



Supplementary reviews

[How we create value](#)

[How we reward our teams](#)

[How we manage governance](#)

[How we engage our stakeholders](#)

LIBSTAR

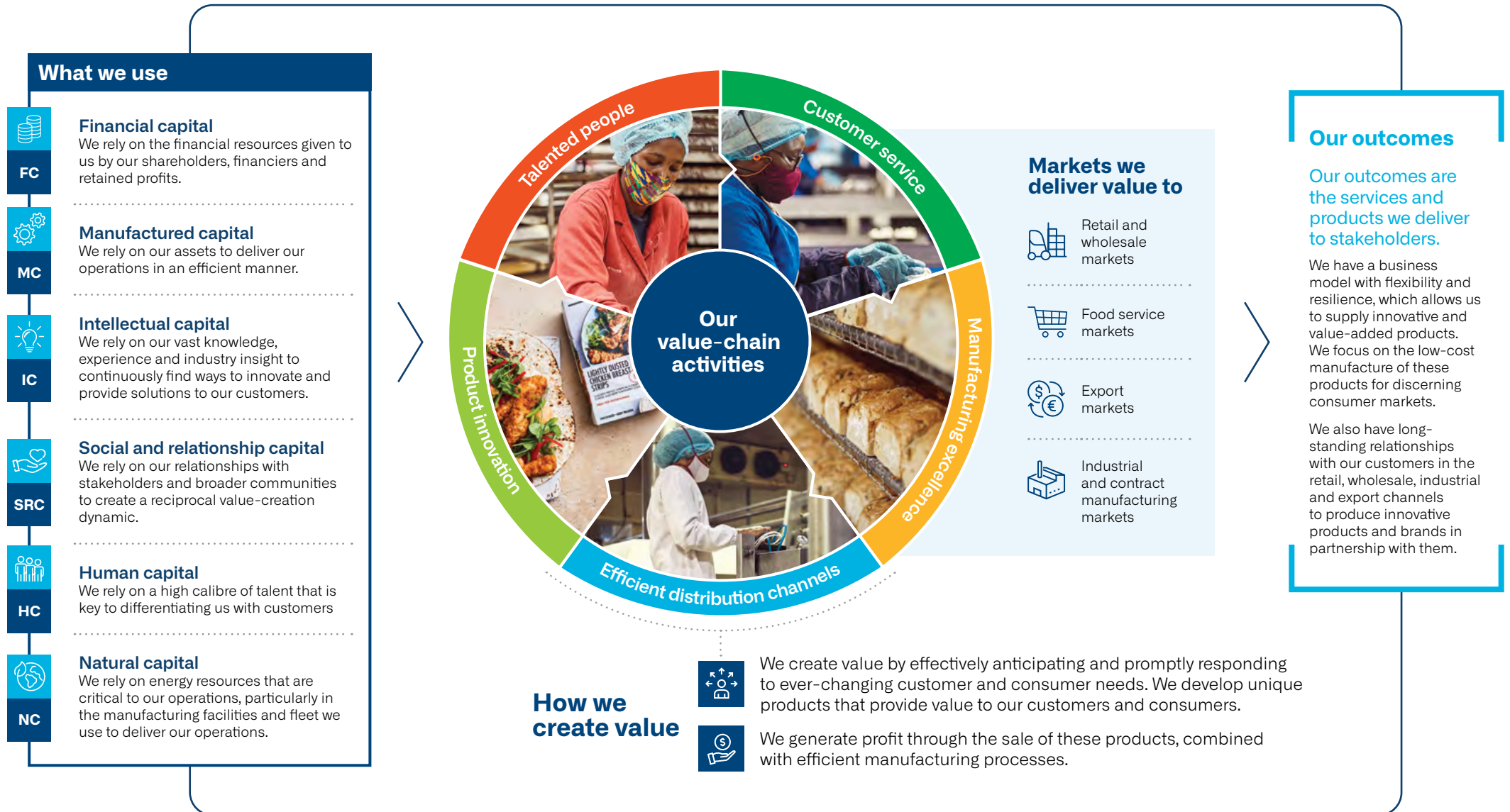
From our Home
to Yours

How we create value

2021



Our value-creating business model



How we create value

The Group's business model draws on various capital inputs. These capitals are affected or transformed by our activities and outputs to create value over time.



Financial capital

Inputs

R4.4 billion
Market capitalisation

R26.2 million
interest earned

R1.6 billion
in unutilised funding facilities

Activities to create value

- Focus on resilient target markets and growing market share.
- Cost-containment initiatives and functional consolidation.
- Supply-chain optimisation, and procurement practices to maintain and improve working capital levels.

Outcomes of our activities in 2021

- Revenue increased by 7.1%.
- 12.5% return on tangible invested capital (ROIC).
- Group operating cash conversion ratio increased from 83% to 96%.
- Net interest-bearing debt gearing of 1.2 times to normalised EBITDA.
- Market share growth achieved.

Balancing resources

The Group has to constantly monitor the trade-offs between short-term and long-term investment to ensure optimal benefits and financial performance.

For example, higher than usual expansionary capex was necessary over the last three years to capitalise on the key growth opportunities available to us in the market.



Manufactured capital

Inputs

R15 million
COVID-19-related costs to ensure safe manufacturing operations

R305 million
spent on capex projects to improve our manufacturing operations

Activities to create value

- Ongoing expansion of internal capacity and capability.
- Review of production processes, manufacturing facility design and automation techniques.
- Ongoing investment to ensure we have rigorous hygiene protocols and safety measures in all areas of the business to protect our people.
- Flexible procurement practices, which involve the substitution of imports for locally produced inputs.

Outcomes of our activities in 2021

- Uninterrupted manufacturing during the year, even with supply chain interruptions.
- 40 accredited manufacturing facilities.
- Ten warehouses and storage, packing and distribution facilities.
- More than 200 production and packing lines.
- More than 75 unique manufacturing technologies across the business units.



Balancing resources

Investing in our operations requires significant financial, human and intellectual capital inputs. However, these are crucial for us to continue producing market-leading products and maintaining our entrenched customer relationships and accredited facilities.

How we create value (continued)



Human and Intellectual capital

Inputs

6 099

permanent employees

R15 million

invested in the Group to keep our Libstar family safe against COVID-19

Salaries and wages of

R1 250 million

Experienced executive team and board

Activities to create value

- Stringent focus on safe operations.
- Continued to focus on internal communication and engagement campaigns to motivate, build morale and recognise employees.
- Improved focus on culture development and transformation.
- Ongoing organisational initiatives to support living Libstar's values.
- Talent development programme rollout to identify new talent and manage the succession process.
- Ongoing successful engagement with customers.
- Ongoing leadership development programmes to build capability and succession pipelines.

Outcomes of our activities in 2021

- High employee attendance levels.
- Ongoing transformation, with 53% female employees and 91% black* employees.
- Talent identified for leadership positions from within the Group.
- No major labour-related disruptions.

Balancing resources

Investing in attracting, retaining and developing talent comes at a high financial cost to the business. Although this impacts our short-term financial position, the benefits of having an experienced team in place has proven to be crucial during the challenging last few years, with our teams able to act decisively to address new market dynamics.

* Black, Indian and Coloured.



Social and Relationship capital

Inputs

R17.5 million

invested in social programmes

Engagement with customers to ensure product availability of our more than

9 000 products

Constructive **engagement** with regulators

Positive **supplier engagement**

Brand development

Activities to create value

- Product and financial donations made to needy communities.
- Continuous investment in market insights and product innovation.
- Adherence to all regulations and required payments.
- Stringent focus on supplier relationships.

Outcomes of our activities in 2021

- Lancewood – **Number 1** brand in: Hard cheese, cottage cheese, cream cheese, mascarpone and cultured cream.
- Robertsons Baking Aids* – **Number 1** brand in baking aids.
- 537 new **products launched** and 219 **products renovated**, focusing on key growth market categories.
- Cook n Bake – **Number 1** spray oil brand by volume and value.
- Safari – **Number 1** vinegar brand*.
- Goldcrest – **2nd** largest honey brand.
- Denny – **2nd** biggest cook in sauce brand.

* Under license.

Balancing resources

Maintaining effective relationships with a range of stakeholders, including suppliers, communities and regulatory bodies, requires a careful balance between stakeholder interests. Libstar has significant experience with managing a variety of stakeholders, with supplier and customer relationships stretching back as far as 20 years or longer in many cases.

As our operations are often in smaller towns where we are a key employer, maintaining conducive relationships with communities around our operations is crucial. Time and financial capital spent on those relationships are always beneficial and contribute to uninterrupted operations and being seen as an employer of choice.

How we create value (continued)



Natural capital

Inputs

R152 million
invested in electricity use

R70 million
invested in gas use

R29 million
invested in water use

Libstar conducted a detailed materiality assessment in terms of environmental, social and governance (ESG) aspects of its business during the year. Significant time was spent identifying, interrogating and categorising ESG risks. These have been incorporated in the group's risk framework.

The board has signed off the plan and is now moving to the implementation stage.

Activities to create value

- Electricity- and gas-saving initiatives in place.
- Use of boreholes where possible to reduce dependency on municipal infrastructure.
- Measurement of our carbon emissions/output.
- Continued focus on environmentally-friendly offerings, such as Denny Mushrooms' fully compostable punnets, and our extensive Precious Planet range of compostable packaging.

Outcomes of our activities in 2021

- Carbon tax liability in relation to 2020 of R1.9 million.
- Electricity cost increased by 6.9%, gas cost increased by 5.9% and water cost increased by 10.2%.

Balancing resources

Using natural resources is a key trade-off to generate value across the other capitals. As a responsible organisation, Libstar is committed to minimise its impact on the environment and decrease its use of natural capital.



LIBSTAR

From our Home
to Yours

How we
reward our teams

2021



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 2022.

Refer to the remuneration and nomination chairmen's reviews in the main section of the integrated annual report.

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:

- Shareholders who voted against the policy and implementation will be consulted to ascertain the nature of their concerns. Amendments will be considered by the remuneration committee.
- An official response will be provided to shareholders that will outline actions to be taken on the issues raised.

During the year we engaged with dissenting shareholders to discuss their concerns.

Our responses are detailed on page 8.

SECTION

BACKGROUND STATEMENT

1

Our remuneration policy recognises the relative contribution of each employee to the performance of the Group as a whole. We place a high value on entrepreneurship by adopting remuneration strategies that encourage senior employees to challenge boundaries and to incentivise our people for thinking innovatively.

THE REMUNERATION AND NOMINATION COMMITTEE

On 25 November 2020, the board resolved to combine the remuneration and nomination committees, in line with market practice and a more efficient governance processes.

The remuneration and nomination 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.

The members of the committee during the year were Sandeep Khanna (chairman for remuneration matters), Wendy Luhabe (member) and JP Landman (chairman for nomination matters).

Committee meetings held during 2021

	6 Apr	21 Jul	23 Nov
Sandeep Khanna (chairman of remuneration matters)	✓	✓	✓
JP Landman (chairman of nomination matters)	✓	✓	✓
Wendy Luhabe	✓	✓	✓
Attending by invitation:			
Chief executive officer	✓	✓	✓
Chief financial officer	✓	✓	✓
Executive director	✓	✓	✓
HR executive	✓	x	✓
HR manager	✓	✓	✓

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; and
- Proposed changes to the long-term incentive programme.



SECTION

OVERVIEW OF REMUNERATION POLICY

2

REMUNERATION PRINCIPLES

The Group's key remuneration principles are to:

- Ensure that Libstar's approach to remuneration is fair, equitable, transparent and market-related, taking into account 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; and
- Ensure compliance with legislation and regulations relating to remuneration of employees (including their benefits and incentives) and the reporting thereon.

The remuneration policy is available at <https://www.libstar.co.za/wp-content/uploads/2022/04/Libstar-Remuneration-Policy-2021.pdf>

REMUNERATION GOVERNANCE

The board is ultimately responsible for the implementation of the remuneration policy. To assist the board in fulfilling its duties, it has appointed and mandated the remuneration and nomination committee.

The 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 and nomination committee is regulated by specific 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 and nomination committee, but is not the chairman.

Remuneration governance (continued)

REMUNERATION STRUCTURE

The remuneration policy covers the following reward elements:

The responsibilities of the committee are to:

- Oversee the process for the appointment of directors;
- Make recommendations to the board on the appointment of the chief executive officer, new executives and non-executive directors;
- Ensure that formal succession plans for the board chairperson, chief executive officer, executives, and senior management are in place;
- Make recommendations to the board for the appointment of a lead independent director;
- Ensure that the chairperson and lead independent director's roles and functions are in writing;
- Identify and nominate candidates to fill board vacancies, taking into account the diversity indicators;
- Oversee and approve the board diversity policy;
- Recommend directors who are retiring by rotation at the AGM, for re-election;
- Consult other directors in its evaluation of the chairperson of the board, the chief executive officer and individual director;
- Evaluate the independence of those directors who are classified as independent, including directors who have been on the board for longer than nine years;
- Consider suitable members for appointment and recommendation to the board through a formal process, performing reference and background checks of candidates prior to nomination, and formalising the appointment of directors through a formal letter of appointment;
- Oversee and ensure that the induction and ongoing training and development of directors take place;
- Ensure that a mentorship programme is offered to directors, if required; and
- Implement formal succession plans for the board, the CEO and senior management.

		Who is eligible?	What are the objectives?	How is the pay level set?	
TOTAL REWARD	Total remuneration	Long-term incentives (Share Plan and long-term incentive plan (LTIP))	Executive directors, executive committee members, managing executives of divisions, senior management, other key employees	Rewards individual and company performance, attraction/retention, recognition of individual contribution to business success	Allocation based on total guaranteed pay and/or STI achievement, subject to financial performance
		Short-term incentives (STIs) (annual cash bonus)	Executive directors, executive committee members, managing executives of divisions, senior management, other key employees	Rewards individual and company performance, attraction/retention	Required to achieve at least 90% of Group or business unit EBITDA target
		13th cheque (at levels where applicable)	Employees not participating in STI	Motivation	Guided by employment agreements
		Benefits (pension/provident fund, medical aid, death benefits)	Facilitated by divisions		Linked to market practices
		Allowances (cars, phones)	Where appropriate	Attraction/motivation	Linked to market practices
		Basic (monthly salary, weekly/hourly wage)	All employees		
	Non-financial benefits	Recognition	All employees	Motivation	Linked to market practices
		Personal growth			
		Positive workplace			
		Career progression			

OUR EXECUTIVE REMUNERATION

Executives are defined as employees from Group CEO level to executives of operating divisions.

1 Total Guaranteed Pay (TGP)

Link to business strategy

Attraction/retention of key employees

Description

- A TGP approach is followed, which may include items such as car and phone allowances.
- An annual review of TGP is conducted, effective on 1 January each year, 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, external market conditions, internal equity and the performance of the individual.

In 2021, executive director salaries were increased by an average of 5.4%.

The company facilitates the following plans:

- Pension and provident funds for permanent employees;
- Insured risk benefits; and
- Medical aid benefits.



2 Short-Term Incentives (STIs)

Description

The STI is a performance bonus designed to incentivise participants to improve short-term business performance. An employee may qualify for an STI once the earnings before interest, tax, depreciation and amortisation (EBITDA) targets for the year have been achieved. The “on-target” bonus levels as a percentage of annual total guaranteed pay (TGP) are:

- Group CEO – 50%
- Group central office executives and CEOs of divisions – 35%-45%
- Senior management – 20%-35%

The Group must achieve at least 90% of its EBITDA budget before any bonuses become payable. The diagram below indicates the weighting of each component in the final bonus calculation.

STI payments are made in two tranches to obviate a clawback provision in the rules:

- 70% payable in December, based on October business forecasts; and
- 30% payable in the following April based on the audited results.

All STI payments are subject to the discretion of and approval by the remuneration committee and board.

The company is committed to rewarding employees as a way of appreciation for their contribution to the company's success. Employees are granted bonuses at the sole discretion of the company, subject to company performance.

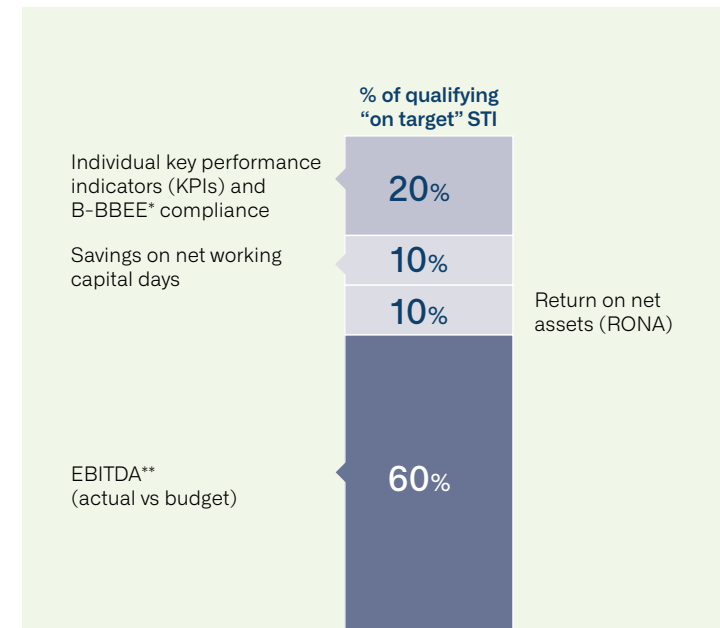
During the year, all bargaining unit employees received bonuses. These varied between divisions.

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.

Link to business strategy

Attraction/retention of key employees

Reward for individual and company performance



****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 elected to introduce earnings before interest and tax (EBIT) as a performance criterion in 2021 as a step towards alignment in this regard. In 2021, the EBITDA performance measure remained the primary performance criteria, although EBIT was used as a moderating factor in the event of significant deviation between the two metrics at year-end. EBIT will replace EBITDA from 2022.

Our executive remuneration (continued)

3 Long-Term Incentives (LTIs)

Description

- Prior to the Group's listing, the long-term incentives comprised a share appreciation rights scheme (SARs), based on an unlisted market valuation, with a three-year vesting period that was introduced during 2016. Final awards under the **LTI scheme** were made in 2018.
- The current Libstar Share and Long-Term Incentive Plans were approved by shareholders at the annual general meeting held in May 2019.
 1. The **Libstar Group Share Plan (Share Plan)** is offered to key strategic executives. It is settled in shares and focuses on Group performance; and
 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 both plans, executives and senior employees may be offered the following on an annual basis:

- Allocations of share appreciation rights;
- Awards of performance shares/units; and
- Grants of forfeitable shares/units.

The fundamental difference between the two plans is that the Share Plan will settle in equity (transfer of shares) whereas the LTIP will settle through a cash payment equal to equity value. Both are supported by shares in the company.

The Group is proposing to update the design of the LTIP scheme in 2022.

Link to business strategy

Reward for individual and company performance

Recognition of individual contribution to company success

How ROAA vs WACC is calculated

$(\text{Normalised EBIT} - \text{amortisation of customer relationships created during the 2014 restructuring of the Group}) \times (1 - 28\%)$

$\text{Average invested capital}^*$ (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	Forfeitable shares	Share appreciation rights																								
Eligibility	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		Appreciation only																								
Performance conditions on vesting	<p>TSR¹ versus JSE Consumer Packaged Goods peer group (40%)</p> <table border="1"> <tr> <td>40th percentile</td> <td>0% vesting</td> </tr> <tr> <td>Median</td> <td>100% vesting</td> </tr> <tr> <td>Upper quartile (pro rata between 0% to 300%)</td> <td>300% vesting</td> </tr> </table> <p>Libstar's three-year performance (60%)</p> <p>Targeted ROAA² versus WACC³</p> <table border="1"> <tr> <td>Below WACC</td> <td>0% vesting</td> </tr> <tr> <td>WACC</td> <td>75% vesting</td> </tr> <tr> <td>WACC+1%</td> <td>100% vesting</td> </tr> <tr> <td>WACC+5%</td> <td>(pro rata between 100% and 300% vesting)</td> </tr> </table> <p>Libstar group CAGR⁴ in normalised headline earnings</p> <table border="1"> <tr> <td>Below CPI</td> <td>0%</td> </tr> <tr> <td>CPI+2%</td> <td>100%</td> </tr> <tr> <td>CPI+4% (pro rata between 0% to 300%)</td> <td>300%</td> </tr> </table>	40 th percentile	0% vesting	Median	100% vesting	Upper quartile (pro rata between 0% to 300%)	300% vesting	Below WACC	0% vesting	WACC	75% vesting	WACC+1%	100% vesting	WACC+5%	(pro rata between 100% and 300% vesting)	Below CPI	0%	CPI+2%	100%	CPI+4% (pro rata between 0% to 300%)	300%	Achievement of Libstar Group B-BBEE targets	<p>Achievement of real growth (CPI+2%) in normalised headline earnings</p> <table border="1"> <tr> <td>Below CPI</td> <td>0% vesting</td> </tr> <tr> <td>CPI+2% or greater</td> <td>100% vesting (pro rata between 0% to 100%)</td> </tr> </table>	Below CPI	0% vesting	CPI+2% or greater	100% vesting (pro rata between 0% to 100%)
40 th percentile	0% vesting																										
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Below CPI	0% vesting																										
CPI+2% or greater	100% vesting (pro rata between 0% to 100%)																										
Vesting period	Third anniversary		Third anniversary, with settlement no later than seven years																								
Settlement	<ul style="list-style-type: none"> ▪ Group Share Plan: shares issued or acquired in the market ▪ LTIP: cash 																										
Termination (unless the board, in its discretion, decides otherwise)	<ul style="list-style-type: none"> ▪ No fault termination: vests on a pro rata basis to the extent of company performance ▪ Fault termination: forfeited and cancelled 	<ul style="list-style-type: none"> ▪ No fault termination: vests in full to the extent of company performance ▪ Fault termination: forfeited and cancelled 	<ul style="list-style-type: none"> ▪ No fault termination: vests automatically ▪ Fault termination: cancelled 																								
Link to business strategy	<ul style="list-style-type: none"> ▪ 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.

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; 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 and the LTIP. 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 three 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 2021. The allocation for any participant in terms of the Share Plan and any other plan will not exceed 1 364 000 shares. This represents 0.2% of issued share capital at 31 December 2021.

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.



Awards made in 2018 in terms of the former long-term incentive (LTI) plan to 82 employees vested on 1 January 2021. The awards were cancelled by the committee following no appreciation.

Libstar Group LTIP

The Long-term Incentive Plan (LTIP) was introduced in 2019, to:

- Reward individual and company performance,
- Attract/retain talent, and
- Recognise individual contribution to operating business success.

The existing LTIP architecture includes performance shares, forfeitable shares and share appreciation rights. In the challenging economic climate, the Group is unlikely to achieve the scheme's objectives. Shareholder feedback has been duly considered, especially in relation to the existing scheme's complicated design.

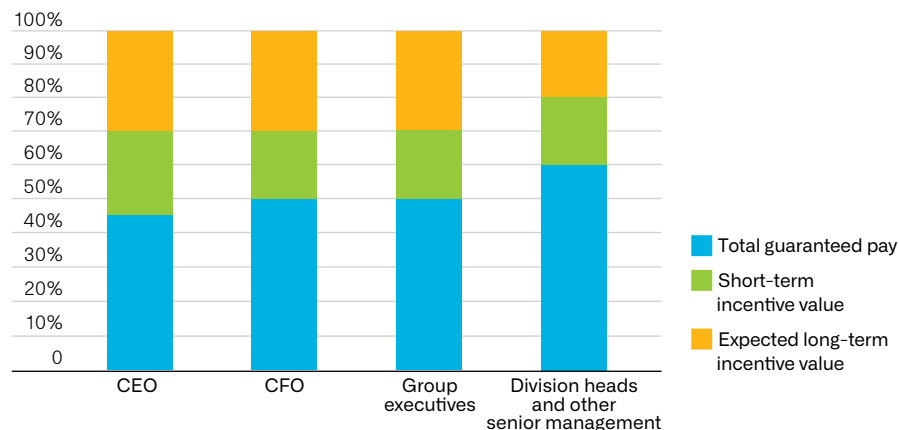
This resulted in a structural review of the LTIP by the committee and management. The new LTIP will be outlined in the 2022 integrated annual report.

REMUNERATION MIX

Remuneration packages consist of TGP and variable pay. Libstar's variable pay methods include the STI, as well as the LTIP and Libstar 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.

Libstar's on-target remuneration mix for the different levels is outlined below. The mix is aligned with market practice and there has been no amendments to the package structure from 2019.



The potential total remuneration outcomes for executive directors

The variable pay arrangements set out on this page 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:

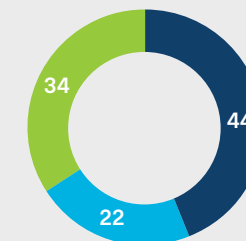
- TGP is as at 31 December 2021.
- The STI component is the cash bonus component, where:
 - "Minimum" equals performance below 90% of EBITDA;
 - "On-target" equals performance at EBITDA budget; and
 - "Stretch" equals performance at 15% above EBITDA budget.
- The LTI component is the face value of the LTIP share appreciation rights allocations, performance share/unit awards and forfeitable share/unit grants, where "stretch" represents full vesting (three times vesting value) of performance shares.



CEO

Remuneration mix (%)	Minimum	On target	Stretch
TGP	100	44	32
STI	–	22	23
LTI	–	34	45
Total	100	100	100

On-target remuneration mix (%)



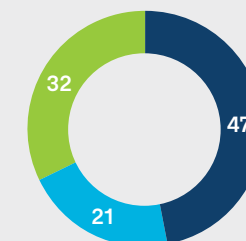
● TGP ● STI ● LTI



CFO

Remuneration mix (%)	Minimum	On target	Stretch
TGP	100	47	35
STI	–	21	23
LTI	–	32	42
Total	100	100	100

On-target remuneration mix (%)



● TGP ● STI ● LTI



CLAWBACK AND MALUS

The directors of Libstar may, in their absolute 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.

This policy outlines the circumstances under which the board, upon the advice of the remco, 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 issued 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 committee and disclosed.

NON-EXECUTIVE DIRECTORS

Non-executive directors receive meeting attendance fees for their participation on the board and board committees. There were no increases in attendance fees from last year. Non-executive directors do not receive annual incentive awards.

The board chairman is not present when her remuneration is reviewed. 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 director report; and
- Companies in the Consumer Packaged Goods sector on the JSE, which include Tiger Brands Ltd, RCL Foods Limited, AVI Limited, Oceana Fishing and Rhodes Food Group.





SECTION

3

IMPLEMENTATION OF THE REMUNERATION POLICY

Shareholders representing more than 25% of shares in issue did not vote in favour of the 2021 remuneration policy and the implementation of the remuneration policy, as presented.

In an effort to identify and address shareholders' concerns, Libstar engaged institutional shareholders, which included dissenting shareholders, and who collectively hold the majority of the company's shares in issue. The outcomes of this consultation process are outlined on this page.

Voting outcomes at the 2021 AGM

% vote in favour of	June 2021
Remuneration policy	65.09%
Remuneration implementation	69.13%

KEY MATTERS IDENTIFIED BY SHAREHOLDERS

Shareholder feedback

Reducing the weighting of EBITDA in the determination of STIs and the addition of HEPS and cashflow performance metrics.

Simplification of the long-term incentive scheme.

Increasing the stretch target for top-end vesting of the LTIP and Group Share Plan.

Libstar's response

2021 STIs were calculated in accordance with EBITDA and EBIT targets. The Group will adopt EBIT as the key measure in the determination of STIs in 2022. The introduction of HEPS as a performance metric is currently being evaluated.

 Refer to page 3.

The committee is reviewing the structure of the scheme to simplify its architecture.

The committee and board have considered the shareholder feedback and market incentive scheme structures and targets. The stretch targets will be reviewed following the finalisation of proposed changes to the LTIP.

SALARY INCREASES

Executive directors

In 2021, the salaries of executive directors were increased by an average of 5.4% in line with CPI and market remuneration benchmarking.

	2022 %	2021 %	2020 %	2019 %
Executive directors*	5.4**	5.0	5.0	–
Group office executives and managing executives of divisions	2.5**	2.5	3.8	4.5

* Robin Smith retired as an executive director in 2021. Executive directors therefore decreased from three to two from 1 January 2022.

** The difference in the salary increase percentages granted for executive directors and group office executives and managing executives of divisions are due to the reorganisation of positions, reduction of pay and no increases granted following remuneration benchmarking, as well as the size of the employee pool for group office executives and managing executives of divisions.

STI payments*

% of TGP	2021	2020	2019	2018
Executive directors**				
Executive directors: STI	13.6	17.6	36.6	15.0
Executive directors: Discretionary bonus	–	–	18.3	–
Total	13.6	17.6	54.9	15.0
Group office executives and managing executives of divisions	19.3	21.5	25.8	11.9

Rand value R'000	2021	2020	2019	2018
Executive directors**				
Executive directors: STI	1 968	2 428	3 592	1 473
Executive directors: Discretionary bonus	–	–	1 796	–
Total	1 968	2 428	5 388	1 473
Group office executives and managing executives of divisions	10 878	11 742	17 982	7 433

* Bonuses are expressed as a percentage of TGP for each of the sub-groups.

** Includes Robin Smith who retired in December 2021.

EXPLANATION OF THESE PAYMENTS

STI awards

Libstar is required to achieve at least 90% of its EBITDA target against budget before any bonuses become payable.

The individual performance metrics that were applied in 2021 were set out in the 2020 remuneration review. These are summarised here again:

Performance measure	Normalised EBITDA	Net working capital saving days	RONA	B-BBEE
Description	Budget (threshold: 90% of budget)	Improvement from prior year	Improvement from prior year	Compliant
Target for 2021	R1 170 million	69	14%	Compliant
Actual for 2021	R1 069 million	74	13%	Compliant
Results	Threshold achieved	Not achieved	Not achieved	Achieved
Weighting	60%	10%	10%	20%

Return on net assets (RONA) targets are established at divisional level, whilst the Group aims to achieve RONA/return on invested capital (ROIC) in excess of its weighted average cost of capital (WACC). During 2021, the Group achieved ROAA/ROIC of 12.5% (2020: 12.3%) against a WACC of 12.5% (2020: 12.2%).

Based on these results, and the remuneration committee and board's consideration of the Group's performance during the year under review, the executive directors received STI payments in the amount of 13.6% of TGP compared to 17.6% in 2020.

Group office executives were paid STIs in line with company performance in terms of the rules of the STI scheme. Managing executives of divisions were paid STIs in line with the performance of the relevant division against budget.

LTI, LTIP AND LIBSTAR GROUP SHARE PLAN AWARDS

The current 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 4 to 5 and in more detail in the remuneration policy that can be found at www.libstar.co.za.

Awards made in 2018 in terms of the former long-term incentive (LTI) plan to 82 employees vested on 1 January 2021. The awards were declared forfeit and cancelled by the committee following nil appreciation.

During 2021, Long-term Incentive Plan (LTIP) awards were made to 93 employees, including the Group CEO, Group CFO and executive director. No awards were made under the Group Share Plan during 2021.

The table on this page sets out the awards to executive directors made in terms of the LTI, LTIP and Libstar Group Share Plan:

	Date of award	Vesting date	Expiry date	SARS strike price/LTIP and Share Plan price on grant	Number of instruments awarded	Number of instruments vested	Number of instruments lapsed	Closing number of unvested and/or vested but unexercised instruments	Total face value on grant
CEO									
LTI	Jan 2018	Jan 2021	Jan 2021	12.92	411 242	411 242	–	–	R5 313 250
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 2023	6.33	307 964	–	–	307 964	R1 949 409
Forfeitable shares	Apr 2020	Apr 2023	Apr 2023	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 2024	6.75	298 909	–	–	298 909	R2 017 638
Forfeitable shares	Apr 2021	Apr 2024	Apr 2024	6.75	74 493	–	–	74 493	R502 828
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 2023	6.33	307 964	–	–	307 964	R1 949 409
Forfeitable shares	Apr 2020	Apr 2023	Apr 2023	6.33	76 750	–	–	76 750	R485 825
CFO									
LTI	Jan 2018	Jan 2021	Jan 2021	12.92	112 810	112 810	–	–	R1 457 500
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	–	–	193 523	R1 225 000
Performance shares	Apr 2020	Apr 2023	Apr 2023	6.33	144 313	–	–	144 313	R913 500
Forfeitable shares	Apr 2020	Apr 2023	Apr 2023	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 2024	6.75	148 867	–	–	148 867	R1 004 850
Forfeitable shares	Apr 2021	Apr 2024	Apr 2024	6.75	37 217	–	–	37 217	R251 213
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	–	–	193 523	R1 225 000
Performance shares	Apr 2020	Apr 2023	Apr 2023	6.33	144 313	–	–	144 313	R913 500
Forfeitable shares	Apr 2020	Apr 2023	Apr 2023	6.33	36 078	–	–	36 078	R228 375

LTI, LTIP and Libstar Group Share Plan Awards (continued)

Date of grant	Date of award	Vesting date	Expiry date	SARS strike price/LTIP and Share Plan price on grant	Number of instruments awarded	Number of instruments vested	Number of instruments lapsed	Closing number of invested and/or vested but unexercised instruments	Total face value on grant
EXECUTIVE DIRECTOR (Robin Smith)									
LTI	Jan 2018	Jan 2021	Jan 2021	12.92	252 283	252 283	–	–	R3 259 500
LTIP									
SARs	Apr 2019	Apr 2022	Apr 2026	8.08	173 267	–	–	173 267	R1 400 000
Performance shares	Apr 2019	Apr 2022	Apr 2022	8.08	129 208	–	–	129 208	R1 044 000
Forfeitable shares	Apr 2019	Apr 2022	Apr 2022	8.08	32 302	–	–	32 302	R261 000
SARs	Apr 2020	Apr 2023	Apr 2027	6.33	232 227	–	–	232 227	R1 470 000
Performance shares	Apr 2020	Apr 2023	Apr 2023	6.33	173 175	–	–	173 175	R1 096 200
Forfeitable shares	Apr 2020	Apr 2023	Apr 2023	6.33	43 294	–	–	43 294	R274 050
SARs	Apr 2021	Apr 2024	Apr 2028	6.75	224 202	–	–	224 202	R1 513 365
Performance shares	Apr 2021	Apr 2024	Apr 2024	6.75	167 191	–	–	167 191	R1 007 500
Forfeitable shares	Apr 2021	Apr 2024	Apr 2024	6.75	41 798	–	–	41 798	R282 134
Libstar Group Share Plan									
SARs	Jul 2019	Jul 2022	Jul 2026	8.85	158 192	–	–	158 192	R1 400 000
Performance shares	Jul 2019	Jul 2022	Jul 2022	8.85	117 966	–	–	117 966	R1 044 000
Forfeitable shares	Jul 2019	Jul 2022	Jul 2022	8.85	29 492	–	–	29 492	R261 000
SARs	Apr 2020	Apr 2023	Apr 2027	6.33	232 227	–	–	232 227	R1 470 000
Performance shares	Apr 2020	Apr 2023	Apr 2023	6.33	173 175	–	–	173 175	R1 096 200
Forfeitable shares	Apr 2020	Apr 2023	Apr 2023	6.33	43 294	–	–	43 294	R274 050



SINGLE FIGURE REMUNERATION

The following table discloses total remuneration received by executive directors since 2017.

R'000	Basic salary	Bonuses and incentives	Retirement fund contributions	Gains on exercise of share options	Retirement payment	Total
31 December 2021						
A van Rensburg	6 325	876	–	–	–	7 201
C de Villiers	3 850	514	–	–	–	4 364
R Smith	4 324	578	–	–	13 112	18 014
31 December 2020						
A van Rensburg	6 111	1 528	–	–	–	7 639
C de Villiers	3 500	900	–	–	–	4 400
R Smith	4 200	–	–	–	–	4 200
31 December 2019						
A van Rensburg	5 820	3 318	–	–	–	9 138
R Smith	4 000	2 070	–	–	–	6 070
31 December 2018						
A van Rensburg	5 820	873	–	–	–	6 693
R Smith	4 000	600	–	–	–	4 600
31 December 2017						
A van Rensburg	4 850	2 005	–	–	–	6 855
R Smith	3 400	1 230	–	–	–	4 630

Retirement benefit to executive director

The group concluded a mutual separation agreement with Robin Smith, in terms of which he retired as an executive director of the company with effect from 31 December 2021 after 16 years of service. Robin co-founded the company and played a significant role in the development and growth of Libstar. The retirement payment is a full and final settlement of any and all claims he may have against the Group.

The payment includes:

- Leave pay.
- Notice pay.
- Application of the good leaver provisions of the LTIP and Group Share Plan.
- A discretionary amount determined by the remuneration committee that is equivalent of two times annual total guaranteed pay.

His employment agreement provided for a three-month notice period and 36-month restraint of trade.

NON-EXECUTIVE DIRECTORS' FEES

The proposed fees for 2022 are set out below and are subject to approval by shareholders at the AGM in June 2022. The board is of the opinion 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 a Willis Towers Watson report on non-executive directors' remuneration and fees paid by peers in the Consumer Packaged Goods sector.

The board is of the opinion that the proposed fees take into account the qualifications, experience and opportunity cost of the targeted profile of non-executive directors for the company, 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.

	2022 Proposed fee 1 January 2022 to 31 December 2022 Rand	2021 Proposed fee 1 January 2021 to 31 December 2021 Rand
Board of directors		
Chairman	771 750	735 000
Independent director	297 680	283 500
Audit and risk committee		
Chairman	286 650	273 000
Committee member	154 350	147 000
Remuneration and nomination committee		
Chairman – Remuneration	275 630	262 500
Committee member – Remuneration	121 280	115 500
Chairman – Nomination	220 500	210 000
Committee member – Nomination	110 250	105 000
Social and ethics committee		
Chairman	220 500	210 000
Committee member	110 250	105 000
Investment committee		
Chairman	220 500	210 000
Committee member	110 250	105 000

LIBSTAR

From our Home
to Yours

How we manage
governance

2021



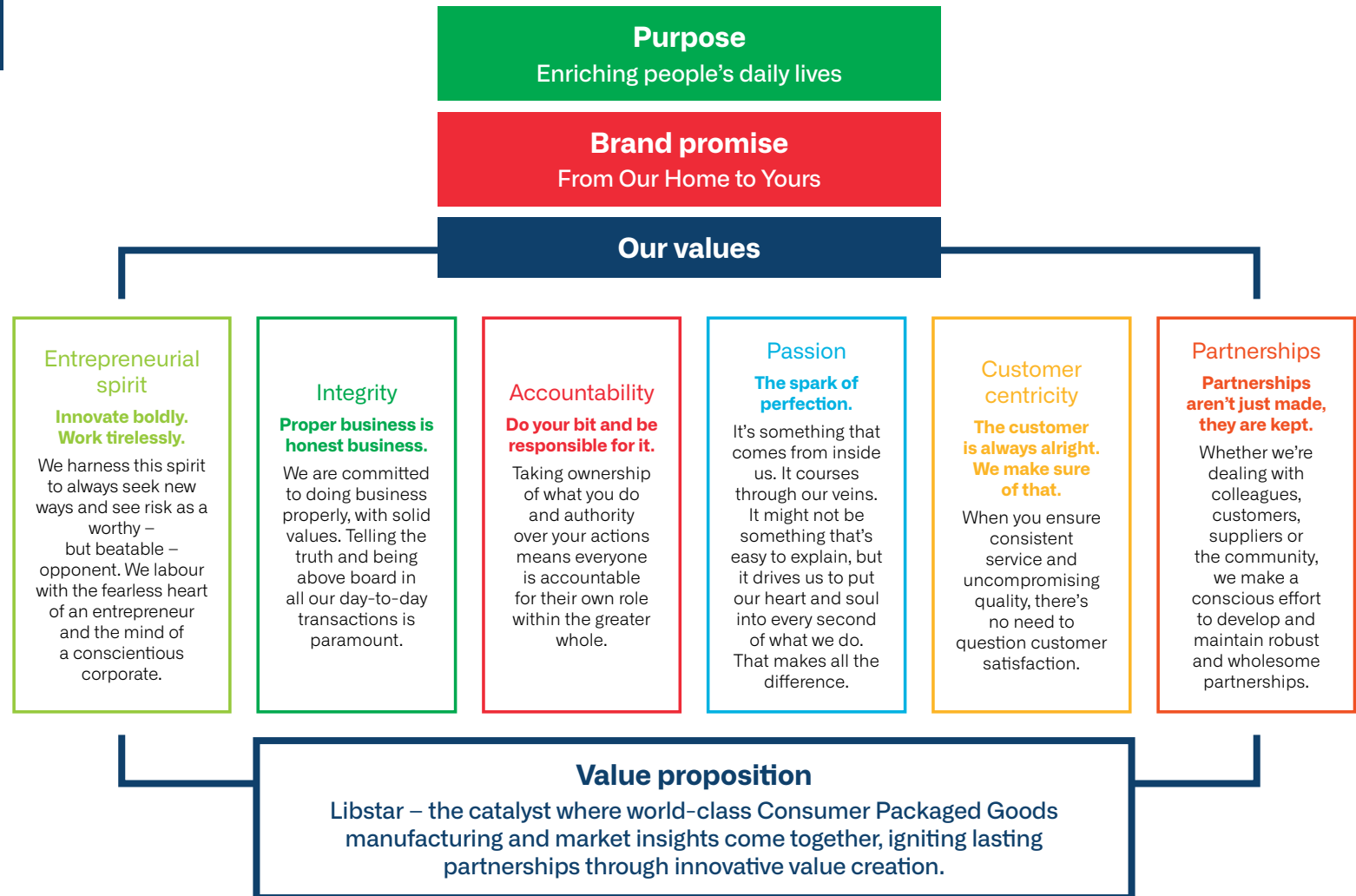
Governance

This is Libstar's detailed governance review.

For reviews of the committee chairmen, please refer to the main section of the integrated annual report.

Introduction

Libstar's values are aimed at building and maintaining a culture that promotes professional conduct, commitment, and open and honest communication. The board endorses the King IV Report on Corporate Governance for South Africa 2016 (King IV) and recognises the need to conduct its business with integrity and in accordance with generally-accepted corporate practices.



BOARD FOCUS AREAS

2021 focus areas

Interrogated the Group's current strategy and position to identify the most appropriate actions to unlock value.

Implemented recommendations following the 2020 review.

Reassessed the succession framework and development of talent.

Strengthened internal resources to execute on the Group's risk management framework.

Improved the Group's B-BBEE rating.

Assessed the board committee composition in terms of diversity of skills and experience.

Further refined committee agendas, the content of meeting packs and the finalisation of certain policies.

Evaluated stakeholder communications processes.

2022 focus areas

Ongoing support to the Libstar leadership team to continue managing the impact of difficult economic conditions.

Oversight of the implementation of the environmental, social and governance strategy.

Implement more regular dedicated board strategy review sessions.

Conduct a board effectiveness review in line with King IV that recommends evaluations every second year.

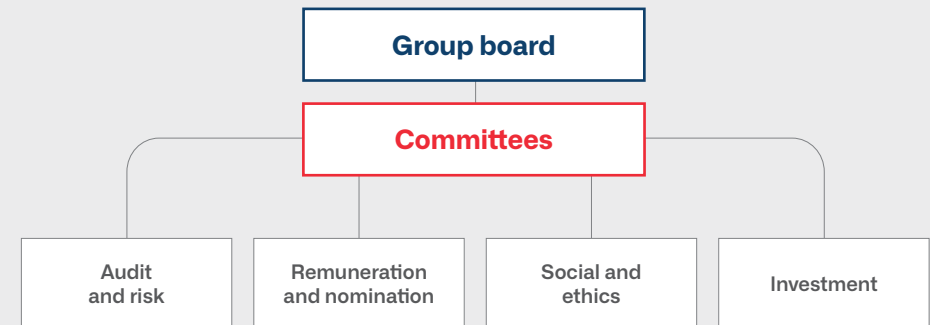
Support management to ensure the improvement of returns on capital expenditure and investments.

Further develop the Group's succession plan.

GOVERNANCE DURING THE YEAR

Governance structure

The board has four committees in place to assist it in its duties and responsibilities.




The board

The board comprises seven directors, which include five independent non-executive directors and two executive directors. JSE Listings Requirements and other regulatory requirements. An effective compliance framework is in place.

The board is responsible for ensuring that the company complies with its statutory obligations specified in the memorandum of incorporation (Mol) of the company, the Companies Act, 71 of 2008 ("Companies Act"),

Libstar is satisfied that during the year under review, the company has in all material respects complied with its Mol, the Companies Act and other relevant laws applicable to the company.

 Further information on Libstar's approach to compliance is set out in Principle 13 of the King IV register on page 10.

The board ensures the integrity of its financial reporting and risk management, together with timely and transparent disclosure to shareholders.

The board has a framework in place for the delegation of authority to management. It remains cognisant that delegating authority to committees or management does not in any way impact or dissipate the discharge by the board and its members of its duties and responsibilities. The board also ensures that the positions of the CEO and board chairman are separate, with a clearly-defined division of responsibilities in both offices to ensure a balance of authority and power. The chairman does not interfere in the day-to-day running of the business.

She has access to routine Group information, including internal reports, to enable her to remain up to date with the operations of the Group and industry.



The board has a minimum of four scheduled meetings per financial year, excluding ad hoc meetings held to consider special business. During 2021 the board held a strategy session. It was agreed that these sessions will be held at least annually.

The board has a board charter in place to regulate, amongst other things, the role and responsibilities of the chairman, the lead independent director and the functioning of the board as a whole.

Board vacancies are filled by the board on recommendation from the remuneration and nomination committee. This committee scrutinises and identifies suitable candidates.

During the year, the board and the relevant committees took note of the three King IV guidance papers, namely “*Corporate failures and lessons learnt*”, “*Responsibilities of governing bodies in*

responding to climate change” and “*Effective stakeholder engagement within the context of remuneration*”. The board and committees also considered the draft Companies Amendment Bill, 2021 and the audit committee considered the JSE consultation paper “*Cutting red tape*”.

Board effectiveness review

During August 2020, the Libstar board conducted a review to assess the board’s performance and effectiveness. The evaluation comprised a questionnaire, based on various best-practice criteria, and one-on-one interviews with all directors.

All key recommendations from the evaluation have been addressed. Another evaluation is planned for 2022 in line with King IV recommendations that these are conducted at least every two years.

BOARD MEMBERS

Attendance: 1 January 2021 – 31 December 2021

Board meetings

Director	16 March	8 April	22 July	7 Sep	24 Nov	Number
W Luhabe	✓ (c)	✓ (c)	✓ (c)	✓ (c)	✓ (c)	5/5
A van Rensburg	✓	✓	✓	✓	✓	5/5
C de Villiers	✓	✓	✓	✓	✓	5/5
R Smith	✓	✓	✓	✓	✓	5/5
A Andrews	✓	✓	✓	✓	✓	5/5
S Masinga	✓	✓	✓	✓	✓	5/5
S Khanna	✓	✓	✓	✓	✓	5/5
JP Landman	✓	✓	✓	✓	✓	5/5

(a) = apologies (c) = chairman

Board members (continued)



RNC
SEC

Wendy Luhabe (64)
Chairperson and independent non-executive director
BCom – 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 27 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 Doctorate degrees for her work with women, including from the Universities of Fort Hare and Stellenbosch. In 1993, Wendy pioneered the founding 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 chairman on the boards of diverse industries since 1992.

She was the chairman of Vodacom and Industrial Development Corporation and served as non-executive director on various boards, including Tiger Brands and Telkom. Wendy currently serves as the chairman of Pepkor Holdings, as a non-executive director of Compagnie Financière Richemont SA, and as a board member of the Social Justice Initiative.

Her entrepreneurial skills and significant board experience are extremely valuable to the board and management team.




ARC
RNC
IC

JP Landman (66)
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, especially as Libstar's strategy is built on identifying market trends and implementing a strategy that withstands economic cycles.

The remuneration and nomination committees were combined in November 2020. JP is the chairman overseeing nomination-related matters of the combined committee.



ARC
SEC

Sibongile Masinga (55)
Independent non-executive director
BCom – Unisa
US-SA Leadership & Entrepreneurship Programme – 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 has served as a non-executive director of several JSE-listed companies. She currently serves on the boards of Bidvest Limited and Botshilu Private Hospitals and their related sub-committees. She acted as the interim CEO of Delta Property Fund Limited and is currently overseeing a hand-over as an executive. She serves as a member of the Council of the Durban University of Technology, and serves on related board sub-committees.

Her past directorship of the finance and grant committee of the Manufacturing, Engineering and Related Services Sector (merSETA) has given her the relevant knowledge to assist Libstar as a manufacturer.

As the previous chairman and now a member of the audit and risk committee, Sibongile has provided valuable advice on the formulation of Libstar's risk management framework.



ARC
RNC
IC

Sandeep Khanna (48)
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 25 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.

The remuneration and nomination committees were combined in November 2020. Sandeep is the chairman overseeing remuneration-related matters of the combined committee.



ARC

Anneke Andrews (53)
Independent non-executive director
BCom Accounting (cum laude) – University of Pretoria
BCom Accounting Honours – University of Pretoria
Date of board appointment: 2020

Anneke is a chartered accountant who 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.

Board members (continued)



Andries van Rensburg (67)
Chief executive officer

BEng, MEng – University of Stellenbosch
MBL (cum laude) – Unisa

Date of board appointment: 2014

Andries has an accomplished track record of almost 40 years with a range of senior positions held at several companies. This has included Sasol and Tiger Brands, where he successfully grew market shares and established key brands, and Premier Foods, where he fulfilled the role of chief executive officer from 2001 to 2005.

Andries co-founded Libstar in 2005 with a vision to create a leading Consumer Packaged Goods (CPG) Group. His CPG industry knowledge has been instrumental in the growth of Libstar's own brand, dealer-own brand and private label strategies. His entrepreneurial flair has enabled the identification of leading businesses to include in the stable. His management style of creating an ownership culture at Libstar has ensured the retention of the founders of the acquired businesses within the Group. His established track record in the food sector has played a critical role in Libstar identifying future trends and creating differentiated product offerings.



Charl de Villiers (37)
Chief financial officer

BAcc LLB (cum laude) – University of Stellenbosch
BAcc (Honours) – University of Stellenbosch CA(SA)

Date of board appointment: 2020

Charl has more than ten years' finance experience, which includes an extensive track record in corporate finance, and as a senior financial executive of companies operating in the South African listed environment. He has a unique combination of legal and financial qualifications, which provides a breadth of technical competence, creative and strategic problem solving and attention to detail. Charl's experience has been particularly valuable during Libstar's transition from a private company to a JSE-listed company. His achievements include the pre-listing restructuring of multiple legal entities into a single entity and the post-listing establishment of Group visibility of foreign exchange contracts and a central Group treasury function.

Since his appointment as chief financial officer, Charl has been closely involved in the finalisation of the repositioning of the Group, as well as ensuring its continued solid performance.



Independence of directors

All non-executive directors, including the chairman, are classified as independent in terms of King IV and the JSE Listings Requirements.

A number of years ago, Sandeep Khanna represented APEF Mauritius Limited, an entity which was controlled by the APEF IV and AAF3 investors with interests in Libstar and managed by Abraaj-controlled entities.

The employee-employer relationship between Sandeep and the Abraaj-controlled entities was terminated during 2017. APEV IV and AAF3 continue to hold an interest in Libstar. However, they have been managed by investment manager, Actis, since August 2019. Sandeep does not represent Actis and does not have any employee-employer relationship with Actis. Sandeep's status has therefore been confirmed as an independent non-executive director.

Chairman

The chairman is Wendy Luhabe. The main role of the chairman is to manage and provide leadership to the board.

The chairman is accountable to the board and acts as a liaison between the board and management through the 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;
- Ensure that directors are properly informed and 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;
- Chair meetings of the board;
- Attend other committees of the board, where appropriate, and as determined by the board; and
- Call special meetings of the board, where appropriate.

The lead independent non-executive director

JP Landman is Libstar's lead independent non-executive director. His responsibilities are to:

- Lead in the absence of the board chairman;
- Serve as a sounding board for the chairman;
- Act as an intermediary between the chairman and other board members, when necessary;
- Deal with 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; and
- Lead the board's evaluation of the CEO.

Diversity

All board appointments are made on merit, in the context of skills, experience, independence and knowledge which the board as a whole requires to be effective. Due regard is given to diversity in respect of Libstar's transformation initiatives, specifically those of gender and race and an appropriate mix of qualifications, skills and experience across the board.

Libstar's Board Diversity Policy includes diversity attributes of gender, race, culture, age, field of knowledge, skills and experience.

We have also implemented race and gender targets at board, Group and divisional level. A voluntary target of 30% female representation was set. This was achieved, with three female directors currently on the board, which is a 42.8% female representation.

We also remain committed to improve our race and gender diversity at executive level.

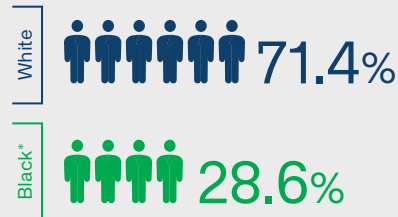
Appointment and rotation of directors

No director is 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 from office. The non-executive directors who will 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.

Conflicts of interest

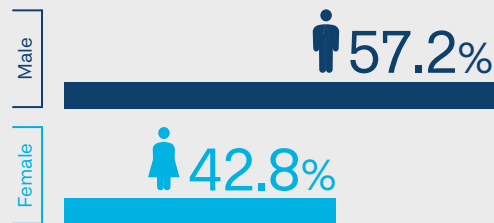
We are committed to the highest standards of ethical, moral and legal business conduct. A conflict of interest policy and Code of Ethics and Conduct Policy are in place. These apply to all directors and employees. Disclosure of interests is a standard agenda item at all board and committee meetings.

Diversity

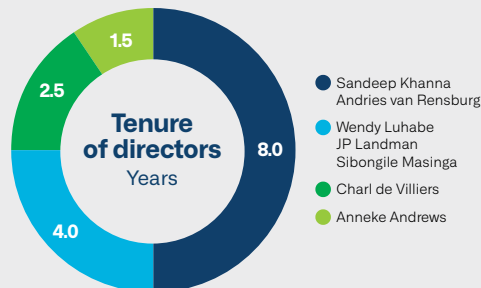
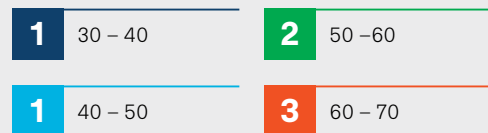


* Black, Indian and Coloured

Gender



Age profiles



Dealing in securities

We have a formal policy, established by the board and implemented by the company secretary, prohibiting dealing in securities by directors, officers and other selected employees for a designated period preceding the announcement of the Group's interim and final results or in any other period, which may be required in terms of the JSE Listings Requirements. A closed financial period starts at the half-year and year-end periods and is lifted upon publication of the results on SENS. The dealing in securities policy is circulated prior to a closed period to remind the affected persons. Before dealing in Libstar shares, all directors must obtain prior written clearance to transact in line with the Group's dealing in securities and insider trading policy.

Board practices

The board takes overall responsibility for directing the company and the achievement of its strategic objectives, vision and mission.

The primary responsibilities of the board include:

- Approving the strategic direction of the Group;
- Approving and reviewing budgets, business plans and policies;
- The management of ethics;
- The governance of risk;
- An effective audit and risk committee;
- Retaining effective control of the company;
- Monitoring the activities of the executive management; and
- Ensuring that Libstar complies with applicable laws, regulations and codes of business practice.

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-to-day 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. Members of the board are appointed by the shareholders.



Directors' fees

The fees of the non-executive directors are set out below.

	2022 Proposed fee 1 January 2022 to 31 December 2022 Rand	2021 Proposed fee 1 January 2021 to 31 December 2021 Rand
Board of directors		
Chairman	771 750	735 000
Independent director	297 680	283 500
Audit and risk committee		
Chairman	286 650	273 000
Committee member	154 350	147 000
Remuneration and nomination committee		
Chairman – Remuneration	275 630	262 500
Committee member – Remuneration	121 280	115 500
Chairman – Nomination	220 500	210 000
Committee member – Nomination	110 250	105 000
Social and ethics committee		
Chairman	220 500	210 000
Committee member	110 250	105 000
Investment committee		
Chairman	220 500	210 000
Committee member	110 250	105 000

Company secretary

CorpStat Governance Services (Pty) Ltd is the company secretary.

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.

Board committees

The board has constituted various committees (as set out in the governance structure) to assist the board with meeting its duties and responsibilities. These 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 right mix of skills, knowledge and experience.


REMUNERATION AND NOMINATION COMMITTEE

Remuneration aspects

The members of the committee during the year were Sandeep Khanna (chairman for remuneration aspects), Wendy Luhabe (member) and JP Landman (chairman for nomination aspects).

The 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 also 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 remuneration policy and related implementation report are tabled every year for separate non-binding advisory votes by shareholders.

 Refer to the remuneration report and the committee's roles and responsibilities.

 Refer to the remuneration and nomination committee chairmen's review.

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.

Attendance: 1 January 2021 – 31 December 2021

Members	6 April	21 July	23 Nov	Meetings attended
S Khanna	✓ (c)	✓ (c)	✓ (c)	3/3
JP Landman	✓ (c)	✓ (c)	✓ (c)	3/3
W Luhabe	✓	✓	✓	3/3
A van Rensburg	✓ (i)	✓ (i)	✓ (i)	3/3
C de Villiers	✓ (i)	✓ (i)	✓ (i)	3/3
R Smith	✓ (i)	✓ (i)	✓ (i)	3/3
L Conradie	✓ (i)	(a)	✓ (i)	2/3
R Manuel	✓ (i)	✓ (i)	✓ (i)	3/3

(a) = apologies (c) = chairman (i) = invitee

The executive directors and representatives of human resources and other functional areas are invited to participate.

Remuneration and nomination committee (continued)

Nomination aspects

For nomination-related matters, JP Landman chairs the meetings.

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.

More specifically, the role of the committee is to:

- Oversee the process for the appointment of directors;
- Make recommendations to the board on the appointment of the chief executive officer, new executives and non-executive directors;
- Ensure that formal succession plans for the board chairperson, chief executive officer, executives and senior management are in place;
- Make recommendations to the board for the appointment of a lead independent director;
- Ensure that the chairperson and lead independent director's role and functions are in writing;
- Identify and nominate candidates to fill board vacancies, taking into account the diversity indicators;
- Oversee and approve the board diversity policy;
- Recommend directors who are retiring by rotation at the AGM, for re-election;
- Consult other directors in its evaluation of the chairperson of the board, the chief executive officer and individual directors;
- Evaluate the independence of those directors who are classified as independent;
- Consider suitable members for appointment and recommendation to the board through a formal process, performing reference and background checks of candidates prior to nomination, and formalising the appointment of directors through a formal letter of appointment;
- Oversee and ensure that the induction and ongoing training and development of directors take place;
- Ensure that a mentorship programme is offered to directors, if required; and
- Implement formal succession plans for the board, the CEO and senior management.

AUDIT AND RISK COMMITTEE

The audit and risk committee during the year comprised four independent non-executive directors. They were Sibongile Masinga, JP Landman, Sandeep Khanna and Anneke Andrews, who was appointed as chairman of the committee on 7 June 2021 to replace Ms Masinga as chairman.

The audit and risk committee serves in an advisory capacity to the board and 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 in line with the Companies Act. Its terms of reference are aligned to the King IV recommended practices.

The audit and risk committee is responsible for reviewing the financial statements and recommending them to the board for approval. It is also responsible for confirming the expertise of the chief financial officer (CFO). The audit and risk committee confirms that the CFO during 2021, Charl de Villiers, has the appropriate expertise and experience required for the role.

The committee is also responsible for:

Financial matters

- Confirming that the annual financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act;
- Considering and, where appropriate, making recommendations on the implementation and maintenance of internal financial controls;
- Confirming that the company has established and complies with appropriate financial reporting procedures, dealing with concerns or complaints relating to such procedures, accounting policies, internal audit, the auditing or content of annual financial statements and internal financial controls;
- Reviewing the external audit reports on the annual financial statements;

- Reporting to the shareholders in the integrated annual report;
- Recommending the annual budget;
- Reviewing the company's going concern status and solvency and liquidity;
- Recommending the interim financial results;
- Recommending the dividend declaration;
- Reviewing the company's insurance arrangements;
- Reviewing the quarterly management accounts;
- Reviewing and reporting on the expertise, resources and experience of the company's finance function.
- Reviewing and confirming that the annual financial statements represent the financial position, financial performance and cash flows of the company in terms of IFRS and that:
 - no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
 - internal financial controls have been put in place to ensure that material information relating to the company and its consolidated subsidiaries has been provided to effectively prepare the financial statements of the company; and
 - the internal financial controls are adequate and effective and can be relied on in compiling the annual financial statements, and have fulfilled the roles and of the chief executive officer (CEO) and CFO and functions within the combined assurance model pursuant to Principle 15 of King IV.
- Overseeing disclosure and confirmation made in the annual financial statements by the CEO and CFO in respect of the above matters;
- Monitoring the implementation of the Group's risk management policy and plan;
- Recommending the levels of risk tolerance and appetite to the board and monitoring that risks are managed within the acceptable levels;
- Overseeing the integration of the risk management plan in the day-to-day activities of the operations;
- Overseeing disclosure of material risks in the integrated annual report which are specific to the company, its industry and/or its securities; and
- Delegating and receiving feedback from the IT steering committee, which is a sub-committee of the audit and risk committee.
- Overseeing confirmation of compliance by the company to its Mol, the Companies Act and other relevant laws:
 - The committee is satisfied that during the year under review, the company has in all material respects complied with its Mol, the Companies Act and other relevant laws applicable to Libstar.

Internal and external audit matters

- Confirming the internal audit plan and ensuring that the risk management procedures are adequate;
- Reviewing the internal audit findings and, where relevant, making recommendations to the board and evaluating the effectiveness of risk management;
- Overseeing the overall approach to corporate governance and monitoring the governance processes;
- Verifying the independence of the external auditors;
- Approving the audit fees and engagement terms of the external auditors each year, including a review of the appropriate documentation set out in the JSE Listings.
- Assessing the suitability of the external auditors, determining the nature and extent of allowable non-audit services, and approving the contract terms for the provision of non-audit services by the external auditors of the Group;
- Overseeing the accreditation of the external auditors with the JSE Limited, in terms of Section 22 of the JSE Listings Requirements;
- Overseeing changes in auditors during required rotation periods;
- Reviewing the external audit reports on the annual financial statements; and
- Approving the audit fees and engagement terms of the external auditors each year, including a review of the appropriate documentation set out in the JSE Listings Requirements to assess the suitability of the external auditors, determining the nature and extent of allowable non-audit services, and approving the contract terms for the provision of non-audit services by the external auditors of the Group.

Internal control systems

We have implemented systems of internal control, which are designed to detect and minimise the risk of fraud, potential liability, loss and material misstatement.

These systems also provide reasonable, but not absolute, assurance regarding compliance with statutory laws and regulations and the maintenance of formal accounting records. The Group uses various third-party software systems to manage a range of operational and management systems and identify, amongst other things, health and safety and technical risks in the production facilities of the divisions.

The purpose of the systems of internal control is to maintain a sound system of risk management and to sustain an effective internal control environment, ensuring that the financial statements are honest and reliable, as well as to safeguard the Group's assets.

We also have certain cost control measures in place, including an independent internal audit function which reports to the audit and risk committee. An internal audit plan is agreed annually and adopts a risk-based approach to key financial aspects impacting the Group. The internal audit function operates under a written charter. This is reviewed annually.

The committee held five scheduled meetings during the financial year.

Attendance: 1 January 2021 – 31 December 2021

Members	15 March	8 April	8 July	1 September	23 November	Meetings attended
S Masinga	✓ (c)	✓ (c)	✓	✓	✓	5/5
JP Landman	✓	✓	✓	✓	✓	5/5
S Khanna	✓	✓	✓	✓	✓	5/5
A Andrews	✓	✓	✓ (c)	✓ (c)	✓ (c)	5/5
W Luhabe	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	5/5
A van Rensburg	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	5/5
C de Villiers	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	5/5
R Smith	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	5/5

(a) = apologies (c) = chairman (i) = invitee

A Andrews became chairman on 7 June 2021

Assurance framework

Libstar operates a combined assurance framework which coordinates the efforts of management and internal and external assurance providers in a manner that ensures collaboration and assists in providing a profile of the risks.

Lines of defence

- 1 Management
- 2 External assurance providers
- 3 Internal and external audits
- 4 Oversight bodies (the board and sub-committees)

INVESTMENT COMMITTEE

The investment committee during the year comprised two non-executive directors, JP Landman (chairman) and Sandeep Khanna, and three executive directors, Andries van Rensburg, Robin Smith (as members) and Charl de Villiers as an invitee.

The committee assists and advises executive management on opportunities and other material transactions 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.

Attendance: 1 January 2021 – 31 December 2021

Members	29 January	8 April	20 May	20 July	2 September	Meetings attended
JP Landman	✓ (c)	✓ (c)	✓ (c)	✓ (c)	✓ (c)	5/5
S Khanna	✓	✓	✓	✓	✓	5/5
A v Rensburg	✓	✓	✓	✓	✓	5/5
R Smith	✓	✓	✓	✓	✓	5/5
C de Villiers	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	5/5
A Andrews		✓ (i)		✓ (i)		2/2
W Luhabe		✓ (i)				1/1
S Masinga		✓ (i)				1/1

(a) = apologies (c) = chairman (i) = invitee

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.

The committee also reviews the Group's performance annually in areas relating to socio-economic development, stakeholder relations, broad-based black economic empowerment (B-BBEE), labour relations, working conditions, employment equity, consumer relations and ethics and governance and compliance.

Sibongile Masinga is the chairman and Wendy Luhabe and Charl de Villiers are members. There are two invitees representing human resources.

SOCIAL AND ETHICS COMMITTEE

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.

Attendance: 1 January 2021 – 31 December 2021

Members	15 March	1 September	22 November	Meetings attended
S Masinga	✓ (c)	✓ (c)	✓ (c)	3/3
W Luhabe	✓	✓	✓	3/3
L Conradie	✓ (i)	(a)	✓ (i)	2/3
C de Villiers	✓	✓	✓	3/3
R Manuel	✓ (i)	✓ (i)	✓ (i)	3/3

(a) = apologies (c) = chairman (i) = invitee

King IV Report on Corporate Governance for South Africa 2016 (King IV)

The table sets out our 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 governance-related disclosures in the integrated annual report and annual financial statements. It should therefore not be read in isolation, as the aim is to prevent duplication.

King IV principles

Application of principles

1

Leadership

The governing body should lead ethically and effectively.

The board has applied a standardised ethical decision-making framework across the organisation. The executives and senior management teams are responsible for ensuring that these 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, as required.

2

Organisational ethics

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The members of the board are held accountable for ethical decision-making and behaviour. In addition, 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 on the basis of 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 and ethics and the audit and risk committees assist the board with monitoring and reporting on social, environmental, ethical and transformational practices that support the establishment of an ethical culture within Libstar.

Libstar has implemented an independent whistle-blowing line for the reporting and investigation of breaches and ethical and compliance standards were established and integrated throughout Libstar.

3

Responsible corporate citizenship

The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

The board, assisted by the social and ethics committee, provides strategic direction to Libstar to be a responsible corporate citizen and to respond appropriately to the economic, social and environmental outcomes of its activities.

4

Strategy and performance

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.

The board is ultimately responsible for the strategy, growth and performance of the business.

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; and
- Monitoring that Libstar complies with its reporting guidelines.

After approving operational and investment plans and strategies, the board empowers management to implement these and to provide timely, accurate and relevant feedback on progress.

A day is set aside each year for the board to debate and approve the strategy, as presented by management.

Libstar's material issues and risks are regularly assessed and categorised according to the effects they may have on the business.

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.

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 that it does not contradict the financial aspects of the report.

Reporting is done through different channels, including print and web-based media.

Application of principles

6 Primary roles and responsibilities of the governing body

The governing body should serve as the focal point and custodian of corporate governance in the organisation.

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.

7 Composition of the governing body

The governing body should comprise an appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

The board consists of seven directors, which include five independent non-executive directors and two executive directors. The remuneration and nomination committee oversees that the board is appropriately constituted to effectively execute its responsibilities. The directors have a wide range of knowledge, experience and skills.

In addition to these diverse attributes, the board is also diverse in terms of race and gender.

8 Composition of the governing body

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.

The board has established the following committees to effectively deal with and dispose of the matters delegated to it. Each has a formal written terms of reference:

- Audit and risk.
- Remuneration and nomination.
- Social and ethics.
- Investment.

The various committees are appropriately constituted with due regard to the skills, expertise, experience and time required by each committee. They 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, with the majority of these being independent. 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.

9 Evaluation of the performance of the governing body

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 assessments of the board chairman and CEO are led by the lead independent director. The board assesses its performance and effectiveness at least every second year to ensure compliance with the recommendations of King IV and to comply with its responsibilities and fiduciary duties, as set out in the Companies Act. The various committees are required to review their own performance at least every two years in accordance with their respective terms of reference and the recommendations of King IV.

The performance of management and the executive directors is assessed by the remuneration and nomination committee on an annual basis.

10 Appointment of and delegation to management

The governing body should ensure that the delegation to management contribute to role clarity and the effective exercise of authority and responsibilities.

The collective responsibility of management vests with the CEO. The CEO bears ultimate responsibility for the daily running of the business and all management functions.

The board delegates without abdicating its duties and responsibilities to management through the CEO, who in turn delegates to those reporting to him.

A delegation of authority/ approvals framework is in place, which sets out matters reserved for the board and those delegated to management.

11 Risk governance

The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

The board is ultimately responsible for the governance of risk and 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 them into the daily activities of the Group.

A Group risk register is in place, which is reviewed by the audit and risk committee every quarter.

The register includes the key risks facing Libstar, mitigating actions and residual risks.

The audit and risk committee takes all the material changes and trends in the risk profile into account and considers whether the control systems, including reporting, adequately supports the achievement of the risk management objectives.

The board is responsible for:

- Determining the levels of risk tolerance; and
- The processes and policies to ensure that:
 - Risk assessments are performed on a continuous basis;
 - Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks;
 - Management continuously monitors risk and considers and implements appropriate risk responses; and
 - Procedures and practices are in place to protect the company's assets and reputation.

12 Technology and information governance

The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

The board remains conscious of the importance of the governance and management of technology and information to the operations and success of Libstar. This responsibility has been delegated to the IT steering committee.

This includes:

- Aligning IT with the performance and sustainability objectives;
- Monitoring and evaluating significant IT investments and expenditure; and
- Ensuring that information assets are managed effectively.

13 Compliance governance

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 board governs compliance with laws and regulations, which is monitored by 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.

14 Remuneration governance

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 remuneration and nomination committee ensures that the remuneration packages are market-related, transparent and linked to performance.

It also ensures the establishment of appropriate remuneration frameworks and policies, which aim to attract and retain top talent, and drive long-term growth and sustainable performance.

15 Combined assurance

King IV principles

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.

Application of principles

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 internal and external assurance providers.

The board recognises that transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence. In this regard:

- Complete, timeous, relevant, accurate, honest and accessible information is provided by the company to stakeholders, having regard to legal and strategic considerations; and
- Communication with stakeholders is clear.

16 Stakeholders

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.

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 and ethics 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.



17 Responsible investment

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.

Libstar is not a financial institution defined in terms of the Financial Services Board Act, No 97 of 1990.



Reporting on Section 3.84 of the JSE Listings Requirements on board governance processes

Requirement	Principle	Libstar's approach and compliance
3.84 (a)	There must be a policy evidencing a clear balance of power and authority at board level to ensure that no one director has unfettered powers.	The board charter records that there is a clear balance of power and authority at board level and that no one director has unfettered powers.
3.84 (b)	Issuers must have a CEO and a chairperson and these positions must not be held by the same person. The chairperson must either be an independent director or the issuer must appoint a lead independent director as defined in King IV.	The positions of CEO and chairman are separate, the Libstar chairman is independent and the board has a lead independent director.
3.84 (c)	All issuers must in accordance with King IV appoint an (i) audit committee, (ii) a committee responsible for remuneration and (iii) a social and ethics committee. The composition of such committees must comply with the Companies Act and should be considered in accordance with King IV and each committee must consist of three members. The composition of such committees, a brief description of their mandates, the number of meetings held and any other relevant information must be disclosed in the annual report.	Libstar's committees include an audit and risk committee, a remuneration and nomination committee, an investment committee and a social and ethics committee. Details of these committees are set out in this report.
3.84 (d)	A brief CV of each director standing for election or re-election must accompany the relevant notice of meeting.	 Refer to pages 10 to 11 of the notice of annual general meeting.
3.84 (e)	Capacity of directors in relation to executive, non-executive and independent must be categorised and disclosed in the relevant documentation.	 Refer to pages 4 to 5 of this report.
3.84 (f)	Issuers must have a full-time executive financial director.	Libstar has a full-time executive chief financial officer (CFO), Charl de Villiers.

Requirement	Principle	Libstar's approach and compliance
<p>3.84 (g)</p>	<p>The audit committee must consider on an annual basis and satisfy itself of the appropriateness of the expertise and experience of the financial director, and report thereon in the annual report in compliance with paragraph 3.84(g)(i).</p>	<p>The audit and risk committee has reviewed and satisfied itself of the appropriateness of the expertise and experience of the CFO in compliance with 3.84(g)(i) of the JSE Listings Requirements.</p> <p>To execute this responsibility, the input of the CEO and the external auditors is also sought.</p>
<p>3.84 (h)</p>	<p>The provision deals with the competence, qualifications and experience of the company secretary and the board of directors' responsibility in relation thereto.</p>	<p>CorpStat Governance Services (Pty) Ltd is the company secretary. The board is satisfied with the competence, qualifications and experience of the company secretary.</p>
<p>3.84 (i)</p>	<p>The provision deals with a broader diversity policy.</p>	<p>The board diversity policy includes additional diversity criteria, namely culture, age, field of knowledge, skills and experience (in addition to gender and race), as required by the JSE Listings Requirements.</p> <p>The remuneration and nomination committee undertakes, when nominating and recommending directors to the board, to take into account the principles and aims of Libstar's diversity policy.</p>
<p>3.84 (j)</p>	<p>The provision deals with the remuneration policy and implementation report.</p>	<p>The remuneration policy and implementation report are tabled at every annual general meeting for a non-binding advisory vote.</p>
<p>3.84 (k)</p>	<p>The provision deals with the CEO and financial director's responsibility statements in respect of the annual financial statements.</p>	<p>The responsibility statements are set out in the annual financial statements.</p>

Social and ethics committee report

Libstar is committed to realising sustainable long-term stakeholder and social capital, whilst aiming to reduce any negative impact on the environment and society.

 Refer to the social and ethics committee chairman's report



Introduction

The social and ethics committee was established, as required under the Companies Act and as advocated under King IV principles. It is governed by a terms of reference. 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.

During the year, the committee assumed responsibility for environmental, social and governance (ESG) aspects.

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 Nations Global Compact Principles;
 - The OECD recommendations regarding corruption;
 - The Employment Equity Act; and
 - 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, including transformation policies and strategies, and social responsibility policies and strategies;
 - Contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
 - Record of sponsorship, donations and charitable giving;
- The environment, health and public safety, including the impact of the company's activities and of its products or services;
- Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws;
- Overseeing the company's ethics;
- Labour and employment including:
 - The company's standing in terms of the International Labour Organisation Declaration on Fundamental Principles and Rights at Work; and
 - The company's employment relationships, and its contribution towards the educational development of its employees;

- Drawing matters within its mandate and terms of reference to the attention of the board as occasion requires; and
- Reporting, through the chairman of the committee, to the shareholders at the company's annual general meeting on any part of the business of the meeting that concerns the committee's functions.

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

Committee composition

The committee members are appointed by the board and the composition of the committee complies with the requirements of the Companies Act.

During the year under review, the members were:

- Sibongile Masinga (chairman);
- Wendy Luhabe (member);
- Charl de Villiers (member);
- Leon Conradie (invitee); and
- Robyn Manuel (invitee).

Attendance: 1 January 2021 – 31 December 2021

Members	15 March	1 September	22 November	Meeting attendance
S Masinga	✓ (c)	✓ (c)	✓ (c)	3/3
W Luhabe	✓	✓	✓	3/3
L Conradie	✓ (i)	A	✓ (i)	2/3
C de Villiers	✓	✓	✓	3/3
R Manuel	✓ (i)	✓ (i)	✓ (i)	3/3

A = apologies (c) = chairman (i) = invitee

KEY FOCUS AREAS DURING THE YEAR

Focus areas	What this means
Supply chain governance and the Group's integrated management system	<ul style="list-style-type: none"> The Group's integrated management system focuses on ensuring Libstar is compliant with public standards relating to product safety, quality, workplace health and safety, environment and asset care. All divisions within the Libstar group continue to comply with minimum standards. Key compliance standards are: <ul style="list-style-type: none"> Product Safety: FSSC 22000 Quality: ISO 9000 Health and safety: ISO 45 000 Environmental: ISO 14 000 Asset care: ISO 55 001 Food manufacturing facilities are required to be FSSC 22000 certified by an independent third-part certification body. Health, safety and environmental statistics for F2021 <ul style="list-style-type: none"> 112 disabling injuries* during 14 662 696 man hours worked (2020: 175 disabling injuries) Disabling injury frequency rate**– 1.5 No critical injuries, permanent disabilities or fatalities No major environmental incidents
Employment Equity Act compliance and the internal employment equity audit to highlight areas of improvement	<ul style="list-style-type: none"> Libstar commissioned an independent entity to conduct an internal annual employment equity compliance audit at all Group companies. This ensured both compliance and assistance to divisions with their submissions to the Department of Labour. Recommendations have been made for continuous improvement.
Reviewing talent development and succession initiatives	<ul style="list-style-type: none"> Libstar's vision is to be an employer of choice, with the purpose of attracting, developing and retaining talent. Talent review forums were introduced to identify and manage talent. Succession depth was reviewed and further developed this year. Leadership development programmes continued to ensure the strategic and operational requirements of the divisions are met.

Focus areas	What this means
Reviewing Libstar's Broad-Based Black Economic Empowerment (B-BBEE) strategy and progress against the B-BBEE plan	<ul style="list-style-type: none"> The Group achieved a B-BBEE Level 6, discounted to a Level 7 contributor in 2021. Refer to page 18.
Code of Ethics and Conduct Policy	<ul style="list-style-type: none"> Libstar's Code of Ethics and Conduct is designed to: <ul style="list-style-type: none"> Define a common set of ethical standards and norms to guide required behaviour across the organisation Foster a culture of accountability Facilitate greater empowerment and ethical decision-making at all levels Ensure that we adhere to the highest standards of responsible business practice and professional conduct in our interactions with our stakeholders During the year, the SEC recommended the Code of Ethics and Conduct Policy to the board for approval. The approved policy was rolled out to employees during the year.
Feedback from the ethics policy and hotline and reporting on ethical breaches	<ul style="list-style-type: none"> Libstar's ethics line is managed by an independent entity. 28 reports were received during the year, of which seven required further investigation. No evidence of wrongdoing was found. The committee reviews ethics line reports and incidents at each committee meeting during the year.
Overseeing the company's environmental, social and governance (ESG) strategy	During the year, the Group's ESG strategy was developed and priorities identified.
Reviewing current developments in terms of labour relations, including ensuring compliance and updates on wage negotiations	<ul style="list-style-type: none"> No major labour-related disruptions occurred during the year. The Group is compliant with required remuneration standards and guidelines.
Engagement with stakeholders	<ul style="list-style-type: none"> The committee continued to provide oversight of the communications with stakeholders.

* A disabling injury is any injury where an employee has suffered an injury that prevents him/ her from returning to his/her normal work duties before/day after the injury. The disability may be temporary or permanent.

** Disabling injury frequency rate (DIFR): The DIFR expresses the number of disabling injuries per 200 000 man hours worked.

UPDATE ON BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Libstar is committed to the principles of the broad-based black economic empowerment (B-BBEE) regulations and transformation in the Group. The ratings were independently verified by AQRate Verification Services for the year ended 31 December 2021.

B-BBEE element

	Maximum score	2021	2020
Ownership	25.0	8.86	8.04
Management control	19.0	5.63	5.46
Skills development	20.0	12.58	9.47
Supplier and enterprise development	40.0	28.39	23.08
Socio-economic development	15.0	15.00	15.00
Total	119.0	70.46	61.05

Libstar improved its B-BBEE score to a Level 6 B-BBEE contributor status, discounted to Level 7 in 2021.

The overall B-BBEE score improved from 61.05 in 2020 to 70.46 in 2021. The increase in the score followed improvements in several elements on the B-BBEE scorecard, with the most significant improvement in skills development and preferential procurement.

Ownership

The increased score for ownership was due to an increase in our black shareholding through mandated B-BBEE investments.

Management control and employment equity

Black non-executive directors accounted for 28.6% of the board, which include a black female chairman and a black non-executive director.

There has been a focus on increasing the number of African, Coloured and Indian people in management positions. Black employees account for:

14.82% of senior management

23.39% of middle management

50.18% of junior management

Skills development

The Group invested R25.4* million (2020: R23.6 million) in skills development. Skills development programmes included bursaries, learnerships, internships, apprenticeships and skills programmes recognised in the B-BBEE certification of the Group. Skills development initiatives focused on business requirements and addressing the scarce and critical skills in the agriculture and food and beverage sector.

2021

474 bursaries, learnerships, apprenticeships and internships

2020

378 bursaries, learnerships, apprenticeships and internships

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

Supplier and enterprise development

During the year, we increased our focus on optimising the B-BBEE procurement component of the scorecard through the following initiatives:

- Introduction of new black-owned businesses into the supply chain
- Expanding the current supply agreements with 51% black-owned and 30% 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 free of charge.

Socio-economic development

Socio-economic development initiatives focused on support to local and previously disadvantaged communities. The total spend for the year was R17.5 million (2020: R21.1 million). The spend was allocated to a variety of programmes managed by divisions.

Contributions in the past year included:

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

LOOKING AHEAD

Focus areas	What this means
Talent and succession	Continue to monitor talent and succession initiatives and progress.
ESG	Roll out of the ESG strategy and measures in line with the planned timeline.
B-BBEE strategy	The group remains committed to improving its B-BBEE level and transformation status through key strategic initiatives.



Compliance and regulatory

The board ensures that Libstar complies with its statutory obligations specified in the memorandum of incorporation of the company, the Companies Act, the JSE Listings Requirements and other regulatory requirements.

Relevant legislation

Primary responsibility

Companies Act, JSE listings Requirements, King IV requirements

Company secretary

Tax administration

Group finance

Basic conditions of employment, Labour Relations Act, Employment Equity Act

Group human resources

Broad-based black economic empowerment (B-BBEE Act and Amendment Act)

Group human resources

Privacy laws

Divisional management, supported by Group central office and company secretary

Corporate and commercial procurement legislation

Divisional management, supported by Group central office and company secretary

Anti-bribery and anti-corruption legislation competition law

Divisional management, supported by Group central office and company secretary

Safety, health and environmental legislation

Divisional management, supported by Group central office and company secretary

Compliance

Key standards

Each division is required to achieve compliance with a number of key standards in addition to customer standards.

FSSC 22000 or ISO 9001: FSSC 22000 compliance is required for all food production facilities, while ISO 9001 compliance is required for non-food manufacturing units. FSSC 22000 is a widely-accepted international food safety and quality management system and 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 is a set of international standards for quality management and quality assurance. This has been developed to help companies effectively document the quality system elements to maintain an efficient quality system.

ISO 14001 and ISO 45000: These international standards specify requirements relating to effective environmental management, occupational health and safety management and asset management systems.

ISO 55001: This asset management system standard assists organisations to manage the lifecycle of assets more effectively.

Halaal and Kosher certifications: These are certifications provided to compliant food manufacturers confirming that the processes employed and products produced meet certain religious and cultural requirements.

Legislative and regulatory compliance

Libstar manages its business responsibly and in compliance with statutory and regulatory requirements. Adherence to regulations, legislation and compliance is presented to the board. An external consultancy has been appointed to evaluate the Group's employment equity and transformation initiatives to maintain compliance and align the Group to best practice.

Anti-bribery and anti-corruption legislation

Libstar's values encompass integrity and transparency. The Group has developed a specific programme to counter bribery.

This involves the adoption of an anti-bribery policy and the introduction of a 24-hour fraud and ethics hotline.

Libstar is committed to:

- Conduct its business fairly, honestly and transparently.
- Not making or offering bribes, whether directly or indirectly, to gain business advantages.
- Not accepting bribes, whether directly or indirectly, to provide business advantages.
- A zero tolerance towards bribery.

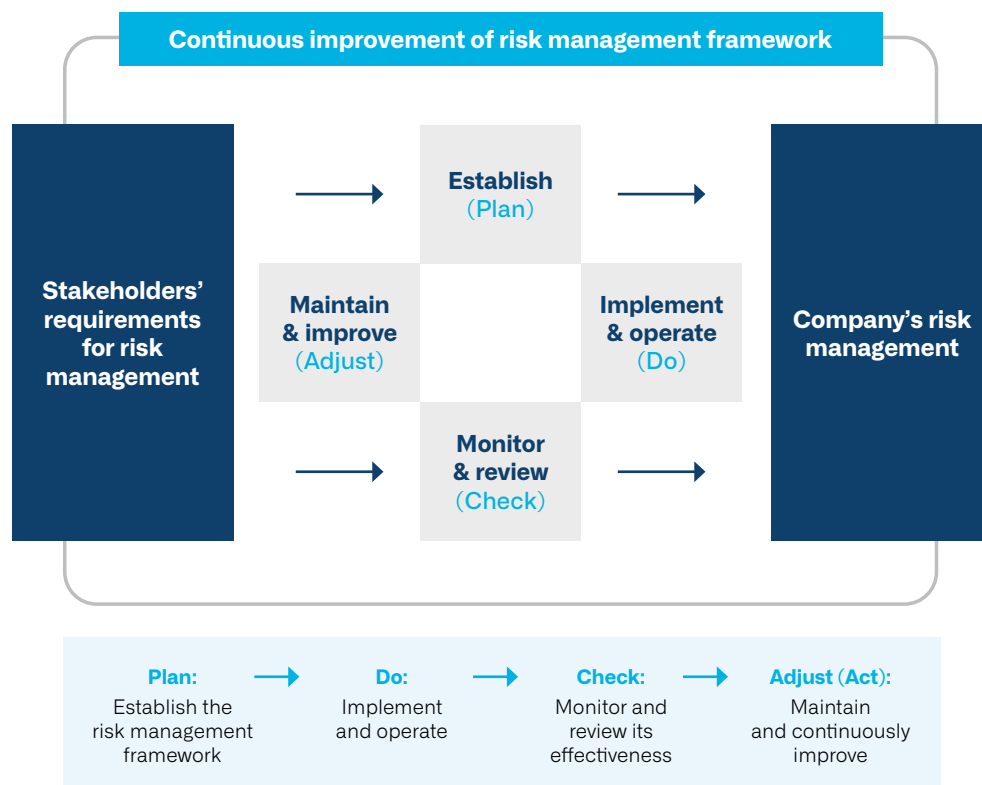
The board recognises the need for a confidential reporting mechanism (ethics hotline) covering fraud and other risks. A tip-off anonymous ethics hotline, with a toll-free number is in place. This line provides an impartial facility for all stakeholders to report fraud, statutory malpractice, crime and deviations from policy. Twenty-eight reports were received during the year, of which seven required further investigation. No evidence of wrongdoing was found. The audit and risk committee reviews ethics line reports and incidents at each committee meeting.

Risk management

Introduction

The board recognises that risk management is a key component of good governance, which involves a consideration of both risks and opportunities. Libstar is required to not only mitigate negative consequences of actions, but to also seek out opportunities.

Libstar has the following risk management framework and standards in place:



The board has responsibilities across multiple lines of defence. These include the executive leadership team, management and the overall workforce.

The Group has established a risk management framework.

The process involved:

- Defining an operating model, in line with strategic and operational objectives;
- Defining external and internal factors that might result in the Group not meeting its objectives;
- Determining externally-imposed risk parameters (including regulatory, legal, social and contractual); and
- Application of the risk management process and definition of internal parameters.

A Group risk register is in place, which is reviewed by the audit and risk committee every quarter. The register includes the key risks facing Libstar, mitigating actions and residual risks.

Risk assessment

The risk assessment process consists of three steps:

1 Risk identification

2 Risk analysis

Consideration of the sources and causes of a specific risk event occurring, consequences/impact of the risk event occurring, the likelihood that the risk event will occur, and the impact on the Group's objectives.

3 Risk evaluation

We have sound management processes to manage risks. The key financial risk management aspects are outlined in more detail.



Financial risk management

The divisions within the Group monitor and manage the financial risks relating to their operations through internal risk reports, which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

We seek to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures.

The use of financial derivatives is governed by the Group's board-approved policies which provide written principles on foreign exchange risk. Compliance with policies and exposure limits is reviewed by the internal audit function on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Capital risk management

We manage our capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged. The capital structure of the Group consists of net debt (bank loans and asset-based finance, offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

The Group is not subject to any externally imposed capital requirements. The Group continues to monitor the impact of COVID-19 on its operations and its financial position, to take timeous action where required.

Market risk

Our activities expose us primarily to the financial risk of changes in foreign currency exchange rates and interest rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, specifically forward foreign exchange contracts to hedge the exchange rate risk arising on the export and import of food products, mainly to and from USA, Japan, China, UAE, European Union, and Canada.

The Group's exposure to market risks or the manner in which these risks are managed have remained the same.

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Interest rate risk management

The Group is exposed to interest rate risk, as entities in the Group borrow funds at floating interest rates. The risk is managed by linking the interest rate of the loan to the JIBAR over the period of the loan.

Credit risk management

Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously. Most of the Group's customers have been transacting with the Group for over three years and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, ageing profile, maturity, existence of previous financial difficulties and the existence of current financial difficulties due to the impact of COVID-19 or otherwise. Trade and other receivables relate mainly to the Group's retail and wholesale channel and food service customers. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis.

The Group establishes a credit loss allowance for expected credit losses in respect of trade receivables and other receivables, consisting of sundry debtors, by applying the simplified approach of IFRS 9, measuring the credit loss allowance based on lifetime expected credit loss. The Group first establishes whether any specific customers may be impaired and raises a credit allowance in respect thereof. Further to this, as a practical expedient, the Group applies a provision matrix to the remaining debtors by assessing historical credit losses per

aged bucket of debtors. In addition, a risk-of-default factor has been added to each aged bucket based on management's expectation of credit losses.

The Group's credit exposure, in respect of its customer base, is represented by the net aggregate balance of trade receivable amounts. The majority of debtors not past due relate to credit extended to large South African retailers and wholesalers, considered to be of a high credit grade.

Based on historical default rates, the Group believes that a nominal credit loss allowance is appropriate in respect of debtors not past due.

Management has considered forward-looking information (macro-economic forecast data such as the five-year CPI forecast) to evaluate the impact on expected future default rates, in particular with regards to debtors exposed to the food service channel. In light of the current economic environment and the potential future impact of COVID-19, management increased the risk-to-default factor per each aged bucket. The Group does not hold any collateral in respect of its customers.

The Group's credit exposure in respect of other financial assets at amortised cost are considered to be limited. Specific consideration has been given to the impact of COVID-19 on the default rate and a zero default rate is still considered reasonable for the foreseeable future.

Cash and cash equivalents are kept with counterparties that have sound credit ratings. Management does not expect any counterparties to fail to meet its obligations.

Liquidity risk management







Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements.

We manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.









GROUP RISKS

The following key Group risks were identified during this year's risk reviews.

Risk category	Risk description/issue	Risk identified	Inherent risk	Controls/mitigating actions	Residual risk
1 Strategic risk	Libtar's product portfolio and sales channel exposure is diverse. Notwithstanding, certain divisions and/or product offerings within the Group carry significant exposure to a single customer or limited number of customers.	Loss of a material customer		The Group maintains close and long-standing relationships with its customers. By doing so, Group and divisional management regularly assess changes in customer strategies which may impact on Libstar. The ability to develop new products and channel markets remain a key performance criteria for Group and divisional management.	
2 Strategic risk	Libstar operates in a macro-economic environment which is subject to significant fluctuation, instability and challenges , including foreign currency risk relative to major world currencies, population income inequality, low economic growth, high sovereign debt to GDP and political instability	<ul style="list-style-type: none"> Increased cost and limited availability of critical manufacturing inputs Increased cost and limited availability of critical infrastructure Reduced consumer disposable income 		The Group's exposure to multiple sales channels offers some resilience to changing consumer behaviours impacted by macro-economic challenges. The Group, as part of its ESG policies, invests in solutions to reduce its exposure to the risks associated with availability of critical infrastructure. The Group has formalised foreign exchange hedging policies designed to mitigate the impact of foreign currency fluctuations. Outsourced treasury consultants assist the Group to ensure that these policies are appropriately implemented.	
3 Operational risk	Libstar relies on the efficient operation of multiple supply chains to ensure that its divisions operate without interruption. Business interruption caused by the failure of supply chains and/or socio-political events or Acts of God, pose a significant risk to the Group.	<ul style="list-style-type: none"> 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 		<ul style="list-style-type: none"> Where possible, the Group's divisions maintain contingency plans which cater for the sourcing of key inputs from at least two alternative suppliers Contingency stock levels are maintained where possible Water contingency plans, which include the availability of borehole water at critical manufacturing sites, are implemented. Power generators are installed at the Group's manufacturing sites, where possible. Frequent inspections and recommendations by qualified outsourced bodies are conducted to ensure appropriate fire prevention plans are developed for each site. 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. Labour unions are engaged on a regular basis. 	



Group risk (continued)

Risk category		Risk description/issue	Risk identified	Inherent risk	Controls/mitigating actions	Residual risk
4	Operational risk	The Group relies on a number of automated enterprise resource planning (ERP), banking, business intelligence and similar electronic systems to operate (ICT).	Manipulation and/or interruption of ICT employed by the Group poses a risk to the integrity of information processed and the continuity of manufacturing operations		The Group designs and adopts ICT in compliance with a standardised Group 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 develop ICT contingency plans, including fail over techniques, backups and regular testing of backups.	
5	Operational risk	The Group relies on a workforce which comprises a variety of specialised skills (Human Capital). Managing Human Capital, including how Libstar positively impacts on the communities in which it operates and actively addresses transformation in the workplace, has a direct impact on its sustainability as a business.	<ul style="list-style-type: none"> Inability to attract, motivate and retain top talent for core business and regulatory requirements. 		The Group implements focused skills development and training programmes. A succession planning framework has been established to identify contingencies for critical skills within the Group. Staff incentivisation structures are benchmarked across the industry. Libstar develops and implements a Group-wide BBBEE strategy which aligns to its skills development and corporate social investment strategies.	
6	Legal, compliance and regulatory risk	The Group produces products consumed by consumers. Food quality and food safety is therefore paramount to the sustainability of Libstar.	Reputational impacts and financial losses arising from improper food quality and food safety protocols		<p>Libstar conducts regular product food quality and safety testing. Protocols have been implemented to address potential product recalls. Audits are performed by competent and independent auditors and/or customers.</p> <p>Independent quality verifications are performed by customers. Disaster management protocols are in place at divisional level.</p>	



LIBSTAR



From our Home
to Yours



How we engage
our stakeholders

2021

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 support from financiers 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.
- 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 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.

In 2021, we proactively communicated our strategy and activities to shareholders through an active investor relations programme.

We endeavoured to ensure transparent, relevant and timely reporting.

We remained resilient through the crisis and maintained a strong balance sheet to protect against downside risk, as evident in our improved debt and cash ratios.

The group's financial performance reflects a good outcome in a very difficult environment. The Group is aware of investors' expectation of higher returns and expect to see improvements in return on invested capital in the coming years as the new capacity invested becomes fully utilised and the business recovers from the damage caused by COVID-19.

We continue to focus on delivering on our strategy and enhancing disclosure to address key issues investors may have.

In light of our strong capital and liquidity position at 31 December, the group has decided to declare a dividend of 25 cents per share for 2021 which is 3.0 times covered by normalised HEPS. This is after considering growth opportunities and our responsibility to support our customers during the current uncertainty and within an environment of increasing input costs.



Our stakeholder engagement (continued)



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

- Ongoing contact
 - Participation in investor conferences, 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.



Customers and consumers

Reason for engagement

Providers of debt and equity are core to our existence and growth. The Group's financial strength is generated from the initial backing of equity from shareholders and financial support from financiers and insurance companies.

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 extensively 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.
- Internal audits conducted by independent auditors and independent verifications performed by customers.



Suppliers

Reason for engagement

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

Expectations

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

Our response

- Increased engagement levels with suppliers to stay abreast of changes in demand, as well as significant impact on supply chains following global shipping delays.
- Leveraging procurement database to evaluate input costs, bolster buying power as a Group and ensure continuity of suppliers.



Our stakeholder engagement (continued)



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 ensure a constructive working environment.

Expectations

- Employee safety, especially during the ongoing impact of the COVID-19 pandemic.
- Appropriate compensation.
- Protection of labour and human rights.
- 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.



Government and regulators

Reason for engagement

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

Expectations

- Compliance with regulatory and legal requirements.
- Strict compliance with regulations pertaining to the safety of our manufacturing operations, products and employees.
- Employment equity, broad-based black economic empowerment (B-BBEE) and transformation.
- Compliance with consumer protection and national disaster management regulations.

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 improved its broad-based black economic empowerment (B-BBEE) compliance during the year. A successful B-BBEE transaction remains a challenge at the current share price. We continue to evaluate options and will approach the market in due course.



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 during the continued impact of COVID-19.
- Employment opportunities.

Our response

- Donated R0.7 million in financial and food assistance through support for numerous NGOs.
- We employ from the communities close to our operations. For example, most of the Montagu Foods workforce is from the local community.

