring and training programmes.

OUR FIVE-YEAR STRATEGY MEASURES

- Employment of people with disabilities
- Increase in the number of female and black employees
- Performance appraisals completed
- Track training hours per employee
- Number of employees covered by collective bargaining agreements

Our response

Diversity, inclusion and equity

We implemented a Human Rights Policy in 2022. This confirms Libstar's commitment to respect the human rights of its employees and other stakeholders.

The company promotes diversity and inclusion and strives to maintain workplaces that are free from unfair discrimination or harassment based on race, sex, colour, nationality, religion, age, sexual orientation, gender, marital, family, or HIV/AIDS status, disability on any other arbitrary grounds.

Training

The Group prioritises the development of its employees through training and skills development. The training during the year represented a range of aspects, including bursaries, internships, learnerships, integrated learning, informal training, and mandatory compliance training.

R29.7 million*
invested in skills development

* Training investment includes salaries, stipends and other related expenditure during periods of training, recognised for B-BBEE verification purposes

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) INCLUDING EMPLOYMENT EQUITY

Libstar has made pleasing progress in its B-BBEE rating. Its B-BBEE certificate and scorecard for 2022. AQRate Verification Services confirmed that the Group achieved a Level 5 B-BBEE contributor status.

The group remains committed to transformation and will continue to improve its rating.

	Score 2022	Score 2021
Ownership	**10.3**	8.9
Management control (including employment equity)	**6.2**	5.6
Skills development	**15.7**	12.6
Preferential procurement	**28.0**	12.4
Enterprise and supplier development	**15.0**	16.0
Socio-economic development	**0.0**	15.0
Total	**75.2**	70.5
Final B-BBEE Level	**Level 5**	Level 7

Gradual improvements over the last few years

Level 5 Contributor 2022

Level 7 Contributor 2021

Level 8 Contributor 2020

Employment equity

As at 31 December 2022

	Male				Female				Total
Occupational levels	**A**	**C**	**I**	**W/F**	**A**	**C**	**I**	**W/F**	
Executive directors	–	–	–	2	–	–	–	–	**2**
Other executive management	–	–	1	14	1	–	–	6	**22**
Senior management	2	9	4	49	3	7	4	54	**132**
Middle management	18	27	5	82	18	38	9	66	**263**
Junior management	136	93	16	99	104	88	18	107	**661**
Semi-skilled & unskilled	1 983	508	9	136	2 435	726	5	74	**5 876**
	2 139	**637**	**35**	**382**	**2 561**	**859**	**36**	**307**	**6 956**
Employees with disabilities^	25	14	1	2	32	4	–	–	**78**

^ Included in the table above

A – African **C** –Coloured **I** –Indian **W/F** –White/Foreign

DIVERSITY, INCLUSION & EQUITY *continued*

CATEGORY A

Bursaries: Institution-based, theoretical only, formally assessed

Examples of training initiatives

- Advanced Diploma in Business Management
- Bachelor of Commence: Marketing
- Bachelor of Commence: Supply Chain Management
- Bachelor of Technology: Food Technology
- CIMA: Certificate in Management Accounting
- CIMA: Strategic Level
- Post Graduate Diploma: Labour Dispute Resolution Practice

43

CATEGORY B

Internships (Formal): Institution-based, theoretical and practical learning, formally assessed

Examples of training initiatives

- Internship: HR
- Internship: Food Science
- Apprenticeship: Electrical

6

CATEGORY C

Learnerships: Recognised or registered structured experiential learning in the workplace that is required after achievement of qualification, formally assessed.

Examples of training initiatives

- National Certificate: Food Processing: Plant Baking
- NQF 2: Production Technology
- NQF 3: Food & Beverage Packaging
- NQF 3: Packaging Quality Skills Programme
- NQF 3 : Stores & Warehousing Management
- NQF 4: Supervisory Development
- Hygiene & Cleaning Level 1

101

CATEGORY D

Learnerships or Apprenticeships: Occupationally directed instructional and workplace learning programme (formal contract), formally assessed

Examples of training initiatives

- National Certificate: Management: Stores and Warehousing
- National Certificate: Milk and Cream Handling and Storing
- National Certificate: Food and Beverage Packaging Operations
- General Education and Training Certificate: Food and Beverage Handling Process
- NQF 2: Production Technology
- NQF 3: Personal Leadership Development
- NQF 4: Supervisory Development

338

CATEGORY E

Work-integrated learning: Occupationally directed instructional and workplace learning programme (no formal contract required), formally assessed.

Examples of training initiatives

- Food & Safety Management (FSSC 22000) - Accredited NQF Level 5
- Food Safety & Quality
- Forklift Renewal
- Good Manufacturing Practices
- ISO22000 and ISO 19011 Internal Audit
- Warehouse Team Leading Skills

424

CATEGORY F

Informal Training: Occupationally directed informal instructional programmes. (Institutions, conferences, meetings).

Examples of training initiatives

- Food Safety Summit
- Food Safety Culture Excellence
- Initiating Disciplinary Enquiries
- Leadership Development
- Root cause analysis
- Supervisory skills
- Excel

709

CATEGORY G

Informal Training | Work-based informal programmes (workplace)

Examples of training initiatives

- Safety Induction
- HR Induction
- Trend Analysis
- PPE
- Allergen Management

4 240

MANDATORY TRAINING

Mandatory Training (Compliance)

Examples of training initiatives

- First Aid Training
- Forklift License Training

382

Total

6 243

Number of initiatives

FOOD SAFETY

Commitments

- Continue to:
  - implement food safety management protocols and processes.
  - audit compliance with food safety management protocols and processes.
- Train employees and contractors on food safety requirements.

OUR FIVE-YEAR STRATEGY MEASURES

- Zero food safety-related product recalls
- Zero food safety incidents
- Food safety training courses conducted
- Number of employees trained on food safety requirements

Our response

Food safety

Food safety is at the core of everything we do. It is fundamental to the viability and success of the Group. We define food safety as protecting people at every step of the supply chain from illness or injury due to the handling or consumption of our products. We believe all employees are responsible for contributing to the success of Libstar's food safety protocols.

On-site integrated management system verification assessments are routinely conducted to determine compliance.

There is a reporting classification system, with defined escalation to the central office where required.

Group certifications include:

FSSC 22000 compliance for all food production facilities
It is one of only eight accredited Global Food Safety Initiative standards that provide a framework for managing food safety. This demonstrates that the Group has a robust food safety management system in place.

ISO 9001 for non-food manufacturing units
This set of international standards monitor quality management and assurance.

Halaal and Kosher certifications
These confirm that the processes employed and products produced meet certain religious and cultural requirements.

POSITIVE NUTRITION

Commitments

- Define what positive nutrition means for Libstar as a Group.
- Consider Libstar's response, particularly in relation to its own-brand portfolio, with respect to positive nutrition.
- Engage with customers regarding positive nutrition.
- Investigate consumer education related to positive nutrition.

OUR FIVE-YEAR STRATEGY MEASURES

Implementation of positive nutrition initiatives across Group, where appropriate, as a percentage of total group revenue

Our response

As a food producer, Libstar has a role to play in creating positive nutrition.

The Group's divisions are improving labelling of its products to assist consumers to track nutritional contents. The team is also working with customers to identify where we can reduce or eliminate unhealthy ingredients, such as excessive salt, sugar, and unhealthy fats.

LANCEWOOD®
Expanded product ranges include sugar-free alternatives.

AMBASSADOR FOODS EST. 1989
Plant-based ranges that include vegan milk, cheese and meat.

DickonHallFoods
Collaborating with customers on meeting the requirement for reduced sugar and salt content in products.

CapeHerb&Spice™
New products include a branded offering with reduced salt and salt-free blends.

AMARO FOODS
Ongoing focus on recipes using quality, natural ingredients with reduced sugar and salt.

SUSTAINABLE AND RESPONSIBLE SOURCING (SUPPLY CHAIN MANAGEMENT)

Libstar is committed to reduce its impact on the planet's resources. We will focus on securing a sustainable supply chain which integrates social, ethical and environmental performance.

Commitments

- Understand what sustainable and responsible sourcing means for the Group.
- Develop a responsible sourcing strategy.
- Investigate and support local suppliers wherever possible.
- Develop raw material traceability and supply chain map.

OUR FIVE-YEAR STRATEGY MEASURES

- Responsible sourcing strategy developed
  - Percentage of strategy implemented
- Increased procurement from local suppliers
  - Percentage of total revenue procured from local suppliers

Our response

The Group has a comprehensive supply chain governance programme that guides all aspects of the supply chain, including procurement, product safety, quality management, occupational health and safety, environmental management, industrial relations and sustainability.

The supply chain governance policy is based largely on ISO standards and has been widely implemented by the divisions. The Group has more than 150 certifications, comprised of over 50 different certification codes across divisions. These and other certifications confirm the high standards of the Group's production facilities and the commitment to quality management.

We work closely with customers to ensure that we use accredited suppliers.

COMMUNITY ENGAGEMENT

Commitments

- Develop a standardised approach to communities and socio-economic development.
- Develop a Group-wide community upliftment programme which will coordinate community contributions and measure impact.
- Monitor and evaluate social investment initiatives.
- Define and measure social change for community upliftment projects.

OUR FIVE-YEAR STRATEGY MEASURES

- Reduced complaint and grievance incidents
- Total community investment categorised by type and project
- Social change from community investment projects

Our response

Libstar implemented a Corporate Social Investment (CSI) Policy in 2022. This aims to improve the lives of employees and the communities where they live. The Group is decentralised and its divisions have autonomy to identify initiatives within the Group's focus areas.

Initiatives focus on projects that are:

- driven by local, national and societal needs and that focus on socio-economic upliftment to benefit underprivileged communities.
- directed towards food sustainability, food security and healthy nutrition.
- include the subsidisation of food products.
- directed towards development, education and skills development.
- result in community upliftment and poverty relief.

Socio-economic development spend this year

R18.1 million

To commemorate World Food Day, we collaborated with organisations in October 2022 in the communities where we operate.

Cape Herb & Spice™
Joined a local church on World Food Day to serve warm meals, desserts and soup jars to more than 230 local community members.

MONTAGU FOODS
Active in the local community and regularly donates soup and cook-in sauces.

RIALTO
Works with NGOs that focus on self-sustaining soup kitchens and educational programmes.

LIBSTAR CHAMONIX SPRING WATER
Supports the Franschhoek Community Sports Centre.

LANCEWOOD®
Supports children's NGOs with donations.

Umatie
Supports a local NGO that assists social workers, teachers, and early childhood development centres in rural and semi-rural communities.

LIBSTAR Household & Personal Care
Supported the Childhood Cancer Foundation of South Africa with care bags for 2 514 overnight visitors.

CAPE COASTAL Honey
Supported two NGOs in Vredenburg with product donations.

GOVERNANCE

The Group's sustainability strategy is supported by an entrenched governance structure.

The Libstar board has delegated responsibility for the Group's sustainability to the Group social, ethics and transformation committee.

ESG risks are delegated to the audit and risk committee. The two committees collaborate to ensure that matters that fall under the mandate of the other committee are referred accordingly. The remuneration committee will ensure that ESG is reflected in management's key performance indicators.

Refer to the **Governance review** for additional information.

ANTI-BRIBERY AND CORRUPTION

Commitments

- Train employees on anti-bribery and corruption policies and applicable procedures.

OUR FIVE-YEAR STRATEGY MEASURES

- Anti-bribery and corruption policy and associated procedures developed and implemented
- Number of employees trained on anti-bribery and corruption policy and associated procedures
- Zero bribery and corruption incidents

Our response

The social, ethics and transformation committee signed off a new policy this year:

ANTI-BRIBERY AND CORRUPTION POLICY

The objective of this policy is to protect the Group, its employees and directors from involvement in bribery and corruption. The policy aims to ensure that employees understand the importance of principles that are set out in the Code of Ethics and the Group's commitment to combat bribery and corruption. During the year, an Anti-bribery and Corruption Policy was rolled out to the group. The focus in the coming year will be on providing training on the policy to employees.

Libstar has an independently managed anonymous reporting facility, the Libstar Ethics Hotline. Employees and external parties may utilise this to anonymously report any unethical behaviour.

The Ethics Hotline received 12 complaints. These were investigated and action taken, where required. Most of the complaints related to HR matters. These were addressed through internal HR processes and further training was recommended where appropriate.

Number of reports

Appointment irregularities	1
Favouritism	2
Alleged theft	1
Unethical behaviour	2
Alleged unfair business practice	1
Customer complaint	1
Misconduct	2
Other	2
Total	**12**

DATA AND IT SECURITY

Commitments

Develop and implement policies, governance structures and processes that are effective at reducing the occurrence and impact of cyber threats.

Train employees on cyber security threats and associated Libstar policies.

OUR FIVE-YEAR STRATEGY MEASURES

- IT and data security strategy developed and implemented
- Zero cyber security breaches

Our response

We are committed to evolving cyber security controls to ensure the safety of our environment. Vulnerability management, intrusion detection and prevention and disaster recovery are in place.

Information assets and enterprise resource planning systems are protected as part of the disaster recovery plan.

Cyber security is monitored by the audit and risk committee and reported on quarterly at the meetings of the committee.

We implemented additional improvements and refinements during the last 18 months to further mature the cyber security system.

Refer to the **Governance and the Audit and risk committee chairman's reviews.**

A simulated cyber-attack is conducted bi-annually to measure vulnerabilities and to test the recovery service of critical business systems.

Remuneration review

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MEANING OF ICONS

REMUNERATION REVIEW

In line with King IV, shareholders will have the opportunity to approve the Group's remuneration policy at the annual general meeting in June 2023.

The approval will focus on:

- A non-binding advisory vote on section 2 of this report.
- A non-binding advisory vote on section 3 of this report (excluding recommended fees for directors).
- The recommended fees for directors (included in section 3 of this report).

If there are 25% or more votes against the approval of the remuneration policy and its implementation, the Group undertakes to do the following:

- Provide an opportunity for dissenting shareholders to express their concerns.
- Provide an official response to shareholders that will outline actions to be taken on the issues raised.

Refer to the **Remuneration chairman's review.**

Outcome of the 2022 AGM:

Remuneration implementation report	2022 AGM	2021 AGM
For	**74.82%**	69.13%
Against	**25.18%**	30.87%

Remuneration policy	2022 AGM	2021 AGM
For	**81.65%**	65.09%
Against	**18.35%**	34.91%

We have engaged with our large shareholders during the last few years to create an understanding of the Group's remuneration policy and its implementation. Although 25.18% of shareholders voted against the implementation report last year, this was an improvement from the previous year. The remuneration policy passed in 2022 after failing in 2021. Dissenting shareholders on the implementation report did not take up our offer to engage with the company following the AGM. We remain committed to constructive engagement.

Feedback relating to the 2022 remuneration implementation report	How we addressed this
Long-term incentive performance targets ▪ Return on invested capital vs weighted average cost of capital (WACC) target: 75% vesting of awards was considered inappropriate where the return on average assets (ROAA) is equal to WACC.	The committee and board considered the feedback and resolved to maintain 75% vesting where ROAA is equal to WACC in respect of the 2022 awards. This was due to the strong likelihood of an increasing WACC rate in a high-inflationary environment. The board and committee evaluated this against the opportunities and challenges (in terms of input cost pressure and the consumer environment) facing the food producer industry. The maximum vesting target for return on adjusted assets will be increased from WACC + 1.5% to WACC + 5% in 2023.
Normalised HEPS growth target: ▪ The stretch target (300% vesting) should be increased from the current CPI + 2% to CPI + 3% or 4%	The committee and board considered the feedback and resolved to set the stretch target (300% vesting) at CPI + 4% for the 2022 awards. The maximum vesting target for Normalised HEPS growth will be increased from CPI + 4% to CPI + 5% in 2023.

SECTION 1
Background statement

Our remuneration policy recognises the relative contribution of each employee to the performance of the Group as a whole. We value entrepreneurship by adopting remuneration strategies that encourage senior employees to think innovatively.

The remuneration and nomination committee was restructured this year into two independent committees of remuneration and nomination.

The remuneration committee comprises three independent non-executive directors.

The members of the committee during the year were Sandeep Khanna (chairman), Wendy Luhabe (member) and JP Landman (member).

Committee meetings are attended by the chief executive officer and chief financial officer and human resources executives.

THE REMUNERATION COMMITTEE

The remuneration committee members have the relevant skills and experience to perform their duties. The members have no business or other relationships that could materially affect their independent judgement. Executive directors are not allowed to participate in discussions regarding their own remuneration and are not entitled to vote at such meetings.

Remuneration committee meetings during 2022^

	4/4/2022	12/7/2022	23/11/2022
Sandeep Khanna (chairman)	Y	Y	Y
JP Landman	Y	Y	Y
Wendy Luhabe	Y	Y	Y

^ The committee held two additional ad hoc meetings during the year.

ADVICE SOUGHT

Libstar used the services of an external remuneration consultant to advise on and assist with the implementation of the following:

- Best practice in terms of remuneration structuring and variable pay.
- Independent remuneration benchmarking for executives and senior management.
- Proposed changes to the long-term incentive programme.
- Drafting of the long-term incentive plan rules and the malus and clawback policy.

SECTION 2
Overview of remuneration policy

REMUNERATION PRINCIPLES

The Group's key remuneration principles are to:

- Ensure that Libstar's approach to remuneration is fair, equitable, transparent, market-related and considers both the strategic priorities and performance of the Group.
- Recognise the contribution of employees in the performance of the Group.
- Retain employees and incentivise talent.
- Maintain the value of entrepreneurship by adopting remuneration strategies that encourage senior employees to challenge boundaries.
- Ensure compliance with legislation and regulations relating to the remuneration of employees (including their benefits and incentives) and the related reporting.

Refer to the **Remuneration policy.**

REMUNERATION GOVERNANCE

The board is ultimately responsible for the implementation of the remuneration policy. The remuneration committee is mandated to assist the board to fulfil its duties.

The remuneration committee takes an active role in reviewing the remuneration policy, the remuneration philosophy, strategy and practices to align to industry best practice, as well as to the goals and strategic objectives of the Group.

The remuneration committee is constituted in accordance with its terms of reference in line with King IV. The composition of the committee is compliant with the JSE Listings Requirements and all statutory requirements. The committee consists of three independent non-executive directors. The chairman of the board serves as a member of the remuneration committee, but is not the chairman.

The responsibilities of the committee are to:

- Monitor, review and implement the remuneration policy.
- Ensure alignment with the latest governance standards.
- Assist the board to ensure that key employees are retained.
- Ensure that the remuneration policy enables Libstar to meet its strategic objectives.
- Advise the board on the determination of the remuneration payable to the non-executive directors of Libstar.
- Approve:
  - all short-term and long-term incentive structures and monitor overall liability.
  - annual salary increase parameters.
  - the total quantum, vesting criteria and allocations in the Libstar long-term incentive scheme.
- Review the remuneration packages for Libstar's executive management. These are recommended by the chief executive officer of the Company.
- Ensure that a succession plan is in place, and that talent pool participants and the executive talent pipeline are regularly reviewed.

The operations of the remuneration committee are regulated by terms of reference applicable to the committee. The composition of the committee must be compliant with JSE Listings Requirements and any applicable laws. The commitee consists of directors of the Group, the majority of whom must be independent non-executive directors. The chairperson of the board may serve as a member of the committee, but may not serve as chairman.

REMUNERATION STRUCTURE

The remuneration policy covers the following reward elements:

TOTAL REWARD		Element	Who is eligible?	What is the objective?	How is the pay level set?
Total remuneration	Variable pay	**Long-term incentive scheme** (Share plan and long-term incentive plan)	Executive directors, executives, senior management, other key employees	Rewards individual and company performance, attraction/retention, recognition of individual contribution to operating business success	Allocation based on total guaranteed pay and/or short-term incentive achievement, subject to financial performance
Total remuneration	Variable pay	**Short-term incentives** (deferred cash bonus)	Executives, senior management, other key employees	Rewards individual and company performance, attraction/retention	Division required to achieve 90% of EBIT* target
Total remuneration	Variable pay	**Short-term incentives** (annual cash bonus)	Executive directors, executives, senior management, other key employees	Rewards individual and company performance, attraction/retention	Division required to achieve 90% of EBIT* target
Total remuneration	Variable pay	**13th cheque**	Employees not participating in STI	Motivation	Aligned with divisional financial performance
Total remuneration	Total guaranteed pay (TGP)	**Benefits** (pension/provident fund, medical aid, death benefits)	Facilitated by divisions	Motivation	Market-linked practices
Total remuneration	Total guaranteed pay (TGP)	**Allowances** (cars, phones)	Where appropriate	Attraction/motivation	Linked to market practices
Total remuneration	Total guaranteed pay (TGP)	**Basic** (monthly salary, weekly/hourly wage)	All employees		
Non-financial benefits		**Recognition**	All employees	Motivation	Provided for in budgets
Non-financial benefits		**Personal growth**			
Non-financial benefits		**Positive workplace**			
Non-financial benefits		**Career progression**			

*Earnings before interest and taxation

Remuneration mix

Remuneration packages consist of total guaranteed pay and variable pay. Libstar's variable pay methods include a short-term incentive, a long-term incentive and a group share plan.

The remuneration mix for senior levels places the emphasis on variable pay, making it a more "at risk" structure. For employees at more junior levels, the mix is weighted towards guaranteed pay.

1 TOTAL GUARANTEED PAY (TGP)

Description

- A TGP approach is followed, which may include items such as car and phone allowances.
- An annual review of TGP is conducted, taking into account the size and complexity of divisions.
- Increases are considered against factors such as projected annual increases in CPI, company performance and affordability, performance of businesses in the consumer packaged goods sector of the JSE Limited, external market conditions, internal equity and the performance of the individual.

The company facilitates the following plans:

– Pension and provident funds for permanent employees.
– Insured risk benefits.
– Medical aid benefits.

2 SHORT-TERM INCENTIVES (STIs)

Description

STIs are performance bonuses designed to incentivise participants to improve short-term business performance. An employee may qualify for an STI once the earnings before interest and tax (EBIT) targets for the year have been achieved.

Employees

The company is committed to rewarding employees for their contribution to the company's success. Employees are granted bonuses at the sole discretion of the company, subject to company performance.

During the year, all bargaining unit employees received bonuses. These varied between divisions.

Not all administration and management level employees participate in the short-term incentive scheme. Employees in administration and management received a bonus where the company performance warranted this.

Executive directors and senior management

The Group and/or divisions have to achieve at least 90% of their EBIT budget before bonuses become payable. STI payments are made in two tranches to obviate a clawback provision in the rules:

- 70% payable in December, based on October business forecasts.
- 30% payable in the following April based on the audited results.

STI payments are subject to the discretion of and approval by the remuneration committee and board.

	% of qualifying "on target" STI
Individual key performance indicators (KPIs) and B-BBEE compliance	20%
Savings on net working capital days	10%
Return on net assets (RONA)	10%
EBIT** (actual vs budget)	60%

** **Shareholders expressed their concern about using EBITDA as the main performance metric in the determination of STIs, as it does not consider a measure relating to the efficiency of capital allocation. Libstar considered this feedback and replaced EBITDA with EBIT from 2022. Libstar also considered shareholder feedback regarding the weighting of certain financial metrics in the STI model. In line with shareholder requests and the Group's strategic focus areas, the weighting of RONA will be increased from 10% to 20% and the EBIT weighting reduced from 60% to 50% from 2023.**

The Group revised the short-term incentive plan this year to include a deferred cash component for eligible participants.

The purpose of the plan is to align shareholder and participant interests by providing an annual incentive that will reward participants for:

- outstanding business performance.
- achieving and/or exceeding targeted performance levels annually.
- applying critical skills that drive business performance and growth in key areas of the organisation.
- fostering and contributing to the embedding of a high-performance culture within the Group.

The deferred cash component will be an important retention lever for talent in the Group.

Executive directors are not eligible for the deferred cash component.

The "on-target" bonus levels as a percentage of TGP are:

	STI (annual bonus scheme) As a % of TGP	STI (deferred cash component) As a % of TGP
Group chief executive officer	50%	-*
Group chief financial officer and executive director	45%	-*
Group central office executives and managing executives of divisions	35% – 45%	Up to 25% over 3 years
Senior management	20% – 35%	Up to 25% over 3 years

* Do not qualify

The deferred short-term incentive is deferred over three years. It commences one year after the financial year-end in which the short-term incentive was earned. Payments are made in December each year and are subject to participants remaining in employment at the date of payment.

3 LONG-TERM INCENTIVES (LTIs) 2019-2021

Libstar implemented two long-term incentive schemes when it listed in 2018. The one was a share-settled scheme (Libstar Group Share Plan) which was applicable to a limited number of participants, and the other a cash-settled scheme (Long-Term Incentive Plan) which was applicable to a broader scope of participants.

The Libstar Group Share Plan (Share Plan) and Long-Term Incentive Plan (LTIP) were approved by shareholders at the annual general meeting held in May 2019.

Libstar's long-term incentive scheme structures are outlined below:

1. The **Libstar Group Share Plan (Share Plan)** is offered to key strategic executives. It is settled in shares and focuses on Group performance.
2. The **Libstar Long-Term Incentive Plan (LTIP)** is offered to key operational executive and senior management. It is settled in cash and focuses predominantly on operational performance.

   Under the Libstar Group Share Plan and Libstar Long-Term Incentive Plan, executives and senior employees may be offered the following on an annual basis:

   - allocations of share appreciation rights.
   - awards of performance shares/units.
   - grants of forfeitable shares/units.

   The fundamental difference between the two plans is that the Share Plan settles in equity (transfer of shares) compared to the LTIP that settles through a cash payment equal to equity value.

The 2019 GSP and LTIP awards vested in 2022 and the vesting overview is presented below:

	GSP	LTIP
SARs	0% vesting	0% vesting
Performance units	42% vesting	77% vesting
Forfeitable units	100% vesting	100% vesting
Total Rand value vested	R2.6m	R5.8m

Libstar Group LTIP and Share Plan	Performance shares	Forfeitable shares	Share appreciation rights
Eligibility	Executive directors and selected executives	Executive directors and selected executives	Executive directors, executives, senior managers and selected other managers
Grant basis	% of annual TGP	% of STI	% of annual TGP
Appreciation basis	Full value	Full value	Appreciation only
Performance conditions on vesting	TSR[1] versus JSE Consumer Packaged Goods peer group (40%) **40th percentile**: 0% vesting **Median**: 100% vesting **Upper quartile (pro rata between 0% to 300%)**: 300% vesting Libstar's three-year performance (60%) Targeted ROAA[2] versus WACC[3] **Below WACC**: 0% vesting **WACC**: 75% vesting **WACC+1%**: 100% vesting **WACC+5%**: Pro rata between 100% and 300% vesting Libstar Group CAGR[4] in normalised headline earnings **Below CPI**: 0% **CPI + 2%**: 100% **CPI + 4% (pro rata between 0% to 300%)**: 300%	Achievement of Libstar Group B-BBEE^ targets	Achievement of real growth (CPI +2%) in normalised headline earnings **Below CPI**: 0% vesting **CPI + 2% or greater**: 100% vesting (pro rata between 0% to 100%)
Vesting period	Third anniversary	Third anniversary	
Settlement	■ Group Share Plan: shares issued or acquired in the market ■ LTIP: cash		
Termination (unless the board, in its discretion, decides otherwise)	■ **No fault termination:** vests on a pro rata basis to the extent of company performance ■ **Fault termination:** forfeited and cancelled		■ **No fault termination:** vests automatically ■ **Fault termination:** cancelled
Link to business strategy	■ Rewards for individual and company performance ■ Recognition of individual contribution to company success		

1. TSR: total shareholder return 2. ROAA: return on adjusted assets 3. WACC: weighted average cost of capital 4. CAGR: compound annual growth rate.
^ Broad-based black economic empowerment

OFFER METHODOLOGY

1. The rules applicable to the Libstar Group Share Plan and the LTIP provide for allocations, awards and grants in accordance with a methodology and plan determined by the board, in conjunction with the remuneration committee, from time to time.

2. The methodology informs the allocations, awards and grants under the Libstar Share Plan and LTIP. The reward strategy remuneration mix of Libstar is determined with reference to:
   - the relationship between guaranteed pay and variable pay; and
   - the participation in and balance of the various variable pay structures within Libstar.

3. Each senior employee's remuneration mix consists of:
   - a short-term bonus paid in terms of the STI scheme (with a deferred cash component where applicable); and
   - the expected future accrual in terms of the Libstar long-term incentive plan in which the senior employee participates, resulting from targeted share and financial performance. These are expressed as a percentage of the senior employee's guaranteed pay at the time of an allocation, award or grant under either the Libstar Group Share Plan or the LTIP.

4. The board has developed an implementation schedule which governs the expected value to be derived from each of the instruments that are offered to participants under the Libstar Group Share Plan, LTIP and STIP (deferred component). These consider an employee's current status, role and remuneration.

   The implementation schedule will:

   1. Translate the long-term component of the reward strategy pay mix into a value apportionment between the methods of allocation in the Libstar Group Share Plan and the LTIP.
   2. Dictate the face value (Rands) of offers to be made. This is expressed as a percentage of a guaranteed short-term incentive bonus.

The face value (Rands) derived from the application of the implementation schedule is converted for each individual into the number of instruments that will be offered to participants by dividing the Rand value by the current price of an ordinary share in the company at the time the offer is made.

The implementation schedule may sometimes be adjusted for future offers based on evolving economic, market, performance or strategic considerations.

Dilution limit

The maximum number of shares to be acquired by participants under the Libstar Share Plan and any other plan will not exceed 6 820 000 shares. This represented 1.0% of issued share capital at 31 December 2022. The allocation for any participant in terms of the Share Plan and any other plan will not exceed 1 172 449 shares. This represented 0.2% of issued share capital at 31 December 2022.

In the application of the above limits, shares which have been acquired through the market on behalf of participants will not be taken into account. Any shares which are not subsequently issued or transferred to any participant, for example as a result of a forfeiture, shall revert to the Share Plan.

Amendments to LTIP

The Group revised the cash-settled long-term incentive plan (LTIP) in 2022 following concerns tabled by internal and external stakeholders regarding the complexity of the scheme and the achievement of the scheme's objectives.

The 2019-2021 scheme comprised of share appreciation rights, performance units and forfeitable units.

The 2022 LTIP was reduced to performance units only.

LIBSTAR GROUP LTIP (2019-2021)

The LTIP was introduced in 2019 to:

- Reward individual and company performance.
- Attract/retain talent.
- Recognise individual contribution to operating business success.

Group LTIP awards during 2019 to 2021 were offered to executive directors, executives, senior management and other key employees.

The 2019-2021 (LTIP) comprised of share appreciation rights, performance units and forfeitable units.

REVISED LIBSTAR GROUP LTIP (2022)

The LTIP was revised in 2022 to attract, motivate, reward and retain eligible employees who can influence the Group's performance to align their interests with those of the Group's shareholders and the business's strategy.

Group LTIP awards during 2022 were offered to executive directors.

Executives, senior management and other key employees were invited to participate in the deferred cash bonus scheme in 2022.

The revised LTIP was simplified to only include performance units.

3 REVISED LONG-TERM INCENTIVE SCHEME 2022

How ROAA vs WACC is calculated

(Normalised EBIT − amortisation of customer relationships created during the 2014 restructuring of the Group) × (1 − 28%)

divided by

Average invested capital*
(current and preceding financial year)

* (total equity + total debt − cash and cash equivalents − intangible assets and goodwill created during the 2014 restructuring of the Group)

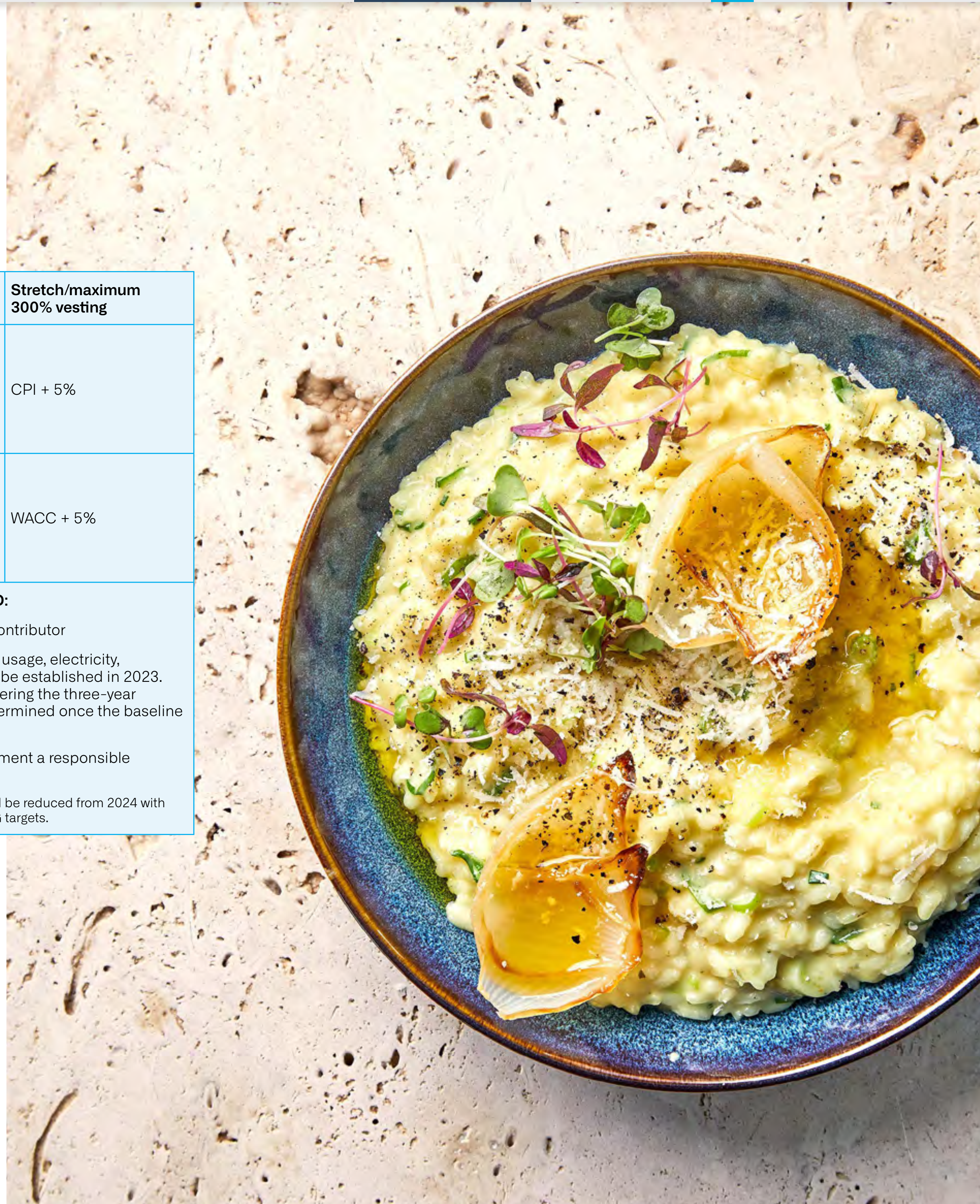
Libstar Group LTIP and Share Plan	Performance shares
Eligibility	Executive directors and selected executives
Grant basis	% of annual TGP
Appreciation basis	Full value
Performance conditions on vesting	See table below
Vesting period	Third anniversary
Settlement	■ Group Share Plan: shares issued or acquired in the market ■ LTIP: cash
Termination (unless the board, in its discretion, decides otherwise)	■ **No fault termination:** vests on a pro rata basis to the extent of company performance ■ **Fault termination:** forfeited and cancelled
Link to business strategy	■ Rewards for individual and company performance ■ Recognition of individual contribution to company success

Performance conditions on vesting

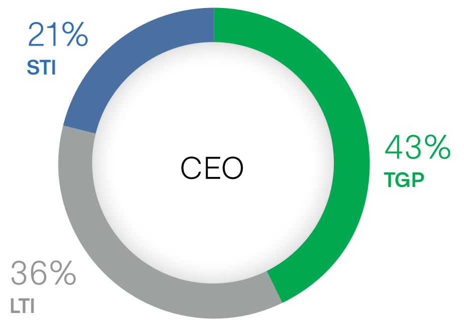
KPI and weightings		Threshold vesting	Target 100% vesting	Stretch/ maximum 300% vesting
Profit (50%)	Normalised HEPS growth over performance period	Measurements are usually a three-year CAGR relative to CPI plus a premium. Below CPI = 0% vesting CPI = 50% vesting	CPI CPI + 0.5%	CPI + 4%
Shareholder value (30%)	Return on invested capital	Measure of return relative to the three-year business plan. Below WACC = 0% vesting WACC = 75% vesting	WACC + 0.5%	WACC + 1.5%
ESG (20%)	A measure of ESG and/or other strategic initiatives.	ESG metrics could include measures such as water, recycling and employment equity/B-BBEE targets	Weighted scorecards	

From 2023, the performance criteria for LTIP awards will be further amended to the following:

KPI and weightings	Further detail	Threshold vesting	Target 100% vesting	Stretch/maximum 300% vesting
Profit (50%)	Normalised HEPS growth over performance period	Measurements are usually a three-year CAGR relative to CPI plus a premium. Below CPI = 0% vesting CPI + 1 % = pro rata between 0% and 100%	CPI + 1%	CPI + 5%
Shareholder value (30%)	Return on ROIC	Measure of return relative to the 3-year business plan. Below WACC = 0% vesting WACC and WACC + 0.5% = pro rata between 0% and 100%	WACC + 0.5%	WACC + 5%
ESG (20%)	A measure of ESG and/or other strategic initiatives.	ESG metrics could include measures such as water, recycling and employment equity/B-BBEE targets.	**WEIGHTED SCORECARD:** B-BBEE 100%*: Level 5 contributor ESG: A baseline for water usage, electricity, packaging, and waste will be established in 2023. Reduction targets, considering the three-year vesting period, will be determined once the baseline is established. The Group will also implement a responsible sourcing strategy in 2023. * The weighting of B-BBEE will be reduced from 2024 with the inclusion of specific ESG targets.	

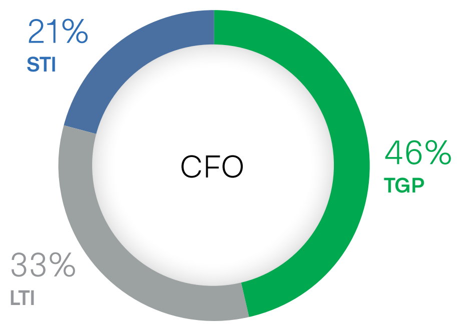


Libstar's on-target remuneration mix for the different levels is outlined below. The mix remains aligned with market practice.



Chief executive officer

Remuneration mix (%)	Minimum	On-target	Stretch
TGP	**100%**	**43%**	**24%**
STI	**0%**	**21%**	**18%**
LTI	**0%**	**36%**	**58%**
Total	**100%**	**100%**	**100%**



Chief financial officer

Remuneration mix (%)	Minimum	On-target	Stretch
TGP	**100%**	**46%**	**26%**
STI	**0%**	**21%**	**18%**
LTI	**0%**	**33%**	**56%**
Total	**100%**	**100%**	**100%**

The potential total remuneration outcomes for executive directors
The variable pay arrangements set out on the left may have various potential outcomes. These outcomes could be from zero (minimum), to the expected level of performance outcomes (on target), to the maximum potential pay outcomes (maximum).

It should be noted that:

- TGP is as at 31 December 2022.
- The STI component is the cash bonus component, where:
  - "Minimum" equals performance below 90% of EBIT;
  - "On-target" equals performance at EBIT budget; and
  - "Stretch" equals performance at 15% above EBIT budget.
- The LTI component is the face value of the LTIP performance unit grants, where "stretch" represents full vesting (three times vesting value) of performance units.

CLAWBACK AND MALUS

The remuneration committee may, in its discretion, reduce (to nil, if appropriate), lapse, amend or vary any allocation of share appreciation rights, or any award of performance shares or the grant of forfeitable shares under the Share Plan and LTIP, or a portion thereof.

The clawback and malus policy outlines the circumstances under which the remuneration committee may apply its discretion to adjust the value of an unvested award downwards or cancel unvested "at risk" remuneration to ensure remuneration outcomes are fair, appropriate and reflect business performance. The policy framework provides a transparent mechanism for clawing back or adjusting in the event of a significant material restatement of the company's financial results which impacts any performance-based compensation.

EMPLOYEE AND EXECUTIVE CONTRACTS

All employees are given employment contracts that comply with statutory requirements. Notice of termination is one month, unless longer periods are agreed. The notice period for executive directors and executives is three months.

SIGN-ON, RETENTION AND RESTRAINT OF TRADE PAYMENTS

There is no provision for sign-on, retention or restraint of trade payments. Should a payment of this nature be made, it would be approved by the remuneration committee and disclosed.

NON-EXECUTIVE DIRECTORS

Non-executive directors receive meeting attendance fees for their participation on the board and board committees. Non-executive directors do not receive annual incentive awards.

Recommendations are made to the board for consideration and presented at the AGM for shareholder approval.

The chairman receives meeting attendance fees for her participation on the board and board committees. She does not receive annual incentive awards.

The remuneration committee reviews the fees paid to non-executive directors annually, taking into consideration the individual's responsibilities and board committee membership. Fees are reviewed annually against:

- The annual PWC non-executive remuneration review.
- The annual Willis Towers Watson non-executive directors report.
- Companies in the consumer packaged goods sector on the JSE, which include Tiger Brands, RCL Foods, AVI, Oceana Fishing and Rhodes Food Group.

SECTION 3
Implementation of the remuneration policy

SALARY INCREASES

	2023 %	2022 %	2021 %	2020 %
Executive directors	*	5.4	5.0	5.0
Group office executives and managing executives of divisions	**-5.3****	2.5	2.5	3.8
Employees	The company uses CPI and remuneration benchmarking as a guideline to determine increases.			
Bargaining unit employees	Bargaining unit employees are remunerated either in line with relevant sectoral determinations, as set out by the Department of Labour, or in line with collective agreements concluded with respective trade unions.			

*Executive directors

The group's previous chief executive officer (CEO), Andries van Rensburg, retired in December 2022. Charl de Villiers was appointed as the Group CEO after being the Group chief financial officer (CFO) and Cornél Lodewyks was appointed as an executive director (ED) in combination with his ongoing duties as the managing executive of Lancewood and Millenium Foods from 1 January 2023. Terri Ladbrooke was appointed as the new Group CFO in March 2023. A market benchmarking exercise was conducted to establish the salary levels of all three roles.

As these three new members now fulfil different roles to those they had in 2022, the previous years are not comparable.

R'000	2023 Total guaranteed pay
Charl de Villiers – CEO	**5 100**
Cornél Lodewyks – ED	**4 100**
Terri Ladbrooke – CFO	**3 500**

**Group office executives and managing executives of divisions

Due to the reorganisation of certain positions and to ensure appropriate remuneration benchmarking pay alignment, the total payment of salaries to Group office executives and managing executives of divisions reduced by 5.7%.

The number of Group office executives and managing executives of divisions reduced from 25 in 2022 to 23 in 2023.

STI PAYMENTS

Based on the Group's performance during the year under review, the executive directors (Andries van Rensburg and Charl de Villiers) received STI payments in the amount of 8.3% of TGP compared to 13.6% in 2021.

Group office executives were paid a 13th cheque and managing executives of divisions were paid STIs in line with the performance of the relevant division against budget.

% of TGP	2022	2021	2020	2019
Executive directors#: STI	–	13.6	17.6	36.6
Executive directors**: Discretionary bonus	**8.3**	–	–	18.3
Total	**8.3**	13.6	17.6	54.9
Group office executives and managing executives of divisions	**15.3**	19.3	21.5	25.8

Rand Value R'000	2022	2021	2020	2019
Executive directors: STI	-	1 968	2 428	3 592
Executive directors: Discretionary bonus	**894**			1 796
Total	**894**	2 428	5 388	5 388
Group office executives and managing executives of divisions	**9 131**	10 878	11 742	17 982

Executive directors include, where applicable, Andries van Rensburg who retired in December 2022 and Robin Smith who retired in December 2021.

** Executive directors received a 13th cheque in respect of 2022.

EXPLANATION OF PAYMENTS

STI awards

Libstar is required to achieve at least 90% of its EBIT target against budget before any bonuses become payable. The individual performance metrics used are outlined below:

Performance measure	Normalised EBIT	Net working capital days		RONA	B-BBEE
Description	Budget (threshold: 90% of budget)	December 2022	Average (2022)	Improvement from prior year	Compliant
Target for 2022	R790 million	69	74	13.8%	Level 6
Actual for 2022	R698 million	75	81	12.6%	Level 5
Results	Not achieved	Not achieved	Not achieved	Not achieved	Achieved
Weighting	60%	5%	5%	10%	20%

Return on net assets (RONA) targets are established at divisional level. The Group aims to achieve return on invested capital (ROIC) in excess of its weighted average cost of capital (WACC). During 2022, the Group achieved ROIC of 10.4% (2021: 12.5%) against a WACC of 13.1% (2021: 12.5%).

LTIP AND LIBSTAR GROUP SHARE PLAN AWARDS

The LTIP and Libstar Group Share Plan were approved by shareholders at the AGM in May 2019.

The **salient features** of these plans are included on pages 88 to 89.

More information in the remuneration policy www.libstar.co.za

Awards made in 2019 in terms of the former long-term incentive plan (LTIP) to 90 employees vested on 4 April 2022.

The SARs awards were cancelled by the committee following no appreciation and 11 employees received R5.8 million in respect of the performance units and forfeitable units that vested.

Awards made in 2019 in terms of the Group Share Plan (Share Plan) to 18 employees vested on 31 July 2022.

The SARs awards were cancelled by the committee following no appreciation and nine employees received R2.6 million in respect of the performance units and forfeitable units that vested. The remuneration committee approved the settlement of the vested Group Share Plan awards in cash.

No awards were made under the Group Share Plan during 2022.

The table on this page sets out the awards to executive directors made in terms of the LTIP and Libstar Group Share Plan:

Executive director LTIP and Share Plan awards

Date of grant	Date of award	Vesting date	Expiry date (SARs only)	SAR strike price/LTIP & Share Plan price on grant	Number of instruments awarded	Number of instruments vested	Closing number of unvested instruments	Total face value on grant R'000
CEO (Andries van Rensburg*)								
LTIP								
SARS	Apr 2019	Apr 2022	Apr 2026	8.08	**273 713**	**273 713**	–	R2 211 600
Performance shares	Apr 2019	Apr 2022	Apr 2022	8.08	**229 775**	**229 775**	–	R1 856 580
Forfeitable shares	Apr 2019	Apr 2022	Apr 2022	8.08	**57 264**	**57 264**	–	R462 690
SARS	Apr 2020	Apr 2023	Apr 2027	6.33	**366 853**	**366 853**	–	R2 322 180
Performance shares	Apr 2020	Apr 2023	Apr 2027	6.33	**307 964**	**307 964**	–	R1 949 409
Forfeitable shares	Apr 2020	Apr 2023	Apr 2027	6.33	**76 750**	**76 750**	–	R485 825
SARS	Apr 2021	Apr 2024	Apr 2028	6.75	**356 068**	**356 068**	–	R2 403 456
Performance shares	Apr 2021	Apr 2024	Apr 2028	6.75	**298 909**	**298 909**	–	R2 017 638
Forfeitable shares	Apr 2021	Apr 2024	Apr 2028	6.75	**74 493**	**74 493**	–	R502 828
LTIP								
Performance shares	Dec 2022	Apr 2025	–	–	**916 018**	**916 018**	–	R5 312 903
Libstar Group Share Plan								
SARS	Jul 2019	Jul 2022	Jul 2026	8.85	**249 898**	**249 898**	–	R2 211 600
Performance shares	Jul 2019	Jul 2022	Jul 2022	8.85	**209 783**	**209 783**	–	R1 856 580
Forfeitable shares	Jul 2019	Jul 2022	Jul 2022	8.85	**52 281**	**52 281**	–	R462 690
SARS	Apr 2020	Apr 2023	Apr 2027	6.33	**366 853**	**366 853**	–	R2 322 180
Performance shares	Apr 2020	Apr 2023	Apr 2027	6.33	**307 964**	**307 964**	–	R1 949 409
Forfeitable shares	Apr 2020	Apr 2023	Apr 2027	6.33	**76 750**	**76 750**	–	R485 825
CFO (Charl de Villiers)**								
LTIP								
SARS	Apr 2019	Apr 2022	Apr 2026	8.08	**108 391**	**108 391**	–	R875 800
Performance shares	Apr 2019	Apr 2022	Apr 2022	8.08	**85 965**	**85 965**	–	R694 600
Forfeitable shares	Apr 2019	Apr 2022	Apr 2022	8.08	**21 529**	**21 529**	–	R173 952
SARS	Apr 2020	Apr 2023	Apr 2027	6.33	**193 523**	–	**195 523**	R1 225 000
Performance shares	Apr 2020	Apr 2023	Apr 2027	6.33	**144 313**	–	**144 313**	R913 500
Forfeitable shares	Apr 2020	Apr 2023	Apr 2027	6.33	**36 078**	–	**36 078**	R228 375
SARS	Apr 2021	Apr 2024	Apr 2028	6.75	**199 630**	–	**199 630**	R1 347 500
Performance shares	Apr 2021	Apr 2024	Apr 2028	6.75	**148 867**	–	**148 867**	R1 004 850
Forfeitable shares	Apr 2021	Apr 2024	Apr 2028	6.75	**37 217**	–	**37 217**	R251 213
LTIP								
Performance shares	Dec 2022	Apr 2025	–	–	**492 534**	–	**492 534**	R2 856 700
Libstar Group Share Plan								
SARS	Jul 2019	Jul 2022	Jul 2026	8.85	**98 960**	**98 960**	–	R875 800
Performance shares	Jul 2019	Jul 2022	Jul 2022	8.85	**78 486**	**78 486**	–	R694 600
Forfeitable shares	Jul 2019	Jul 2022	Jul 2022	8.85	**19 656**	**19 656**	–	R173 952
SARS	Apr 2020	Apr 2023	Apr 2027	6.33	**193 523**	–	**195 523**	R1 225 000
Performance shares	Apr 2020	Apr 2023	Apr 2027	6.33	**144 313**	–	**144 313**	R913 500
Forfeitable shares	Apr 2020	Apr 2023	Apr 2027	6.33	**36 078**	–	**36 078**	R228 375

* Retired on 31 December 2022.

** Became CEO on 1 January 2023.

SINGLE FIGURE REMUNERATION

The following table discloses total remuneration received by executive directors.

R'000	Basic salary	Bonuses and incentives	Share-based payments	Retirement payment	Total
31 December 2022					
A van Rensburg	**6 641**	**553**	**4 574**	**13 282**	**25 050**
C de Villiers	**4 081**	**340**			**4 421**
31 December 2021					
A van Rensburg	6 325	876			7 201
C de Villiers	3 850	514			4 364

Retirement benefit to executive director

The group concluded a retirement agreement with the previous CEO, Andries van Rensburg. He retired as an executive director of the company with effect from 31 December 2022 after 17 years of service.

Andries co-founded the company and played a significant role in the development and growth of Libstar.

The payment includes:

26%	Application of the good leaver provisions of the LTIP and Group Share Plan.
74%	A discretionary amount determined by the remuneration committee that is equivalent to twice his annual total guaranteed pay.

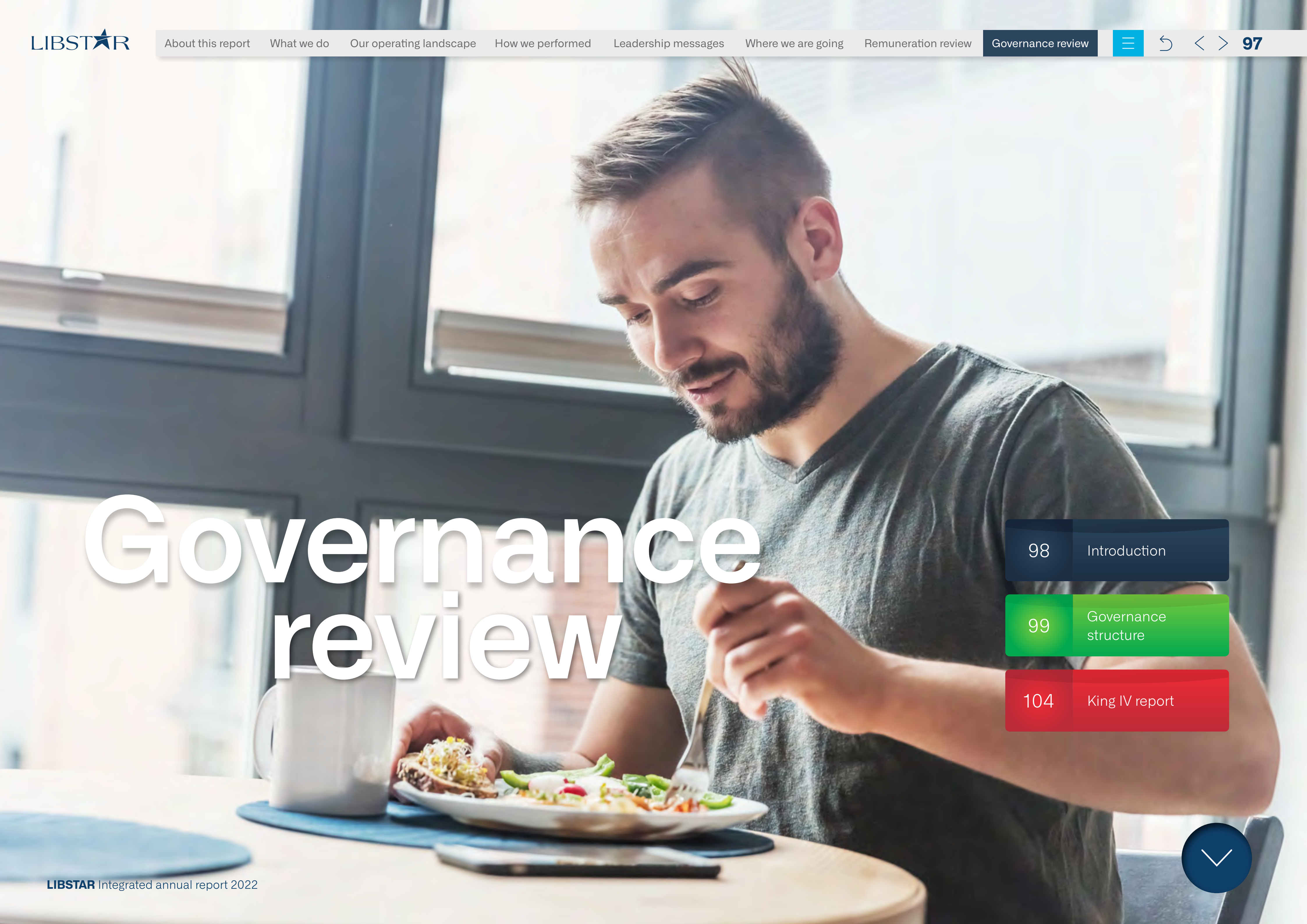
His employment agreement provided for a three-month notice period and 36 months restraint of trade.

NON-EXECUTIVE DIRECTORS' FEES

The proposed fees for 2023 are set out below and are subject to approval by shareholders at the AGM in June 2023. The increase proposed equates to 6.9%. This is in line with inflation. The board believes that the fees are market-related and commensurate with the time and effort required by the directors to undertake their duties. Fees are compared to the data contained in the Willis Towers Watson and PWC reports on non-executive directors' remuneration and fees paid by peers in the consumer packaged goods sector.

The proposed fees also consider the qualifications, experience and opportunity cost of the targeted profile of non-executive directors for the Group, and are appropriate to retain existing, and attract potential new, non-executive directors. No non-executive directors participate in any incentive schemes and their remuneration is not linked to the performance of the Group or its share performance.

	2023 Proposed fees 1 January 2023 to 31 December 2023 Rand	2022 Fees 1 January 2022 to 31 December 2022 Rand
Board of directors		
Chairman	**825 001**	771 750
Independent director	**318 220**	297 680
Audit and risk committee		
Chairman	**306 429**	286 650
Committee member	**165 000**	154 350
Remuneration committee		
Chairman	**294 648**	275 630
Committee member	**129 648**	121 280
Nomination committee		
Chairman	**235 715**	220 500
Committee member	**117 857**	110 250
Social, ethics and transformation committee		
Chairman	**235 715**	220 500
Committee member	**117 857**	110 250
Investment committee		
Chairman	**235 715**	220 500
Committee member	**117 857**	110 250



Governance review

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INTRODUCTION

The board endorses the King IV Report on Corporate Governance for South Africa 2016 (King IV). It recognises the importance of conducting its business with integrity and in accordance with generally accepted corporate practices.

The board oversees the company's compliance with its legal obligations specified in the memorandum of incorporation (MoI) of the company, the Companies Act, 71 of 2008 ("Companies Act") and the JSE Listings Requirements.

The board is satisfied that during the year under review, the company has in all material respects complied with its MoI, the Companies Act and the recommendations of King IV.

The board is constituted in terms of a board charter. This guides the role and responsibilities of the chairman, the lead independent director and the functioning of the board.

2022 Focus areas

Focus areas	How we responded
Support the Libstar leadership team in managing the impact of difficult economic conditions.	Refer to the **Chairman's review.**
Oversee of the implementation of the environmental, social and governance strategy.	Refer to the **ESG strategy.**
Finalise an effectiveness review in line with King IV.	A board evaluation was conducted early in the new year. Refer to page 101.
Evaluate management processes to ensure the improvement of returns on capital expenditure and investments.	The board considered the status of returns and capital investment carefully this year. The board endorsed management's revised strategy to improve returns going forward. Monitoring progress will be a standing item on the agenda of the board going forward.
Oversee the Group's talent management and succession plan.	The board, with the assistance of the nomination committee, appointed Charl de Villiers as the new chief executive officer following the retirement of Andries van Rensburg. Cornél Lodewyks was appointed as an executive director and Terri Ladbrooke as the chief financial officer. These internal appointments reiterate the success of the Group's succession programme.

2023 Focus areas

- Provide ongoing support to the leadership team in managing the impact of difficult economic conditions.
- Oversee the transition of the new executive team.
- Oversee the implementation of the new Group and ESG strategies.
- Evaluate management's action plans to improve the return on capital expenditure and investments.

GOVERNANCE STRUCTURE

The board has five committees in place to assist it in executing its duties and responsibilities.

GROUP BOARD

COMMITTEES

- Audit and risk
- Remuneration
- Nomination
- Social, ethics and transformation
- Investment

THE BOARD

The board comprises eight directors. Five are non-executive directors and three are executive directors. All non-executive directors, including the chairman, are classified as independent in terms of King IV and the JSE Listings Requirements.

Wendy Luhabe (Chairman)	Non-executive independent director
JP Landman (Lead independent director)	Non-executive independent director
Anneke Andrews	Non-executive independent director
Sandeep Khanna	Non-executive independent director
Sibongile Masinga	Non-executive independent director
Charl de Villiers	Chief executive officer
Terri Ladbrooke	Chief financial officer
Cornél Lodewyks	Executive director

Refer to **board profiles for the age, tenure, experience and expertise of board members.**

The following changes were made to the board during the year:

Andries van Rensburg retired as the chief executive officer (CEO) and resigned as a director on 31 December 2022.

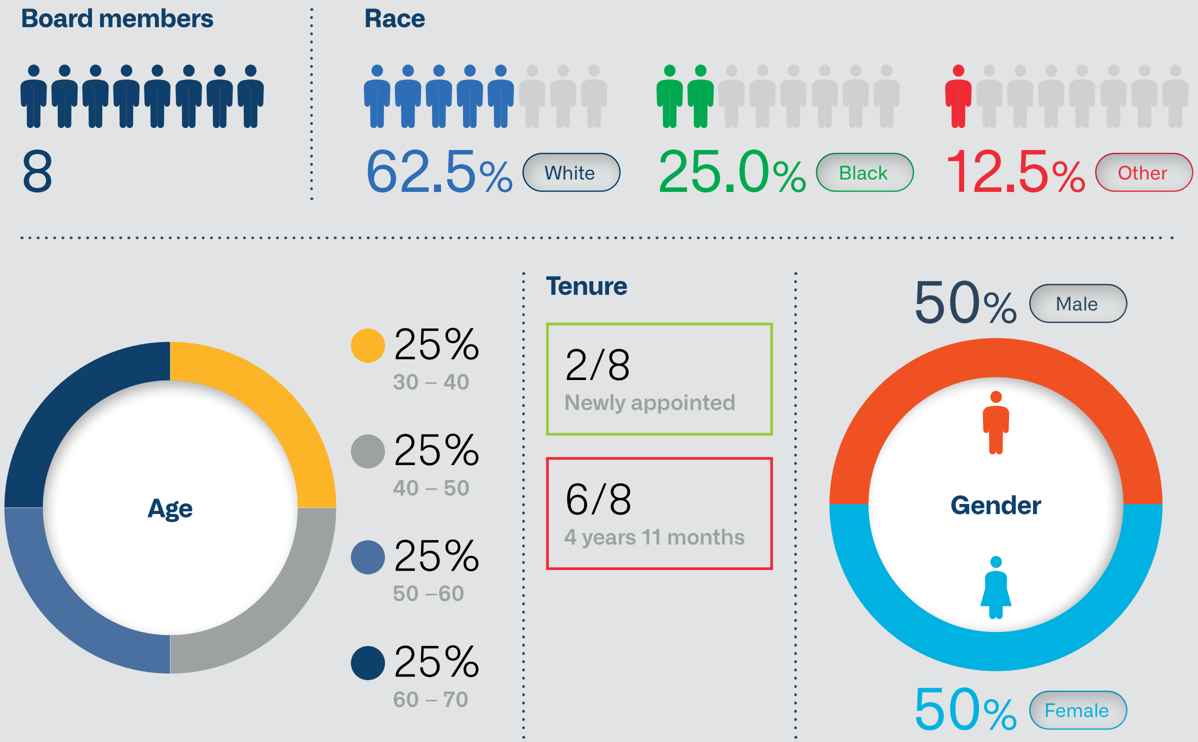
- From 1 January 2023:
  - Charl de Villiers was appointed as the CEO.
  - Cornél Lodewyks was appointed as an executive director.
  - Terri Ladbrooke was appointed as the interim chief financial officer (CFO).

Terri was subsequently appointed as the CFO, with effect from 15 March 2023.

The board is satisfied that it has the appropriate balance of knowledge, skills, experience, diversity and independence to be effective. Due regard is given to diversity in respect of Libstar's transformation initiatives, specifically those of gender and race.

Diversity

The Group has a Board Diversity Policy in place to guide requirements for diversity, gender, culture, age, field of knowledge, skills and experience. A voluntary target of 30% female representation was set at board level. This was achieved with 50% female representation. The board will implement a race target during the coming year.



The board *continued*

Chairman

The chairman is Wendy Luhabe. The main role of the chairman is to manage and provide leadership to the board. She acts as a liaison between the board and management through the chief executive officer (CEO). The chairman's role is to:

- Ensure the effective functioning of the board.
- Act as a liaison between the board and management through the CEO.
- Provide independent advice and counsel to the CEO.
- Confirm that sufficient information is provided to enable the directors to formulate appropriate judgements and make informed decisions.
- Develop and set agendas for meetings of the board, in conjunction with the company secretary.
- Attend other committees of the board, where appropriate, and as determined by the board.
- Call special meetings of the board, where appropriate.

The lead independent non-executive director

The lead independent non-executive director (LID) is JP Landman. His responsibilities are to:

- Lead in the absence of the board chairman.
- Serve as a sounding board to the chairman.
- Act as an intermediary between the chairman and other board members, when required.
- Address shareholders' concerns where contact through normal channels has failed to resolve concerns, or where such contact is inappropriate.
- Chair discussions and decision-making by the board on matters where the board chairman has a conflict of interest.
- Lead the performance appraisal of the board chairman.
- Lead the board's evaluation of the CEO.

The role and responsibilities of the LID were reviewed during the year. No amendments were recommended.

Board responsibilities

The primary responsibilities of the board include:

- Approving the strategic direction of the Group.
- Approving and reviewing budgets, business plans and policies.
- Overseeing the:
  - management of ethics and risk.
  - efficiency of the board committees.
  - executive management's implementation of company strategy.
- Ensuring that Libstar complies with applicable laws, regulations and codes of business practice.

Members of the board are appointed by the shareholders. The board takes overall responsibility for the achievement of the Group's strategic objectives.

There is a clear division of responsibility at board level that creates balance of power and authority to prevent any individual having unfettered powers of decision-making. The executive directors and senior management team are responsible for the day-today management of the company's operations. In line with the Group's decentralised business model, the board and the senior management team are supported by senior management teams from each of the divisions.

The board ensures the integrity of its financial reporting and risk management, with timely and transparent disclosure to stakeholders.

The board has a framework in place for the delegation of authority to management and its committees. It remains cognisant that delegating authority to committees or management does not in any way discharge its accountability.

The board has a minimum of four scheduled meetings per financial year, excluding ad hoc meetings held to consider special business. The board held its annual strategy session in April 2022.

Appointment and rotation of directors

Directors are not appointed for an indefinite period. At each annual general meeting (AGM), at least one third, or the closest number to a third, of the non-executive directors will retire by rotation from office and be eligible for re-election. The non-executive directors due to retire every year are those who have been in office the longest since their last re-election.

The appointment of directors during the year is subject to confirmation by shareholders at the first AGM following their appointment.

Board vacancies are filled by the board on recommendation from the nomination committee. This committee scrutinises and identifies suitable candidates.

Conflicts of interest

The Group is committed to the highest standards of ethical business conduct. Conflicts of interest and code of ethics and conduct policies are in place. These apply to all directors and employees. Disclosure of interests is a standard agenda item at all board and committee meetings.

Dealing in securities

Libstar has a formal policy on dealing in securities. This prohibits dealing in securities by directors, officers and any employee who may have inside information for a specific period preceding the announcement of the Group's interim and final results or in any other relevant period, as confirmed in the JSE Listing Requirements. A closed financial period commences at the half-year and year-end periods and ends upon publication of the results on SENS. The insider trading policy is circulated prior to a closed period to remind the affected persons. Before dealing in Libstar shares, directors are required to obtain prior written clearance to transact in line with the Group's dealing in securities and insider trading policy.

The board *continued*

Board evaluation

The board conducted an independent external assessment of its performance and that of its committees for the year under review. The assessment comprised a questionnaire based on best practice The evaluation confirmed that the board fulfils its role, demonstrates ethical leadership and effectively monitors risk management and the performance of the Group's strategy and business plan. Areas for improvement include formalising succession planning for the board and expanding director development and training.

Company secretary

CorpStat Governance Services (Pty) Ltd performed the company secretarial services until 30 April 2022. Ntokozo Makomba was appointed as the company secretary with effect from 1 May 2022.

The company secretary performs the duties, as set out in the Companies Act and the recommended practices of King IV. The board is satisfied with the competence, qualifications and experience of the company secretary.

Meeting attendance 1 January 2022 – 31 December 2022

	Board	Audit and risk	Remuneration	Nomination	Social, ethics and transformation	Investment
Number of meetings	5	4	3	3	3	3
Non-executive directors						
Wendy Luhabe	5/5*	4/4^	3/3	3/3	3/3	–
Anneke Andrews	5/5	4/4*	–	–	–	–
Sandeep Khanna	5/5	4/4	3/3*	3/3	–	3/3
JP Landman	5/5	4/4	3/3	3/3*	–	3/3*
Sibongile Masinga	5/5	4/4	–	–	3/3*	–
Executive directors						
Andries van Rensburg	5/5	4/4^	3/3^	3/3^	–	3/3
Charl de Villiers	5/5	4/4^	3/3^	3/3^	3/3	3/3

* chairman ^ Invitee

Ad hoc meetings

The board and committees set up ad hoc meetings, when required.

Three additional board meetings, two additional audit and risk committee and one additional remuneration committee meetings were held during the year.

The board meetings considered matters related to the recruitment of the CEO, the audit and risk committee considered matters related to the appointment of external auditors in terms of mandatory audit firm rotation and the remuneration committee considered matters related to the LTIP and STIP Schemes.

Board committees

The board delegates certain duties and responsibilities to various committees (as set out in the governance structure). Committee meetings are attended by the chief executive officer and chief financial officer, the executive director, HR executives, internal audit, external audit and other members of management, as appropriate. Directors who are not members of the committees may attend the committee meetings, but may not note vote on the matters tabled.

The committees operate under their individual terms of reference. These are reviewed annually. There is full and transparent feedback from the committees to the board through verbal feedback and minutes.

The composition of the committees is reviewed annually. The board is satisfied that the committees have the appropriate mix of skills, knowledge and experience.

The board *continued*

AUDIT AND RISK COMMITTEE

Refer to **the committee chairman's review.**

Composition and role

The audit and risk committee comprises four independent non-executive directors.

Anneke Andrews (Chairman)
Sandeep Khanna
JP Landman
Sibongile Masinga

The audit and risk committee serves in an advisory capacity to the board. It assists the directors to discharge their duties relating to the safeguarding of assets, the operation of adequate financial systems, financial risk management and controls, the review of financial information, and the preparation of annual financial statements and other matters incorporated in the integrated annual report.

In addition to its advisory role, the audit and risk committee has statutory duties which are set out in the Companies Act. Its terms of reference are aligned to King IV recommended practices. The audit and risk committee is responsible for reviewing the financial statements and recommending it to the board for approval. It is also responsible for confirming the expertise of the chief financial officer (CFO).

CFO and finance function

The audit and risk committee confirmed that Charl de Villiers, the CFO during the period, had the appropriate expertise and experience required for the role. The committee reviewed and assessed the expertise and experience of Terri Ladbrooke as the interim and permanent CFO. The committee confirmed that she has the requisite expertise and skills for the role. The committee is also satisfied that the finance function is effective.

Internal control systems

Internal control systems are in place, designed to detect and minimise the risk of fraud, potential liability, loss and material misstatement.

The purpose of the systems of internal control is to maintain a sound process for risk management to safeguard the Group's assets, and to sustain an effective internal control environment, ensuring that the financial statements are free from material misstatement.

Internal audit

The internal audit function operates within its approved charter. This is reviewed annually. The internal audit plan adopts a risk-based approach to key financial aspects impacting the Group. The internal audit plan is approved every year by the audit and risk committee.

Information and Communication Technology (ICT) governance

The committee, as part of its oversight of risk management, assists the board to discharge its duties relating to ICT. These include consideration of:

- Quarterly ICT reports from a risk and optimal business contribution perspective, including disaster recovery plans and improved business intelligence information.
- The Group's approach and further actions taken in relation to cyber security, strategy and controls.

Additional improvements and refinements during the last 18 months to further mature the cyber security system include:

- Multifactor authentications
- Firewall change management
- Intrusion detection
- Security information and event management
- Vulnerability management

Disaster recovery

The Group uses various third-party software systems to manage operational and management systems and identify, amongst other things, risks in the production facilities of the divisions.

Assurance framework

Libstar operates a combined assurance framework. This coordinates the efforts of management and internal and external assurance providers.

Lines of defence:

1. Management
2. External assurance providers
3. Internal and external audits
4. Oversight bodies (the board and sub-committees)

REMUNERATION COMMITTEE

Refer to **the committee chairman's review.**

Refer to **the remuneration review.**

Composition and role

The committee comprises three independent non-executive directors.

Sandeep Khanna (Chairman)
JP Landman
Wendy Luhabe

Libstar's remuneration mandate is to contribute to the long-term financial and commercial viability of the Group by reviewing and maintaining compensation policies and plans.

The remuneration committee is responsible for attracting and retaining employees, managers and executive directors and recommending appropriate remuneration levels for non-executive directors for approval by the shareholders.

The committee assists the board to consistently apply the remuneration policy throughout the Group, to ensure that directors and executives are fairly and responsibly remunerated and that the disclosure of the remuneration of directors and prescribed officers is accurate, complete and transparent.

The remuneration policy and related implementation report are tabled every year for separate non-binding advisory votes by shareholders.

The board *continued*

NOMINATION COMMITTEE

Refer to **the committee chairman's review.**

Composition and role

The committee comprises three independent non-executive directors.

JP Landman (Chairman)
Sandeep Khanna
Wendy Luhabe

The mandate of the committee is to regularly review the board structure, size and composition and to make recommendations to the board regarding any changes that are deemed necessary.

During the period under review, the committee focused on finalising the retirement of Andries van Rensburg and the recruitment of a chief executive officer (CEO). Following a detailed process that involved internal and external candidates, the committee recommended the appointment of the previous chief financial officer (CFO) Charl de Villiers as the CEO with effect from 1 January 2023. The committee further recommended the appointment of Cornél Lodewyks as an executive director with effect from 1 January 2023. The committee also conducted a process to recruit a CFO. Terri Ladbrooke was appointed as the interim CFO with effect from 1 January 2022. Following a detailed process, she was appointed as the permanent CFO from March 2023.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

Refer to **the committee chairman's review.**

Composition and role

The committee comprises two independent non-executive directors and one executive director.

Sibongile Masinga (Chairman)	Non-executive independent director
Charl de Villiers	Chief executive officer
Wendy Luhabe	Non-executive independent director

The mandate of the committee is set out in the Companies Act. The committee assists the board to monitor the group's activities in terms of legislation, regulation and codes of best practice relating to corporate citizenship, organisational ethics, sustainability and stakeholder engagement.

In addition to performing the duties required in relation to Regulation 43 of the Companies Act, the committee assists the board with monitoring and reporting on social, ethical and transformational practices that are consistent with responsible corporate citizenship.

The committee also reviews the Group's performance annually in areas relating to environmental, social and governance, socio-economic development, stakeholder relations, broad-based black economic empowerment, labour relations, working conditions, employment equity, consumer relations and ethics and governance and compliance.

Policies and processes are guided by the requirements of King IV to ensure that the rights of shareholders, employees, customers, suppliers and other stakeholders are respected and upheld. Policies are aligned with the recommendations of the Organisation for Economic Cooperation and Development on corruption and the ten principles set out in the United Nations Global Compact.

INVESTMENT COMMITTEE

Refer to **the committee chairman's review.**

Composition and role

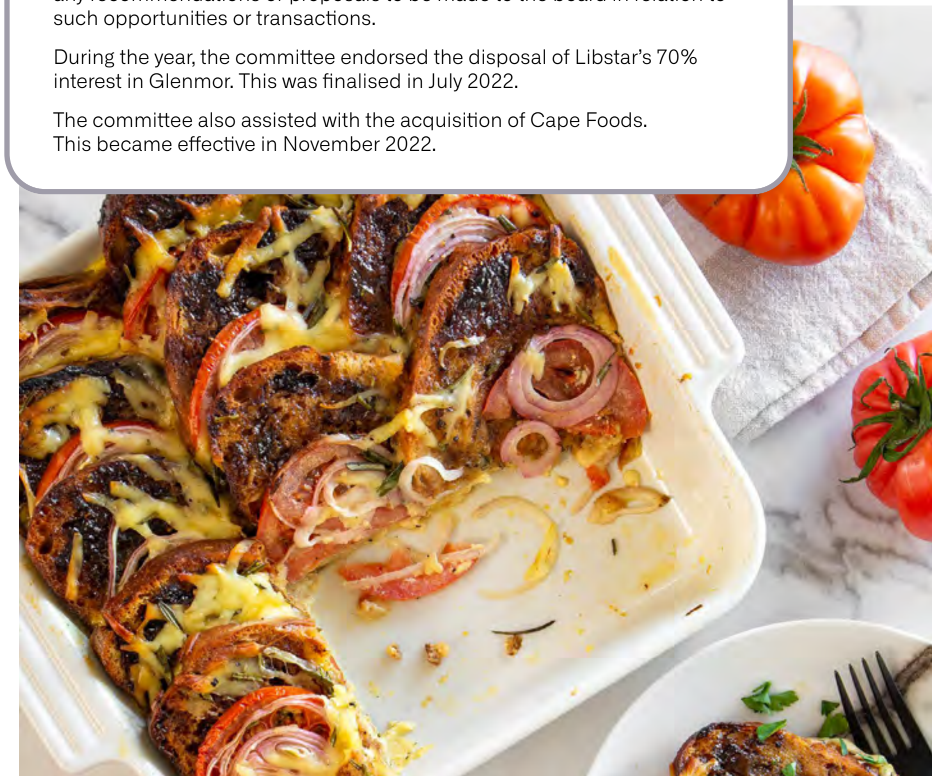
The committee comprises two independent non-executive directors and one executive director.

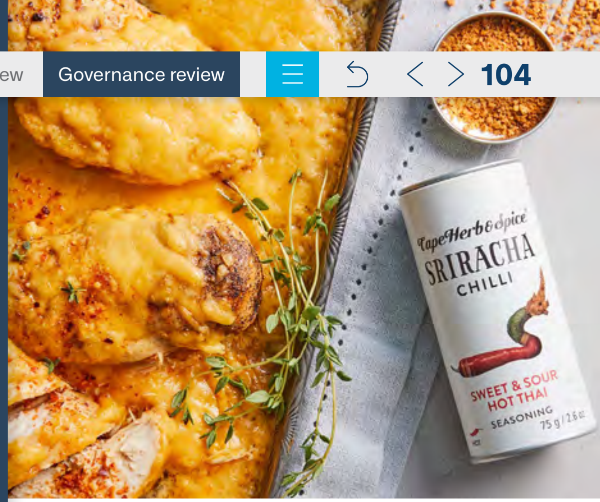
JP Landman (Chairman)	Non-executive independent director
Sandeep Khanna	Non-executive independent director
Charl de Villiers	CEO

The committee assists and advises executive management on opportunities and other material transactions that are not in the ordinary course of business, as well as matters related to these. The committee also approves any recommendations or proposals to be made to the board in relation to such opportunities or transactions.

During the year, the committee endorsed the disposal of Libstar's 70% interest in Glenmor. This was finalised in July 2022.

The committee also assisted with the acquisition of Cape Foods. This became effective in November 2022.





KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA 2016 (KING IV)

Libstar has evaluated its compliance with King IV's principles and recommended practices.

The table sets out the Group's application of the 17 corporate governance principles, as recommended by King IV. The disclosure reflects an assessment of the Group's performance on the principles. This section is supplemented by and should be read in conjunction with governance-related disclosures in the rest of the integrated annual report and annual financial statements.

	1 LEADERSHIP	2 ORGANISATIONAL ETHICS	3 RESPONSIBLE CORPORATE CITIZENSHIP	4 STRATEGY AND PERFORMANCE
King IV principles	**The governing body should lead ethically and effectively.**	**The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.**	**The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.**	**The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.**
Application	The board applies a standard ethical decision-making framework across the organisation. The members of the board hold one another accountable for ethical decision-making and behaviour. The executives and senior management teams are responsible for ensuring that ethical values and effective behaviours are instilled and maintained in the daily activities of the Group. Disclosure of interests is a standard agenda item at board and committee meetings and there is ongoing disclosure of interests by directors.	Libstar has a board-approved Code of Ethics and Conduct Policy which applies to all directors and employees. The board governs and monitors the ethics of Libstar. This is based on integrity, competency, responsibility, accountability, fairness and transparency. The board endeavours to ensure that the ethical standards set are integrated and understood throughout Libstar. The social, ethics and transformation committee assist the board with monitoring and reporting on social, environmental, ethical and transformation practices that support the establishment of an ethical culture within Libstar. Libstar has an independently managed anonymous reporting facility, the Libstar Ethics Hotline, for the reporting and investigation of breaches in ethical and compliance standards.	The board, assisted by the social, ethics and transformation committee, is responsible for monitoring the Group's response to good corporate citizenship. The group supports various initiatives which contribute to responsible economic, social and environmental outcomes.	The board is ultimately responsible for the strategy, growth and performance of the Group. It provides strategic direction by: ▪ Considering the capital plans for Libstar's sustainability and expansion. ▪ Reviewing the annual budget and key operational objectives and ensuring that they are aligned to the mission and values of Libstar. ▪ Overseeing effective risk management.

King IV report on corporate governance for South Africa 2016 (King IV) *continued*

5 REPORTING

King IV principles

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects.

Application

The board is committed to high standards of reporting and conformity.

The board ensures that the integrated annual report provides an accurate, complete and integrated representation of the Group, including its financial performance, corporate governance, risk management and sustainability. The audit and risk committee assists the board by reviewing the integrated annual report to ensure that information contained is reliable and aligns with the financial aspects of the report.

Reporting is done through different channels.

6 PRIMARY ROLES AND RESPONSIBILITIES OF THE GOVERNING BODY

King IV principles

The governing body should serve as the focal point and custodian of corporate governance in the organisation.

Application

The board has adopted a charter which:

- Details the board's roles, responsibilities and functions of directors and officials of the companies.
- Ensures that good corporate governance is maintained throughout the Group

Refer to **the Chairman's review.**

Refer to **the Governance review.**

7 COMPOSITION OF THE GOVERNING BODY

King IV principles

The governing body should comprise an appropriate balance of knowledge, skills, experience, diversity and independence to discharge its governance role and responsibilities objectively and effectively.

Application

The board consists of eight directors, which include five independent non-executive directors, and three executive directors. The nomination committee oversees that the board is appropriately constituted to effectively execute its responsibilities.

Refer to **Our board.**

8 COMMITTEES OF THE GOVERNING BODY

King IV principles

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.

Application

The board has five committees to effectively deal with delegated matters. Each committee has formal written terms of reference. The committees are:

- Audit and risk
- Remuneration
- Nomination
- Social, ethics and transformation
- Investment

The committees are appropriately constituted with due regard to the skills, expertise, experience and time required by each committee.

Committees are also entitled to access any required information and outside professional assistance that may be necessary to effectively discharge their roles and responsibilities. The committees are empowered to make decisions within their respective mandates. The committees comprise mainly non-executive directors. They are chaired by independent non-executive directors.

The board has ensured that no member of a committee or the board has unfettered discretion. The members of the executive and senior management are invited to attend meetings of the committees, as required.

King IV report on corporate governance for South Africa 2016 (King IV) *continued*

	9 EVALUATION OF THE PERFORMANCE OF THE GOVERNING BODY	10 APPOINTMENT OF AND DELEGATION TO MANAGEMENT	11 RISK GOVERNANCE	12 TECHNOLOGY AND INFORMATION GOVERNANCE
King IV principles	**The governing body should ensure that the evaluation of its own performance and that of its committees, its chairs and its individual members, support continued improvement in its performance and effectiveness.**	**The governing body should ensure that delegation to management contributes to role clarity and the effective exercise of authority and responsibilities.**	**The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.**	**The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.**
Application	The assessments of the board chairman and chief executive officer (CEO) are conducted by the lead independent director. The board and its committees assess their performance and effectiveness at least every second year to ensure compliance with the recommendations of King IV and to comply with their responsibilities and fiduciary duties, as set out in the Companies Act. The performance of management and the executive directors is assessed on an annual basis.	The CEO bears ultimate responsibility for the daily running of the business and management functions. The board retains responsibility for its fiduciary duties and responsibilities and delegates to the CEO, who in turn delegates to those reporting to him. A delegation of authority and approvals framework is in place, which sets out matters reserved for the board and those delegated to management.	The board is ultimately responsible for the governance of risk. It has assigned oversight of the Group's risk management function to the audit and risk committee. Management is accountable to the board for designing, implementing and monitoring the processes of risk management and integrating these into the daily activities of the Group. The Group risk register is reviewed by the audit and risk committee every quarter. The register includes the key risks facing Libstar, mitigating actions and residual risks. The divisional risk registers for each business unit within the group are reviewed at least twice a year. The audit and risk committee takes material changes and trends in the risk profile of the Group into account and considers whether the control systems, including as it relates to reporting, adequately supports the achievement of the risk management objectives. Refer to **Key risks and material matters.** Refer to **Audit and risk committee chairman's review.**	The board remains conscious of the importance of the governance and management of technology and information to the operations and success of Libstar. The audit and risk committee will continue to oversee and evaluate the pro-active measures taken by management, and the impact of the ICT steering committee. This was created to further strengthen this function. The monitored ICT steering committee responsibilities are to: ▪ Align ICT with the strategic, performance and sustainability objectives. ▪ Monitor and evaluate significant ICT investments and expenditure. ▪ Ensure that information assets are managed effectively.

King IV report on corporate governance for South Africa 2016 (King IV) *continued*

	13 COMPLIANCE GOVERNANCE	14 REMUNERATION GOVERNANCE	15 COMBINED ASSURANCE	16 STAKEHOLDERS	17 RESPONSIBLE INVESTMENT
King IV principles	**The governing body should govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.**	**The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.**	**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 the organisation's external reports.**	**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 the organisation over time.**	**The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.**
Application	The board governs compliance with laws and regulations. This is monitored through a combination of management controls, internal and external audit, the Group's sponsors and the company secretary. Legal compliance is a standard agenda item at the audit and risk committee meetings.	The remuneration committee ensures that the remuneration packages are market-related, transparent and linked to performance. It also ensures that appropriate remuneration frameworks and policies are adhered to. These frameworks and policies aim to attract and retain top talent and drive long-term growth and sustainable performance.	The board recognises and assumes its overall and ultimate responsibility in relation to assurance. It complies with the principles and the recommended practices and ensures that a combined assurance model is followed. The audit and risk committee has oversight responsibility for Libstar's combined assurance model, including confirmations by management and internal and external assurance providers.	Libstar is committed to good governance and compliance with legislative requirements at all levels of the business and in all its interactions with stakeholders. Libstar fully embraces an inclusive stakeholder approach, which is monitored by the social, ethics and transformation committee. The board acknowledges and encourages engagement with its stakeholders. The board further recognises its responsibility to ensure that Libstar acts as a good corporate citizen and performs its obligations towards its employees, shareholders, customers, suppliers, regulators and the communities in which it operates in good faith. The board recognises that transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence. It aims to ensure that: ▪ Complete, timeous, relevant, accurate, honest and accessible information is provided by the company to stakeholders, having regard to legal and strategic considerations. ▪ Communication with stakeholders is comprehensive and clear.	Libstar is not a financial institution defined in terms of the Financial Services Board Act, No 97 of 1990.

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