Corporate governance report

Leadership

Board Members

Non-executive Directors

YJ Visser *(Cobus)*

Age: 55
Qualifications: LLB
Tenure: 3 years
Current roles: Chairperson of the board and member of the Remuneration and nomination committee
Background: Cobus is the managing director of Bremer Investments and owns various agriculture operations. He is a former director of law firm Gildenhuys van der Merwe Inc.
Independent: Yes

DG de Kock *(Douw)*

Age: 68
Qualifications: BCom and Diploma in Financial Planning (CFP)
Tenure: 16 years
Current roles: Vice-chairperson of the board, lead independent director, member of the Remuneration and nomination committee and the Audit and risk committee and chairperson of the AAF Group Pension Fund
Background: Douw was an agriculturist from 1981 until the end of 2006 and is a financial planner with Boshoff Visser Financial Services
Independent: Yes

CA Smith *(Nelius)*

Age: 57
Qualifications: BAcc (Hons) and CA(SA)
Tenure: 7 years
Current role: Member of the Audit and risk committee
Background: Nelius has been practising as an auditor in Bredasdorp since 1995 and is involved in Boshoff Visser Financial Services
Independent: Yes

MR van Breda *(Michael)*

Age: 48
Qualifications: BBusSc (Business Finance), Diploma in Accounting and CA(SA), Environmental Law (LLM)
Tenure: 8 years
Current roles: Chairperson of the Audit and risk committee, member of the Social and ethics committee
Background: Michael is an agriculturist and has been actively involved in primary agriculture since 2001
Independent: Yes

DCH Uys *(Dirkie)*

Age: 55
Qualifications: BCom (Hons)
Tenure: 8 years
Current role: Chairperson of the Remuneration and nomination committee
Background: Dirkie is an agriculturist and has been actively involved in primary agriculture since 1996
Independent: Yes

JHP van der Merwe *(Johan)*

Age: 56
Qualifications: CA(SA), M Income Tax and MPhil Finance
Tenure: 3 years
Current role: Member of the board
Background: Johan is the former CEO of Sanlam Beleggingsgroep and Sanlam Beleggingsbestuur. Previously, he held several positions with Investec
Independent: No

CD Flemming *(Charmel)*

Age: 38
Qualifications: BAcc (Hons) and CA(SA)
Tenure: 2 years
Current role: Member of the Audit and risk committee
Background: Charmel has ten years' post articles experience primarily in the mining sector, focusing on Risk and Governance. She has served on several boards of trustees, including the De Beers Pension Fund
Independent: Yes

RE Goff *(Robert)*

Age: 62
Qualifications: BA(Law) and BProc
Tenure: 2 years
Current role: Member of the Remuneration and nomination committee and the Social and ethics committee
Background: Robert's career started at the S.A. Post Office as a labour relations advisor, from where he moved to Motorola International as the HR executive for Sub-Sahara Africa. He joined Sanlam as chief executive, human resources, responsible for the entire human resources function of Sanlam Personal Finance. He retired from Sanlam in 2018
Independent: Yes

Executive Directors

AJ Uys *(André)*

Age: 52
Qualifications: BScAgric (Hons) and MBA
Tenure: 13 years
Current roles: Chief executive officer and member of the Executive committee, the Social and ethics committee and the Remuneration and nomination committee
Background: André was operations manager of BNK Landbou for five years until the merger with CRK Landbou in 2005. He was then appointed as operations director with primary responsibility for the products and debtors' divisions. He was appointed group managing director of Overberg Agri Ltd on 20 March 2012

AC Neethling *(Carl)*

Age: 41
Qualifications: BCompt (Hons) and CA(SA)
Tenure: 7 years
Current role: Chief investment officer and member of the Executive committee
Background: Carl is a co-founder and chief investment officer of Acorn Private Equity. He has extensive private equity and investment experience at the international level and in entrepreneurial enterprises, family agri businesses, and investment management

LE Coetzer *(Louw)*

Age: 59
Qualifications: BCompt (Hons)
Tenure: 13 years
Current role: Chief operations officer and member of the Executive committee
Background: Louw joined BNK Landbou in July 2001 as general manager: finance and administration and was responsible for five group companies of Overberg Agri Ltd from 2005. He was the managing director of Boltfast until he was appointed group financial director of Overberg Agri Ltd in April 2012. He has since been appointed as COO on 1 March 2020

P Malan *(Pierre)*

Age: 54
Qualifications: BCompt (Hons) and CA(SA)
Tenure: 7 years
Current roles: Member of the Executive committee and the Remuneration and nomination committee
Background: Pierre is a co-founder and chief executive officer of Acorn Private Equity. He has extensive experience in corporate finance and private equity

Areas of skills and experience (scoring system)

1. *No skill or experience*
2. *Some skill and 1 to 2 years' experience*
3. *Above average skill and more than 2 years but less than 5 years' experience*
4. *Advanced skill and more than 5 years' experience*

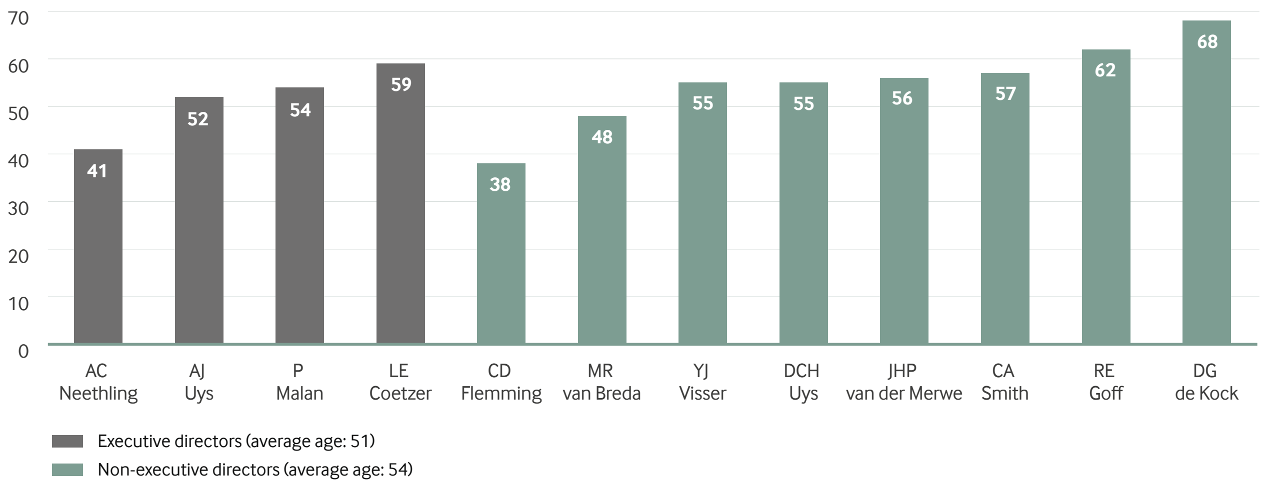
Area for development identified by the board: Information Technology

Board Composition

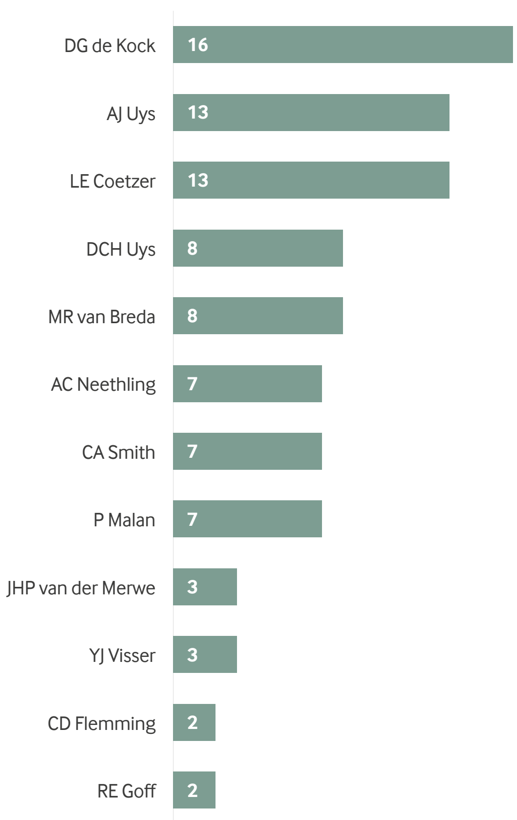
The board comprises eight non-executive directors and four executive directors, led by an independent chairperson, Cobus Visser.

The directors' average age is 54 years.

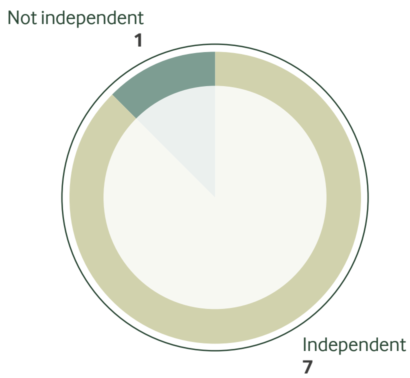
Age profile



Tenure (years)



Independent vs non-independent non-executive directors



Roles

The roles of the chairperson and chief executive officer are separate. A clearly defined division between the chairperson and chief executive officer ensures a balance of power and authority.

The chairperson, Cobus Visser, was elected on 12 June 2018 and is an independent non-executive director.

The chairperson's responsibilities are to:

- provide leadership to the board;
- ensure the board remains focused on the company's best interests;
- ensure the board discharges its duties;
- act as spokesperson for the board; and
- act as the primary contact with executive management.

The vice-chairperson, Douw de Kock, acts as the lead independent director. The lead independent director's responsibilities, which are in line with King IV, are to:

- lead in the absence of the chairperson;
- assist the chairperson to execute his duties;
- act as a sounding board for the chairperson;
- assume the chairperson's duties if the chairperson's independence is impaired, but the vice-chairperson's independence is not;
- act as intermediary between the chairperson and other members of the board, if necessary; and
- dealing with shareholders' concerns, if necessary or more appropriate.

The board operates according to a charter that determines its roles, functions, obligations, responsibilities, powers, and practices, including that of the CEO. The charter acknowledges that the company is the holding company of the Group and that it has a responsibility towards the Group. The charter is reviewed and updated annually and incorporates the Institute of Directors in South Africa's General Practice Guidance Note on aligning board charters with King IV. The updated charter was reviewed, updated, and approved on 23 February 2021.

The board is satisfied that it fulfilled its responsibilities in accordance with its charter for the year.

Except for Johan van der Merwe, the board considers all non-executive directors, including the chairperson and vice-chairperson, to be independent.

Independence is determined if the board concludes there is no interest, position, association, or relationship, when judged from the perspective of a reasonable and informed third party, that is likely to influence unduly or cause bias in decision-making in the best interest of the company and Group.

Directors annually disclose external directorship and direct and indirect shareholding in Acorn Agri & Food, which is scrutinised for potential conflict of interest while serving as directors.

The board is satisfied that the governance framework, which includes the delegation of authority (refer to page 61), provides role clarity and the effective exercise of authority and responsibility.

The employment contract of the CEO automatically terminates on 30 October 2028, unless the parties extend the contract. No limitation is placed on the number of professional bodies on which he may serve.

Activities, Meetings and Attendance

The board reviewed and approved the Group's strategy on 23 and 24 February 2021. The operational business plans that support the strategy are reviewed at every scheduled board meeting to monitor progress towards achieving the strategic objectives.

To align the board and its committees, each board committee's chairperson informs the Group board of its activities after each meeting and makes recommendations to the Group board and group company boards. Except for Grassroots Group, the group companies appointed the existing Acorn Agri & Food board committees to fulfil their functions on their behalf during the year. Grassroots Group retained its Remuneration committee. Refer to the committee reports from page 63.

The board formally meets five times a year in accordance with its annual work plan. When urgent matters require the board's attention, unscheduled meetings are convened. Both unscheduled meetings focused on the proposed B-BBEE transaction. The circular to the shareholders will contain all required information and will be released onto the website, www.acornagri.co.za, at a later date.

Scheduled meetings	5
Unscheduled meetings	2
Total meetings	7
AC Neethling	6
AJ Uys	7
CA Smith	5
DCH Uys	7
DG de Kock	7
JHP van der Merwe	4
JB McGrath*	1
LE Coetzer	7
MR van Breda	7
P Malan	7
YJ Visser	7
CD Flemming	6
RE Goff	7

* *Resigned on 17 July 2020.*

Appointment and Rotation

The terms of office for non-executive directors are three years as regulated by the Memorandum of Incorporation. Article 34 of the Memorandum of Incorporation regulates the rotation of directors. Except for the African Rainbow Capital nominated director/s and managing director/s, one-third of non-executive directors must retire by rotation at every annual general meeting. Mr JB McGrath would have retired at the 2020 annual general meeting but resigned before the meeting. Mr DCH Uys retired at the 2020 annual general meeting and was re-elected by the shareholders. The shareholders resolved at the 2020 annual general meeting that, unless the board resolves to fill the vacancy in terms of the Acorn Agri & Food Memorandum of Incorporation and the Companies Act, the vacancy created with the resignation of Mr JB McGrath will not be filled.

Messrs YJ Visser and MR van Breda offered to retire at the 2021 annual general meeting, and both are available for re-election. The board recommends their re-appointment.

Newly appointed directors receive a detailed induction in a formal programme, including visiting the group companies and meeting the management teams. They receive an information pack with the Memorandum of Incorporation, board and board committee charters, and company policies. Directors can attend training courses, including programmes offered by the Institute of Directors in South Africa.

Evaluation

The board evaluates its performance and its chair and individual members, group company boards, and board committees to support continued effectiveness. Performance self-evaluations are conducted every two years and, other than in exceptional circumstances, external performance evaluations are conducted every five years. The Remuneration and nomination committee reviews the evaluations' results. It then makes recommendations to the board on, among other things, the future compositions of the various group company boards and board committees.

The Group board, group company boards and the three Group board committees performed self-evaluations at the end of 2019. The chairperson and vice-chairperson further evaluated the non-executive directors of the Group board. The 2019 self-evaluations consisted of questions covering topics that included board practices, what went wrong during the year, what went right during the year, and what can be improved.

The 2019 self-evaluation highlighted topics for improvement. The most notable were:

- misaligned stakeholder expectations;
- the need to add strategic technology skills to the Group;
- the need to amend the Fund Management Agreement; and
- the Group's ability to achieve its strategic objectives.

Most of the action steps identified by the board to address these matters were implemented:

- The Fund Management Agreement was amended.
- The communication policy was updated to ensure improved and more regular stakeholder communication.
- Detailed strategic objectives with timelines were agreed upon with the group companies. The CEO and Fund Manager's key performance areas are better aligned with stakeholder expectations and closely measured.
- The board will continue to improve its technology skills with training. The board concluded that an individual's appointment with an information technology qualification at an executive level will be more advantageous than at board level.

The evaluation of the chairperson was reviewed by the vice-chairperson.

Self-evaluations were conducted at the end of 2019 for:

- The Audit and risk committee
- The Remuneration and nomination committee
- The Social and ethics committee
- The chairperson of the Group board
- The individual Group board members
- The group company boards

Self-evaluations are scheduled to take place at the end of 2021.

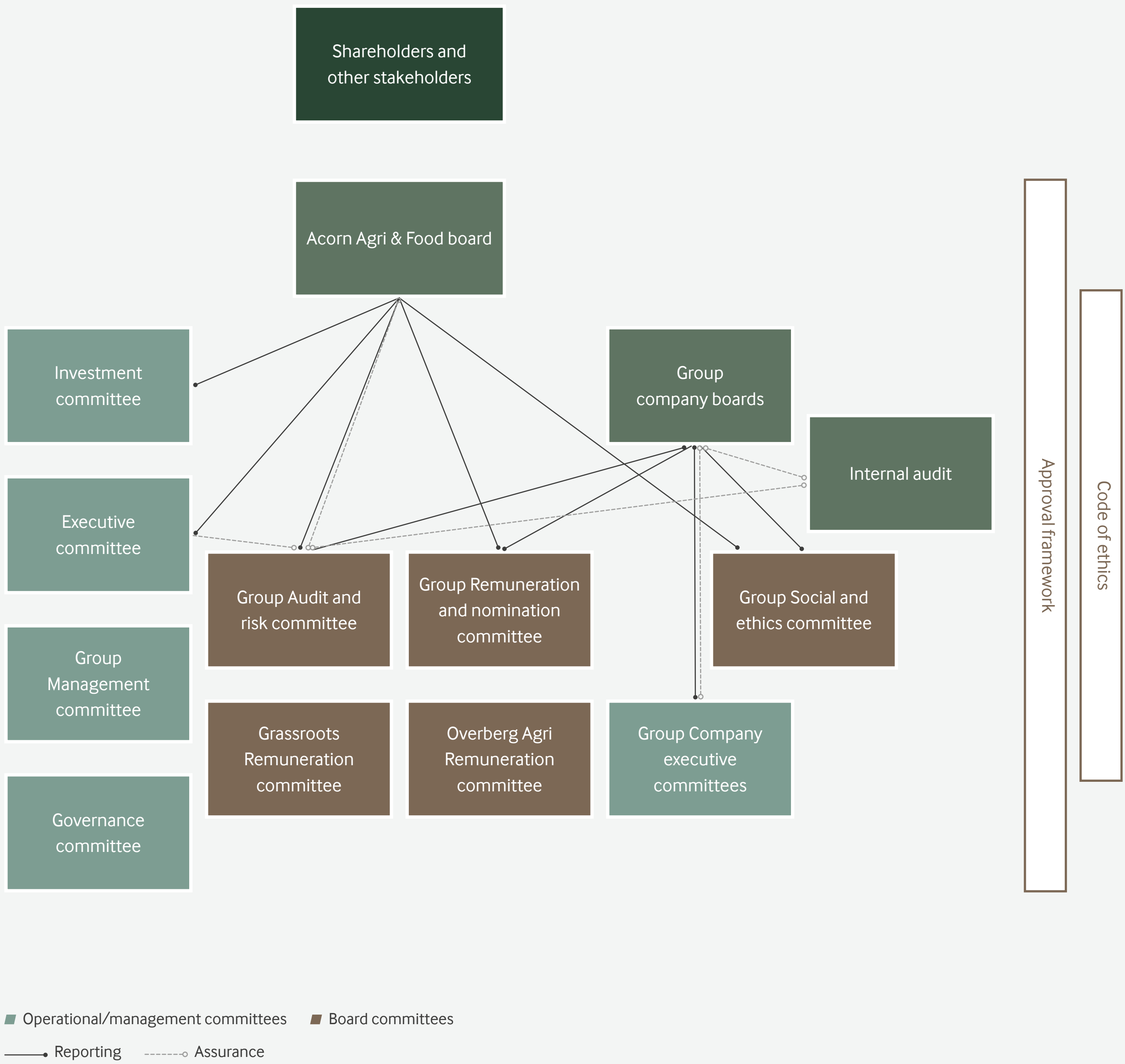
Trading in the Company's Shares

A share trading policy governs trading in company shares. The policy was updated and approved to provide a new category of trading fees to accommodate specific situations where the buyer and seller have the same beneficiaries. The policy makes provision for, among others, closed periods, and the reporting of share trades by company directors. Closed periods are affected when a director or employee has knowledge that is not available to shareholders and may influence its share price or value. Trading in the company's shares is not allowed during closed periods. An internally operated share administration desk monitors closed periods. Direct and indirect trading in Acorn Agri & Food's shares by directors is published on the website within 24 hours of such trades.

Governance Framework

A governance and delegation of authority framework provides the necessary structure to ensure corporate governance standards are met. Board committees provide the requisite in-depth focus on matters covered in their charters, and they assist the boards in discharging their responsibilities. The board is satisfied that the framework provides role clarity and the effective exercise of authority in the Group.

The following framework determines the Group's approval levels. It was reviewed during the year:



The Purpose of Each Function

- Our Group board determines the Group's vision, strategic direction and objectives.
- The Investment committee investigates potential investment opportunities and makes recommendations to the Group board and relevant group company boards.
- The Executive committee reviews and formulates strategic objectives for the Group board's approval and monitors group companies' achievement of strategic objectives and operational performance.
- Our Group Management committee reviews group companies' operational performance and promotes synergies between them.
- The Governance committee reviews and formally approves policies or recommends their approval to the relevant board.
- The Audit and risk committee:
    - assists the company and group company boards in managing risk, safeguarding assets, financial control, and reporting and internal controls;
    - reviews and recommends the approval of the audited annual financial statements; and
    - oversees integrated annual reports.
- Our Group Remuneration and nomination committee monitor the Group's remuneration policies and practices, and it identifies, reviews and recommends the appointment of board and committee members.
- The Grassroots Group Remuneration committee reviews and recommends Grassroot Group's salary adjustments and bonus schemes for its board's approval.
- The Overberg Agri Remuneration committee nominates candidates for election as directors to fill a vacancy on the Overberg Agri board.
- Our Group Social and ethics committee monitors and reviews the Group's policies and practices on health and safety, social and economic development, environmental activities, efforts to combat fraud and corruption, consumer relations, labour and employment, and regulatory compliance.
- The group company boards carry the full responsibility of a board of directors, including the approval of the group company's business plans, budgets and annual financial statements within the limits of the Group's approval framework.
- Each group company Executive committee:
    - formulates the strategic objectives and business plans within the parameters of the Group's strategic objectives, for the group company boards' approval and then;
    - implements and monitors their achievement;
    - identifies and manages strategic and operational risks and opportunities;
    - ensures the implementation and monitoring of policies and procedures;
    - reviews policies; and
    - recommends the approval to the Group Policy review and approval committee.
- Internal audit provides independent and objective assurance about the effectiveness of risk management, control, and governance processes.

Risk Management Assurance

- Each group company's Executive committee gives assurance annually, usually at the second to last board meeting of the calendar year, to the group company board.
- Each group company board gives assurance annually, usually at the calendar year's last board meeting, to the Group Audit and risk committee.
- The Executive committee gives assurance annually, usually at the last committee meeting of the calendar year, to the Group Audit and risk committee.
- Our Group Audit and risk committee annually give assurance, usually at the first board meeting of the following calendar year, to the Group board.
- Our Group's board gives assurance annually, usually at the last board meeting of the financial year, to the shareholders and published in the integrated annual report before the annual general meeting.
- Internal audit gives assurance annually, usually at the last committee meeting of the financial year, to the Group Audit and risk committee.

Internal Assurance

Internal assurance is given based on whether the Group and the relevant group company:

- complied with the risk management policy, plan and strategy;
- practised risk management as an effective management tool;
- identified key operational and strategic risks on an ongoing basis; and
- implemented risk treatment actions as indicated in the risk register and reports.

Assurance by the Internal Auditor

Assurance is given by the internal auditor where the Group and the relevant group companies apply the recommended practices as contained in principle 11 of King IV. They provide assurance regarding the completeness and accuracy of the risk register and the prioritisation, effectiveness and efficiency of risk mitigating actions.

Committees

Three board committees support the board:

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

a. Audit and Risk Committee

Scheduled meetings	5
Unscheduled meetings	2
Total meetings	7
CA Smith	6
DG de Kock	7
JB McGrath*	3
MR van Breda (chairperson)	7
CD Flemming**	3

* *Resigned on 17 July 2020.*
** *Appointed on 13 August 2020.*

The two unscheduled meetings dealt with the impact of COVID-19 on the Group, specifically the impact on Overberg Agri's covenant levels, the potential new risk related to Overberg Agri's financing of a sizeable defaulting customer and the valuation of ACG Fruit's intangible assets.

Main areas of responsibility

- Oversee reporting, including integrated reporting and the protected disclosures report
- Review the audited annual financial statements and audit reports and recommend their approval to the various boards
- Review the Group's risk register and risk certifications from the Group Executive committee and group companies
- Issue its risk certification to the company's board
- Approve the plans and audit fees presented by PwC
- Ensure a combined assurance model is applied
- Oversee internal audit, including the approval of the annual internal audit plan
- Review the independence of the internal audit function
- Recommend the appointment of the external auditor and oversee the external audit process

Other focus areas during the year

- Policy on non-audit services by PwC
- Approved the replacement of Anita Stemmet as audit partner with Hugo Zeelie
- Monitored the impact of COVID-19 on the Group and the finalisation of the external audit
- Reviewed the group companies' debt levels
- Reviewed and approved the Group's risk appetite levels
- Reviewed the operational and capital budgets of the Group for the coming year
- Undertook an external audit fee comparison with similar groups
- Reviewed the finance functions
- Reviewed the internal audit report on the Group's information technology

The board's chairperson, the chief executive officer, chief financial officer, and external and internal auditors attend the committee's meetings by invitation.

The committee charter sets out the committee's role and responsibilities, requirements for its composition and meeting procedures. Shareholders appoint committee members annually at the annual general meeting. The Group board's chairperson is not eligible to be the chairperson or a member of this committee but attends meetings by invitation. The board annually appoints the chairperson of the committee, a non-executive director acting independently.

The committee has an independent role and fulfils the responsibilities provided per the Companies Act. It is accountable to Acorn Agri & Food, the group companies, and the Group's stakeholders.

The policy on non-audit services from the external auditor was reviewed during the year and approved on 22 February 2021. It allows the external auditor to perform any of the following services:

- actuarial services, excluding the valuation of assets and liabilities in the annual financial statements;
- due diligence for mergers and acquisitions;
- design and implement financial information systems;
- tax and business advisory services;
- evaluation of information systems; and
- forensic audit services.

Any services not listed in the policy require the Audit and risk committee's prior approval.

The committee reviewed PwC's independence as the Group's external auditor and is satisfied that PwC remains independent, despite being appointed as auditor in 2005. The audit partner, Anita Stemmet, was rotated at the 2020 annual general meeting and replaced by Hugo Zeelie. The committee is satisfied with the external auditor's quality and effectiveness and recommended PwC's reappointment as external auditor to the board for the coming year.

The committee reviewed the impact of COVID-19 on the Group's ability to achieve their objectives and budgets. Due to the impact of the lockdown regulations issued in terms of the National Disaster Management Act, the timelines for the finalisation of the external audit were extended.

The current and acceptable debt to equity and interest-bearing debt levels of the group companies were reviewed during the year.

In line with its risk management responsibility, the committee reviewed the risk appetite levels of the Group, which are based on the six capitals: financial, social and relationship, manufactured, intellectual, natural, and human capital.

Six capitals		Risk appetite
Financial capital	Financial loss or exposure due to strategic decisions	Risk tolerant
	Material financial loss due to administrative errors or fraud	Risk averse
	Not achieving the required growth and strategic financial targets	Risk tolerant
	Allocation of capital	Risk neutral
Social and relationship capital	Breach in client relationship or customer satisfaction	Risk neutral
	Breach of relationships with industry role players	Risk neutral
	Breach of relationship with shareholders	Moderately risk averse
Manufactured capital	Product quality loss or exposure	Risk neutral
Intellectual capital	Breach in information systems or information integrity	Moderately risk averse
	Incident(s) of regulatory non-compliance	Moderately risk averse
Natural capital	Damage to the environment	Moderately risk averse
Human capital	Injury and or death to employees and stakeholders	Risk averse
	Significant loss of resource base relating to infrastructure	Risk averse

Risk tolerant *Risk neutral* *Moderately risk averse* *Risk averse*

Based on internal audit reports presented to the committee, the committee is satisfied with the design and implementation of the internal financial controls.

The effectiveness of group companies' financial functions was reviewed based on internal and external observations and using a five-point scale. The following areas were evaluated:

- audit readiness;
- audit completed in the budgeted time;
- meeting of due dates for monthly reporting;
- the quality of monthly financial information; and
- the management of financial records, reconciliations, and cash.

The committee concluded that the financial functions improved, particularly as this was the first reporting year since the 2018 amalgamation and a new consolidated reporting platform was implemented. The committee noted that the financial employees' experience levels are varied, which proved to be an asset.

The external audit fees paid to PwC were compared and benchmarked against external audit fees paid by similar groups.

The internal auditor commenced its review of five of the 18 objectives aligned with the King IV Information Technology recommendations. Management is considering the practical implications of these recommendations.

The committee is satisfied that it fulfilled its mandate during the year.

b. Remuneration and Nomination Committee

Scheduled meetings	3
Unscheduled meetings	2
Total meetings	5
AJ Uys	5
DCH Uys (chairperson)	5
DG de Kock	5
P Malan	5
YJ Visser	5
RE Goff	5

The two unscheduled meetings dealt with:

- the recruitment of the new Group CFO;
- the rules and principles of the long-term incentive scheme;
- the identification of the CEO and Fund Manager's key performance areas; and
- the impact of COVID-19 on remuneration and the first candidate director development programme.

Main areas of responsibility

Remunerate and manage human capital:

- Oversee remuneration budgets and the establishment and implementation of relevant policies
- Review actual remuneration expenses against budget, the adequacy of benefit schemes, overtime payment, absenteeism, employee turnover, diversity, wage gaps, and the medical aid subsidy paid to Overberg Agri's former employees
- Review regulatory updates about managing human capital

Nominate and remunerate directors:

- Following a formal process, propose the election and appointment of non-executive directors and ensure new members are inducted in accordance with the induction policy
- Oversee the board and board committee evaluation process, and review and make recommendations
- Review the balance between executive and non-executive directors and succession plans for the board and senior management
- Receive nominations for appointments of non-executive directors to the board of Overberg Agri's Remuneration committee, in accordance with Overberg Agri's Memorandum of Incorporation
- Review feedback from the first participants of the candidate director programme

Other focus areas during the year

- Reviewed the employee remuneration budgets for the coming year and recommended their approval to the relevant boards
- Evaluated overtime hours worked and overtime payment, the practices for the employment of temporary employees, employee turnover and diversity
- Reviewed group companies' boards and committees' composition after the annual general meeting; succession planning for the boards, committees, and senior management; employee turnover; and the balance between executive and non-executive directors on boards
- Review of the current short-term incentive scheme
- Finalised a new long-term bonus scheme and recommended its approval to the Group board
- Identified and reviewed the achievement of the KPIs for the CEO and Fund Manager

Other than Grassroots Group and the company secretary, the human resources managers attend the committee's meetings by invitation.

A committee charter sets out the committee's role and responsibilities, requirements for its composition and meeting procedures. The charter was reviewed and, after minor changes, was formally approved by the board. The Group board appoints members and the chairperson to serve for one year. The chairperson must be a non-executive director of the Group.

The committee provides an oversight and monitoring function to the company and the group companies, for which it has a mandate on matters related to remuneration, benefits, and management of the Group's human capital. It also makes recommendations regarding the remuneration and fees payable to non-executive directors, the nomination and appointment of non-executive directors, the appointment of a CEO and the efficient and effective functioning of the boards of directors.

Reports on overtime hours and payment, absenteeism, the employment of temporary employees and employee turnover by the group companies were reviewed. The diversity reports reflected that most group companies made progress with the employment, training, and development of employees from designated groups at middle and lower levels but not at the higher levels. The implementation of the employment equity plans will address this. No high-risk areas with regards to age and gender were identified.

The remuneration budgets for the 2022 financial year of the group companies were reviewed and recommended for approval to the relevant boards. Focus was placed on measures implemented during the year to curb remuneration expenses and noted the voluntary salary reductions implemented by the Group non-executive directors, executive management, Fund Manager, managing director of Overberg Agri and the company secretary.

Group executive management succession plans were presented to the committee, indicating the availability, skills, experience, and readiness of successors. The committee reviewed potential successors for the roles of chairperson and vice-chairperson and the balance between executive and non-executive board members.

The current short-term incentive bonus scheme was reviewed with the assistance of an external consultant. The project had the following objectives:

- Objective 1: to assess current employee attitudes and sentiments related to rewards.
- Objective 2: to estimate individual reward preferences and choices of various cohorts of employees within the organisation.
- Objective 3: Review the current annual short-term performance bonus policy.

Finalised in December of 2020, the report recommended amending the existing short-term incentive scheme and developing an additional short-term incentive scheme. Management is reviewing the recommended amendment and formulation of a new scheme, which will be presented to the various boards for approval.

The new long-term incentive scheme rules, approved by the Group board for implementation from 1 March 2021, are reported on page 73 of the report.

The committee reviewed the action steps identified to address 2019 self-evaluation improvement areas. The committee will continue to monitor progress against those objectives.

Directors' training during the year included a talk by Pieter Geldenhuys, director at the Institute of Technology Strategy and Innovation and by Simon Colman, executive at SHA on cyber security.

At each meeting, the committee reviews a regulatory report compiled by Inlexso (Pty) Ltd that focuses on changes to the committee's mandate.

The committee is satisfied that it complied with its mandate.

c. Social and Ethics Committee

Scheduled meetings	3
Unscheduled meetings	0
Total meetings	3
AJ Uys	3
A Steyn*	2
DC Human (chairperson)	3
FGG Joubert*	2
MR van Breda	3
RE Goff	3

* *Resigned on 7 September 2020*

Main areas of responsibility

- The social and ethics element corresponds to the Companies Act, i.e., oversight and monitoring of the marketplace, workplace, social environment, natural environment, corporate governance, and ethics
- Compliance mainly concerns monitoring the Group's regulatory compliance
- Reviewing an overview of changes to laws and regulations, presented to the committee at every scheduled meeting (legislative overview)
- The Compliance universes are updated with new or amended laws
- Approval of the annual regulatory compliance programme
- Reviewed the reports on the activities of Woza Phambili and the Overberg Agri Development Trust

Other focus areas during the year

- Reviewed the protected disclosures reports in terms of the whistleblower hotline to identify risk areas
- Reviewed the COVID-19 responses from the group companies
- Reviewed the natural environment reports from the group companies
- Reviewed the implementation of the Protection of Personal Information Act, No.4 of 2013 (POPI Act) and approved the Group Promotion of Access to Information Act manual
- Surveyed how the Group views the role of the committee

The compliance functionary attends committee meetings by invitation.

The committee charter sets out the committee's role and responsibilities, requirements for its composition and meeting procedures. The charter was reviewed and approved by the Group board.

The elements of the committee's responsibilities can be categorised as:

- the social and ethics element; and
- the compliance element.

The social and ethics element comprises:

- Ethics
- Workplace
- Natural environment
- Corporate governance
- Social environment
- Marketplace

Regulatory compliance is dealt with at every meeting. Due to the diversity of the Group and the topics the committee needs to cover, the committee's work plan makes provision for the in-depth review of the social and ethics elements over four-year cycles.

However, the committee also addresses urgent matters whether the element is on that year's work plan or not.

The Group board appoints the committee's members and chairperson for one year. The chairperson must be a non-executive director in the Group.

The committee has an independent oversight and monitoring role. It fulfils the functions provided for in the Companies Act towards Acorn Agri & Food and those group companies for which it has a mandate.

The committee oversees the activities of the Overberg Agri Development Trust and its operating company, Woza Phambili.

The Companies Act requires the following group companies to appoint a Social and ethics committee. The following group companies mandated the Group Social and ethics committee to fulfil the responsibilities on their behalf:

- Acorn Agri & Food
- Overberg Agri
- Moov Fuel
- Boltfast
- Grassroots Group
- ACG Fruit

Although the following group companies are not required to appoint a Social and ethics committee, the committee performs the oversight functions provided for in the committee's charter on their behalf:

- P&B Lime Works
- Overberg Meat
- Overberg Wealth and Risk Management
- Montagu Snacks

The group companies were surveyed during the year to assess their responses to the COVID-19 pandemic. Except for Boltfast, each group company completed the questionnaire. The following responses are noteworthy:

- Steps were taken to protect employees and clients against the spread of the virus. These measures include training, sanitising, screening, maintaining social distance, working from home, temperature monitoring, longer break times and additional transport trips to accommodate fewer people at the workplace.
- With the increase in fraud, corruption, and theft due to the lockdown, steps were taken to prevent the group companies from becoming complicit, or a victim in fraud, corruption, and theft.
- Most assisted people in desperate economic circumstances.
- Measures were implemented to prevent a deterioration of ethics in the lockdown environment.
- Communication was increased to maintain trust and relationships with employees, clients, and service providers.
- Retrenchments were implemented by two group companies. The remainder implemented measures to prevent job losses.

The group companies provided information on how their products and services impact the natural environment. Except for ACG Fruit and Boltfast, each group company completed the questionnaire. The environmental risks were listed and indicated, where possible, how risks are addressed.

Most group companies monitor their impact on the environment, including energy and water usage, and aim to reduce waste.

No group companies received a fine or compliance order for non-compliance with environmental laws during the last two years.

Most group companies take precautions to dispose of E-waste responsibly via an accredited business or by returning the waste to a supplier. The Group spent approximately R2.8 million during the last two years to manage its impact on the natural environment.

During the year, the group companies received no reports on regulatory fines or penalties, or incidents related to environmental non-compliance. No fatalities occurred during the year.

Environmental risks listed by the group companies:

Risks

- Alien vegetation and airborne pollutants
- Petroleum spill and contamination of natural resources
- Disposal of hazardous waste
- Resource depletion, pollution, and climate change
- Unavailability of affordable recycled packaging material

The committee was presented with a plan to implement the POPI Act, which included training presented to the committee on the Act's most pertinent aspects.

The Compliance Risk Management Plans for the Companies Act and Mineral and Petroleum Resources Act, No.28 of 2002 were submitted to the compliance function. However, due to limited human resources, feedback to the committee was not finalised. The Compliance Risk Management Plan for the Black Economic Empowerment Act, No.53 of 2003 was postponed for the same reason.

The committee reviewed the implementation of the CSI Policy. Other than ACG Fruit and Overberg Wealth and Management, all the group companies made CSI contributions during the year. The committee encouraged ACG Fruit and Overberg Wealth and Risk Management to participate in initiatives that support the policy's objectives.

The committee surveyed the board members and management of the Group on their understanding of the committee's role and responsibilities. The survey showed that most board members understand the role and function of the committee, adding that they find the committee's reports to the boards helpful.

The focus areas for the coming year are:

- approve and monitor the implementation of the 2021 regulatory compliance plan;
- monitor the implementation of the POPI Act;
- review the Group's corporate governance and workplace practices; and
- identify compliance monitoring and risk management plans with high-risk ratings.

The committee is satisfied that it fulfilled its responsibilities in accordance with its terms of reference for the year.

Social and Ethics Committee Report

Dear shareholder,

The committee, a sub-committee of the Group board, was established in terms of section 72 of the Companies Act. In 2012, the committee's responsibilities were added to the Remuneration and nomination committee. However, a separate committee, focusing on Social and ethics matters and regulatory compliance was established at the end of 2014.

The committee fulfils its role and responsibility on behalf of the Group regarding socio-economic development, governance, ethics, workplace practices and policies, the impact on the natural and social environment, and the Group's impact on the market place.

Due to the impact of the COVID-19 pandemic, 2020 was a challenging year in many aspects and continues to impact our employees' health and well-being. In view of the challenges faced by our employees, we focused on measures to protect and assist our employees while the committee continued with its normal work plan.

The committee is satisfied that it fulfilled its responsibilities towards the Group for the reporting period.

DC Human
Chairperson

Risk Report

The Group identifies and analyses risks and evaluates whether they are managed within acceptable levels. The board recognises that risks are dynamic and inherent in the external and internal operating environments. Therefore, the board embeds a culture of risk management across the Group. The Group identifies, assesses, evaluates, manages, monitors, and reports risks to efficiently and effectively manage risks associated with pursuing strategic goals.

The Group's risk management philosophy and practices are underpinned by a common risk management process, established in accordance with the International Standard for Risk Management (ISO31000) and King IV. The Group board approved the risk management policy, plan and strategy. These are applicable across the Group and apply to all employees, contractors and business partners working for the Group or any affiliated entity, programme or initiative.

The Group adopted the following main risk management principles:

- Risk management is integral to good governance practices.
- The Group's key strategic objectives are considered when considering the risk management elements necessary to integrate risk management with existing business management processes, supporting the Group to become a risk-intelligent and agile organisation.
- The Group adopts an enterprise-wide approach to risk management, in which all significant risks are managed in a structured and systematic manner.
- Risk management is directed within the context of the Group as a whole. It focuses on supporting the Group's purpose while ensuring compliance to relevant legislation, adopted standards, and fulfilling all stakeholder expectations in terms of good governance.
- Each group company board is responsible for governing risk in that company.
- The Group board assumes overall responsibility for governing risk throughout the Group, including each group company.
- Risk management is embedded in the various systems and processes, ensuring that responses to risk remain current and dynamic.
- The Group board and group companies' boards annually review and approve risk appetite levels.
- The Group CEO is also the chief risk officer, while the group companies' heads are the risk officers for those group companies.

- The Group board receives combined assurance regarding the effectiveness of risk management and the effective management of key risks via group companies' executive management, the Executive committee, the Audit and risk committee, the internal and external auditors and external service providers.
- The Audit and risk committee assists the Group board in executing its risk responsibilities.
- All employees practise risk management in their day-to-day operations.
- Risk assessments are performed on an ongoing basis and specifically in accordance with the risk management plan and strategy.
- Risks are prioritised in terms of their impact and likelihood, both inherently and residually.

Risks are identified per business process in the Group and group companies. The chief risk officer maintained the Group risk register and discussed it at every scheduled Audit and risk committee and Group board meeting.

Risk appetite levels comprise five categories:

- Risk-seeking
- Risk-tolerant
- Risk-neutral
- Moderately risk-averse
- Risk-averse

Annual risk assurance reports provide feedback on risk monitoring through the risk register and indicate the group company's level of compliance with the risk management policy, plan and strategy. Reports indicate whether risk management is practised as an effective management tool, the key operational and strategic risks identified, and the implementation of risk treatment actions prescribed in the risk register and reports.

The internal audit function provides assurance (additional to assurance from management) that the risk-mitigating measures are effective and efficient given the identified risks. A report is submitted annually to the Audit and risk committee on principle 11 of King IV.

Moore Stephens, the internal auditor, concluded that, based on its assessment, the Group applies the recommended practices and principles contained in principle 11 of King IV for those group companies where the process was implemented fully.

Under the Audit and risk committee's guidance, a combined assurance model was adopted to co-ordinate all assurance activities, including reporting. This year we continued our threefold approach to assurance, relying on three complementary review processes – internal audit, external audit and, where indicated, external service providers.

The Group board certifies that:

- except for Grassroots Group and Montagu Snacks*, the Group complies with its approved risk management plan;
- the Group practices risk management as an effective and efficient management tool in the normal flow of business;
- the key strategic and operational risks were identified and addressed in the risk register of Acorn Agri & Food and the identified group companies;
- risk treatment actions are being implemented as indicated in the risk registers of the identified group companies; and
- the Group's system of risk management is adequate and effective.

* *Grassroots Group and Montagu Snacks are implementing the Group Risk Management processes.*

Compliance

Our Group's compliance policy maintains a responsive and accountable compliance management system that supports Acorn Agri & Food and its group companies to achieve their compliance risk objectives. This enables the Group to conduct its activities in accordance with legal and internal policy requirements. The policy establishes the principles and standards according to which the Group manages compliance risk and its commitment thereto. It sets out the expected performance of all employees in maintaining the Group's compliance procedures and overall compliance governance.

This provides a structured and benchmarked framework in which management and the compliance function can embed a compliance culture, embrace the compliance methodology and foster an environment for proactive and informed collaboration and decision-making within the Group.

The compliance policy is supported by a compliance charter, which serves as a reference for the compliance function and sets out the Group's compliance philosophy.

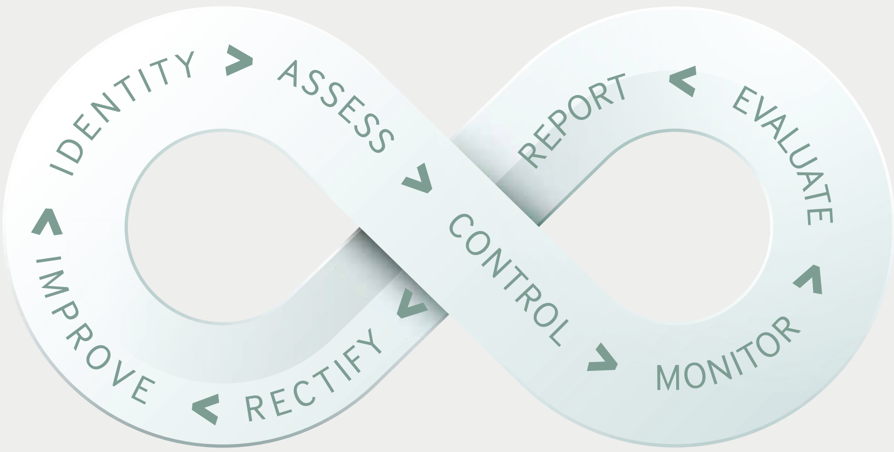
The compliance policy and charter were updated during the year to:

- reflect name changes;
- refer to the group companies that subscribe to the services of Inlexso (Pty) Ltd; and
- remove the requirement to compile compliance manuals due to insufficient resources.

The compliance charter specifically regulates:

- fundamental principles, roles, and responsibilities to assess and manage the Group's compliance risk; and
- relevant parties' responsibilities and tasks relating to compliance risk.

Compliance Process



Identify: Identify existing and emerging legislation, binding rules, directives, licences or other forms of authorisation, codes and standards (compliance obligations) relevant to the business context and operations so that risks arising from the compliance requirements are well understood.

Assess: Assess the seriousness and probability of non-compliance in each case. Our Group, and each group company, evaluates their compliance risks. This evaluation is based on a formal compliance risk assessment.

Control: Plan, implement, and control the processes needed to meet compliance obligations and implement actions to address compliance risks.

Monitor: Evaluate the implementation of controls as documented in the compliance risk management plans.

Evaluate: Continually (and after each compliance monitoring review) evaluate the operational effectiveness of the control environment to ensure desired outcomes are achieved and to identify potential improvements.

Report: Inform the boards, committees and management about the performance of the Group's compliance management system and its continuing adequacy, including all non-compliances and non-conformances, in a timely manner and in a way that encourages and supports a culture of full and frank reporting.

Rectify: React to non-conformance and/or non-compliance and identify actions to control and correct it and/or manage the consequences.

Improve: Continuously improve the suitability, adequacy and effectiveness of the compliance management system.

Compliance Philosophy

Our Group recognises the importance of adhering to relevant legislative, regulatory, and supervisory requirements. Our Group applies international and national principles, standards and guidelines but recognises that the following factors determine the level and extent thereof:

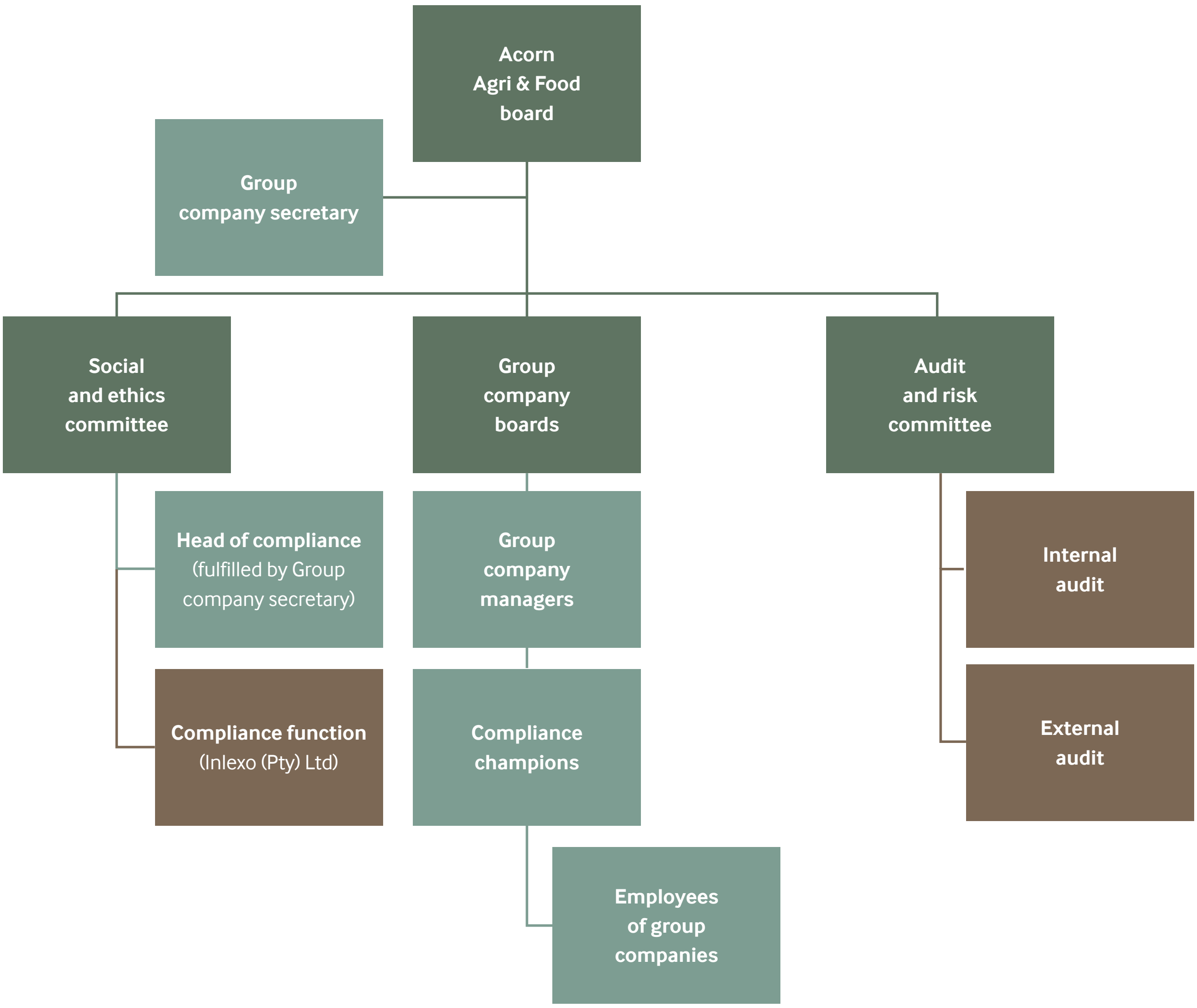
- Size of the Group and group companies
- Available resources to manage the compliance risks
- The complexity of the Group and its compliance universe
- Nature of the Group's and its group companies' operations
- Compliance risk tolerance

The Compliance Structure

The Social and ethics committee monitors and oversees regulatory compliance. Due to the extent of the compliance responsibility and limited resources, the Group engaged the services of Inlexso (Pty) Ltd.

The focus areas for the compliance function in the 2021/22 year include:

- continuing with the monitoring of compliance with the Employment Equity Act, No. 55 of 1998 and Meat Safety Act;
- monitoring compliance with the Occupational Health and Safety Act, No.85 of 1993;
- monitoring the implementation of the POPI Act against the project plan;
- continuously reviewing and updating the compliance universes; and
- providing training to employees on the topics identified by the Social and ethics committee, specifically on the POPI Act.



Ethics

Integrity, accountability, responsibility, and respect are the cornerstones of our Group's values.

Our board of directors is committed to ethical and effective leadership to achieve the core governance outcomes of an ethical culture, good performance, effective control and legitimacy.

Directors subscribe to and support the Group's Code of Ethics. Although the governance of ethics is delegated to the Social and ethics committee, the board remains responsible for approving the relevant policies and ensuring that high ethical standards remain a priority.

Group policies and procedures support the board's view that the Group is a responsible corporate citizen. These include the whistleblower, compliance, employment equity, remuneration, health and safety, consumer protection and anti-corruption policies.

Employees must sign the Code of Ethics upon commencement of employment, thereby committing themselves to the Group's ethical standards. The Code of Ethics is published on the intranet and is regularly featured in the employee newsletter.

Our Group is committed to transparency and integrity and encourages stakeholders to voice concerns about unethical behaviour, criminal conduct, or malpractice in any of the group companies. Our Group's whistleblower policy creates a culture of openness and accountability without fear of reprisals or occupational detriment. It encourages that any irregularity is reported so that management can take the necessary steps to investigate and/or deal with it. The policy provides a framework to investigate and address honest concerns while protecting against victimisation, harassment, or disciplinary action.

The policy provides channels to make protected disclosures, including an anonymous hotline operated by Deloitte. Except for Montagu Snacks and Grassroots Group, all the group companies subscribe to the Group whistleblower hotline. Grassroots Group maintains a separate whistleblower line, managed by Gielie Scholtz Personeelkonsultante CC. Reports received by Gielie Scholtz are referred to Grassroots Group's management for investigation. Montagu Snacks does not have a formal whistleblower hotline, and employees are encouraged to report misconduct to management.

The Audit and risk committee and the Social and ethics committee receive feedback at every meeting about the number of reports made in terms of the policy, the allegations made, the investigation and a summary of the outcome. During the year, five reports were received. These reports were investigated, but no evidence of misconduct or non-compliance was found. In one case, recommendations about the improvement of internal controls and record keeping were made.

Declaring personal financial interests, including potential conflicts of interest, is a standard item on all board and board committee agendas. Directors who declare personal financial interest in a matter on the agenda recuse themselves from the meeting for the duration of the discussion.

Code of Ethics

Integrity

I am required to be honest, open, consistent, fair, trustworthy, and true in my actions and decisions. I must be honest and truthful about my motives and opinions.

Accountability

I am required to deliver on my commitments, to accept responsibility and accountability for my decisions and actions.

Responsibility

I am required to recognise and accept my responsibility towards the company and to act accordingly. It also requires me to actively contribute towards the good standing, success, and sustainability of the company.

Respect

I am required to recognise the value of each person and to treat all people with respect, irrespective of their culture, traditions, language, race, gender, opinions, etc., and also to treat the property of others with respect.

Remuneration report

Background Statement

Dear Shareholder,

Our remuneration report and accompanying implementation report were compiled in accordance with the principles and recommended practices set out in King IV. This report provides information required to inform your view about Acorn Agri & Food's remuneration policy and how this policy was implemented in the financial year ending on 28 February 2021.

The remuneration report provides an overview of the remuneration policy for all employees, non-executive directors, and prescribed officers. The implementation report provides details on how the remuneration policy and related incentive policies were applied.

Pay and Performance Highlights

Our overarching goals inform our remuneration decisions to improve shareholder returns. Our policy is to attract, retain and reward top performers and critical talent. By retaining our highest-quality people, we are best positioned to deliver our strategy and enhance shareholder value.

In response to the COVID-19 pandemic, all directors (non-executive and executive) as well as Acorn Private Equity forgave 25% of their cash remuneration from August 2020 for a period of 12 months.

Acorn Agri & Food's financial results for the year were satisfactory given the challenging economic environment and impact of the COVID-19 pandemic. Normalised headline earnings increased from a loss of R60 million last year to a profit of R140 million this year, while normalised return on equity was recorded at 5.7%.

Remuneration Advice

Our Group's Remuneration and nomination committee review the remuneration philosophy, policy, strategy, and practices to align with best practice and Acorn Agri & Food's strategic imperatives. To supplement and support the Remuneration and nomination committee's role, the Group obtains independent and professional advice on matters about remuneration from time to time.

As reported in 2021, an external consultant reviewed the current short-term incentive policy. Management and the committee reviewed his suggestion to amend the current short-term policy's terms and implement a new policy.

Looking Ahead: 2021/22 Initiatives

Acorn Agri & Food applied sound remuneration principles across the Group to ensure the remuneration policies and philosophies align. The board approved the principles of a new long-term incentive policy, which will be implemented from 1 March 2021.

The long-term incentive scheme attracts, retains, and incentivises management and key Group employees by enabling them to acquire shares in Manco 2. A new long-term incentive will be introduced in the 2022 financial year whereby an AAF Share Incentive Trust (the Trust) will be created to acquire the existing Manco 2 shares issued at amalgamation (Class A shares), excluding the shares held by AJ Uys and LE Coetzer, for no consideration. The Remuneration and nomination committee is responsible for the allocation of any Manco 2 shares held by the Trust. In addition, Manco 2 will subscribe for an additional two million shares in Acorn Agri & Food, financed by AAF Invest (via preference shares) at a price based on the 60-day VWAP up to 28 February 2021. A Class B share will be created in Manco 2 that will also be under the control of the Trust. An allocation of Class B shares to management will be done by the Remuneration and nomination committee. The terms of the preference shares are linked to the specific Acorn Agri & Food shares issued for each class of Manco shares.

The Remuneration and nomination committee fully endorses remuneration's critical role in attracting and retaining high-performing employees. As such, the committee firmly supports the principle that pay must incentivise superior performance.

Our sincere gratitude goes to our fellow committee members for their support during the year as well as to the CEO, the human resources departments and employees for their hard work and dedication to ensure that our Group is competitive in the market and an employer of choice.

Cobus Visser
Chairperson of the Group board

Dirkie Uys
Chairperson of the Remuneration and nomination committee

Remuneration Policy – An Overview

Remuneration Approach and Philosophy

Our remuneration approach and philosophy drive the Group's strategic direction and vision to create a legacy of long-term, sustainable value for all stakeholders in the agriculture and food value chain. Executive directors' remuneration needs to reflect the Group's unique model, which combines operational and investment expertise. Our investment and operational approach are summarised below:

Investment approach		Operational approach			
Investment approach	• Leverage our relationship to source transactions • Rigorous analysis and due diligence • Creative deal making to mitigate risks • Focus on industries we understand	Actively involved in strategy and planning	Focus on sustainable growth, cash flow, risk management and governance	Provide corporate finance and shared services	**Business level**
Investment philosophy	• Acquire solid businesses at reasonable prices with high quality management in agriculture and food sectors • Strategic mergers and acquisitions in our divisions to: - drive scale; - enhance route to market; - facilitate cross-selling; and - diversify across geographies, commodities, markets, and currencies.	Operational support to management teams	Aligns management through incentives	Strict application of business metrics	**Managerial level**
Investment criteria	• Understandable business • Robust business model • Sustainable competitive advantage • Profitable and cash generative • Solid growth prospects • Not highly leveraged • Experienced, ambitious, and trustworthy management team	Selective mergers and acquisitions	Rigid and disciplined investment process	Deep involvement at all stages of transaction	**Transaction stage**

The remuneration policy attracts and retains competent people and directors to generate a sustainable return on investment for shareholders and to ensure fair, responsible, and transparent remuneration. It establishes fair, reasonable and market-related remuneration practices.

The Acorn Agri & Food Group's remuneration policy is based on the following key principles:

Remuneration should support our Group's vision.

Remuneration should support our Group's strategies and be consistent with the organisation's culture of fairness and equity.

Remuneration should be fair towards employees as well as our Group.

Key Principles

Individual contribution based on roles and responsibilities should have a direct bearing on the levels of remuneration.

Remuneration should be reviewed and benchmarked annually through surveys conducted by an independent external professional service provider to ensure our Group remains competitive in its diverse markets, not applying percentiles too rigidly but taking into account industry type, skills scarcity, performance, and legislative structures and requirements.

Remuneration should motivate and allow for differentiation (i.e. reward high performers).

Remuneration Framework

The framework depicts the types of remuneration and rewards applicable to permanent and non-permanent employees during the year:

Remuneration framework		
Guaranteed remuneration elements	**Variable pay elements**	
Guaranteed packages payable to permanent employees (including salary, retirement benefits, life cover, disability cover, spouse cover, medical aid, and applicable allowances)	Short-term incentives	Short-Term Performance Bonus (STPB) scheme
		Overtime and commission
	Long-term incentives	None for the year under review
Temporary employees (both short- and long-term) receive guaranteed remuneration.		

Levels of Remuneration

Pay scales are determined and adjusted annually in accordance with the Consumer Price Index and compared every two years with the results of reputable survey results. Pay scales are effective from the first of March and remain applicable until the end of the financial year.

Performance-related increases or decreases must be substantiated and motivated with reference to performance evaluation documentation, attendance records and the disciplinary records plus motivation from the head of department so that the CEO or managing director can approve deviation to the norm.

Remuneration Budgets

Each group company annually prepares a remuneration budget that reflects the guaranteed package and other remuneration payable to each employee. The remuneration budget includes all elements of remuneration as reflected in the annual financial statements.

The Remuneration and nomination committee annually determines the guaranteed pay percentage increase and recommends it to the group companies' boards. The Remuneration and nomination committee also recommends the increase for the total remuneration budgets for a particular financial year. The annual percentage is determined with reference to:

- the average year-on-year headline inflation rates for the current calendar year as obtained from Stats SA's website;
- predicted headline inflation for the budget calendar year;
- predicted increases as reflected in salary surveys; and
- market and industry trends as reflected by reputable sources of information.

Short-term Performance Bonus (STPB) Budgeting

Each group company annually prepares an operational budget for approval according to the corporate governance approval framework. The approved operational budget and personal KPIs are considered when determining if a participating company qualifies for a bonus. Bonuses are funded from the after-tax profit of the relevant company and are not additionally budgeted for. Provision for bonus payments is made when it becomes clear that the company could realistically achieve its targets.

STPB Policy

The STPB policy motivates employees to perform and meet agreed upon performance targets; to reward and acknowledge employees for good performance; and to retain middle and senior managers. In line with industry standards, the STPB policy is not included in the annual cost of employment remuneration and is not pensionable. This policy applies to all permanent employees of participating companies, except employees who mainly earn commission, the CEO and employees who are employed by the Fund Manager.

The policy makes provision for the following potential bonuses:

Tier one The potential bonus amount for general, divisional and departmental managers is 25% of their annual remuneration package for the performance period.	Tier one bonuses are only paid once compliance with the relevant qualifying criteria are met. The criteria include: • Return on equity targets and meeting or exceeding the operational budget for a specific financial year. • Employee must achieve his/her KPIs. KPIs may comprise a combination of financial, qualitative, and quantitative targets (which include non-financial targets). Bonuses are signed off by the group company's manager. AAF Services and AgVentures employees only qualify for a bonus if these group companies meet or exceed budget, excluding items that directly relate to the payment of the Fund Manager and Group expenses that are not attributable to that company.
Tier two The potential bonus is applicable for extraordinary performance and the amount for general, divisional and departmental managers is an additional 25% of their annual remuneration package for the performance period.	The Group Remuneration and nomination committee may allocate tier two bonuses to managers in the Group who have excelled. Tier two bonuses must demonstrate that the return on equity targets, profit targets, or other agreed upon targets considerably exceed the benchmark and target. The relevant group company board must approve the payment of tier two bonuses on recommendation from the committee.
The potential bonus amount for all other employees is one-twelfth of their Annual Remuneration Package.	

STPB Qualifications

Subject to qualification 2, the relevant group company must exceed its approved operational budget for the financial year to such an extent to be able to pay 100% or pro rata bonuses, taking into account the value of all the vacancies at the time. 90% of the bonus is payable if the ROE target is met and the operational budget is exceeded and 80% of the bonus is payable if the ROE target is not achieved but the company exceeds its operational budget.

The relevant group company must exceed its ROE target. However, an 80% bonus is applicable if the ROE target is not met but the operational budget is exceeded. A 90% bonus is applicable if the ROE target is met and the operational budget is exceeded. A 100% bonus is applicable if both the ROE target and operational budget is exceeded.

Discretionary bonuses will be allocated by the Remuneration and nomination committee to managers that have excelled based on submissions by the heads of a group company to our Group CEO.

The employee must be in active service and not be subject to any notice period during the month when bonuses are paid, or disciplinary action taken during the performance period.

Employees employed by AAF Services and AgVentures will only qualify for a bonus if that company meets or exceeds its budget.

The individual employee must meet his/her performance targets for the performance period. If an employee does not meet all his/her performance targets for the performance period, the bonus amount will be payable on a pro rata basis.

Background to Group Structure, Executive Management, and their Remuneration

The consolidated Group structure was changed during the year and comprised the management service provider, Acorn Private Equity, and Group employees.

Acorn Private Equity earned an annual management fee from AAF Services of R13.3 million (excluding VAT) based on a discretionary undertaking from Acorn Private Equity to reduce its minimum fee for 12 months by 25%. The fee reduction was implemented from 1 July 2020. Management implemented a voluntary reduction of between 6% and 25% in remuneration from either 1 July or 1 September 2020.

The management team provides the Group with operational and investment management services and drives Acorn Agri & Food's Group strategy and vision.

Acorn Private Equity is responsible for the remuneration of the Fund Manager employees and the operational expenses of the office and its employees, as outlined in the table below. AAF Invest and AAF Services are responsible for the remuneration of the remainder.

Executive Directors/Prescribed Officers

Name	Role	Current employer company (FY21)
AJ Uys	Chief executive officer – The Acorn Agri & Food Group	AAF Invest
LE Coetzer	Chief operational officer – The Acorn Agri & Food Group	AAF Invest
A Steyn	Company secretary – The Acorn Agri & Food Group	AAF Services
AC Neethling	Chief investment officer – The Acorn Agri & Food Group	Acorn Private Equity
P Malan	Director – The Acorn Agri & Food Group	Acorn Private Equity
A Geertsema	Chief financial officer – The Acorn Agri & Food Group	AAF Services

Executive Remuneration

To fulfil the Group's vision to create a legacy of long-term sustainable value for all stakeholders in the agriculture and food value chain, the executive directors' remuneration is closely correlated with shareholder return. The below framework depicts the types of remuneration and rewards applicable to executive directors for the reporting period*:

Executive directors' remuneration

Remuneration elements		Shareholder alignment
Guaranteed pay	Including salary, retirement benefits, life cover, disability cover, spouse cover, medical aid, and applicable allowances.	Reflects the role's value and is the role's effective fixed remuneration cost.
Short-term incentives	The executive directors employed by Acorn Private Equity indirectly own shares and are entitled to a percentage of Acorn Private Equity's net profit after tax, receivable in dividend payments. The executive directors employed by AAF Invest qualify for the STPB described on page 77.	Acorn Private Equity earns an annual management fee from AAF Services of 0.55% (excluding VAT) on a weighted calculation of the company's over-the-counter (OTC) value and its net asset value. The higher the company's net asset value and OTC value to shareholders, the higher the management fee and the higher the potential short-term incentive. This scheme rewards participants for growing the company's net asset value. The CEO's qualification criteria are the extent to which the KPIs agreed upon at the beginning of the financial year are met which is linked to the strategic objectives of the Group. The remaining executive directors' qualification criteria include our strategic objectives (return on equity targets and meeting or exceeding Acorn Agri & Food's budget). It requires the executive directors to achieve his/her KPIs. KPIs may comprise a combination of financial, qualitative, and quantitative targets (including non-financial targets) linked to shareholder value creation.
Long-term incentives	The executive directors indirectly own an equity position as a long-term incentive that the company financed via preference shares, through two entities namely Acorn Manco and Acorn Manco 2. The direct and indirect shareholdings for the executive directors are provided in the implementation report (on page 81). The long-term incentive policy for executive directors and group company managers will apply from 1 March 2021.	No amount is payable to executives until debt/loan is paid off. This will be no sooner than six years from issuance and hence ensures executives are retained for the long term and aligned with long-term shareholder value creation. The Acorn Manco and Acorn Manco 2 shares owned in Acorn Agri & Food are shown as part of treasury shares and the preference shares are not reflected as an asset in the consolidated annual financial statements.

Acorn Private Equity shall not appoint additional executives for the purposes of performing management services to the company without the Group board's approval.

Prescribed officers' remuneration

Guaranteed remuneration elements	Variable pay elements	
Guaranteed package, which includes salary, retirement benefits, life cover, disability cover, medical aid, and applicable allowances	Short-term incentives	STPB scheme
	Long-term incentives	None as the new relevant policy will apply from 1 March 2021.

Non-executive Directors

There are no service contracts between the company and the Group non-executive board members. However, the company has issued formal letters of appointment to its non-executive board members.

The Remuneration and nomination committee annually reviews non-executive directors' fees for recommendation to the Group board. These fees are reviewed against market trends, surveys, the Group's size, the Consumer Price Index, forecasts, affordability, and the general increase granted to employees. The Group board recommends the approval of non-executive directors' fees to the shareholders at each annual general meeting for approval by special resolution. The approved fees are implemented from the month immediately following the annual general meeting.

Non-executive directors are paid a monthly fee (retainer) for their services, irrespective of the number of boards and board committees they serve on, or the number of meetings per year. They do not participate in any incentive or benefit schemes.

Non-executive directors are reimbursed for travel and accommodation expenses.

The remuneration policy for non-executive directors was amended with shareholder's approval at the 2020 annual general meeting and makes provision for a fixed fee based on the office of the non-executive director.

Non-executive director fees are based on the following principles:

Principle	Explanation
Base fee of a board member	All members receive the base fee
Chairperson of the board	An annual fee paid to the chairperson in addition to the base fee
Deputy chairperson	An annual fee paid to the deputy chairperson in addition to the base fee
Chairperson of a board committee	An annual fee paid to a chairperson of a board committee (other than the Audit and risk committee) in addition to the base fee
Chairperson of the Audit and risk committee	An annual fee paid to the chairperson of the Audit and risk committee
Member of the Audit and risk committee	An annual fee paid to a member of the Audit and risk committee in addition to the base fee
Member of the Remuneration and nomination committee	An annual fee paid to a member of the Remuneration and nomination committee in addition to the base fee
Member of the Social and ethics committee	An annual fee paid to a member of the Social and ethics committee in addition to the base fee

Shareholder Approval

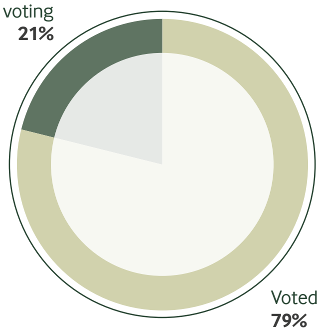
Following the adoption of King IV, the remuneration policy and implementation report will be tabled to shareholders each year at the annual general meeting.

If 25% or more shareholders vote against the proposed policy or implementation report, the Remuneration and nomination committee will:

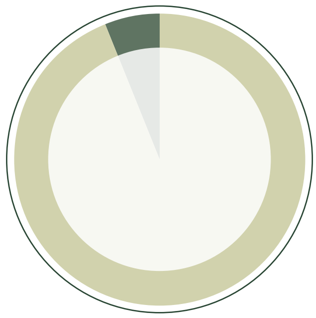
- formally engage with shareholders to ascertain the reasons for any dissenting votes;
- report to the Group board on the engagement process and reasons provided for dissenting votes; and
- recommend measures to the Group board to address the legitimate and reasonable objections and concerns of shareholders.

These measures may include amending the remuneration policy, clarifying, and adjusting remuneration governance and/or processes.

The results of the vote on the general resolution presented to shareholders to approve the non-executive directors' remuneration policy at the 2020 annual general meeting appear in the graph below. Following this outcome, the chairperson of the board and the Remuneration and nomination committee met the relevant shareholders to explain the practical application of the policy in more detail.



Shareholders endorsed the remuneration policy and remuneration implementation report tabled at the 2020 annual general meeting by way of a non-binding advisory vote. Votes on the implementation report were as follows:



Implementation Report

Introduction

This implementation report discloses remuneration outcomes for directors and prescribed officers to provide a single, total figure of remuneration received for the year ending on 28 February 2021. This single figure is broken up into guaranteed total package, short-term incentives, and long-term incentives. Fees for non-executive directors are provided. In response to the COVID-19 pandemic, all directors (non-executive and executive) as well as Acorn Private Equity forgave 25% of their cash remuneration from August 2020 for a period of 12 months.

Single Figure Remuneration

Remuneration for the year ending on 28 February 2021

Name and role	Total guaranteed package	Short-term incentive (R)	Long-term incentive (R)	Total earnings (R)
AJ Uys (Chief executive officer)	3 461 634			3 461 634
LE Coetzer (Chief operating officer)	2 542 874			2 542 874
A Steyn (Company secretary)	1 939 040	475 255		2 414 295
AC Neethling (Chief investment officer)	1 830 000	220 292		2 050 292
P Malan* (Executive director)	1 359 000			1 359 000
A Geertsema** (Chief financial officer)	300 000			300 000
Total	11 432 548	695 547		12 128 095

* *Pierre Malan does not participate in any short-term incentive scheme.*
** *Andries Geertsema was employed from 1 January 2021 with a guaranteed remuneration package of R1 800 000. The above figure is the actual remuneration paid for the period 1 January to 28 February 2021.*

All expenses incurred as part of employees' duties (such as travel), are reimbursed at cost and are in addition to the remuneration set out in the table above. Travel by private vehicle is reimbursed at a set rate per kilometre.

Executive Directors and Prescribed Officers' direct and indirect shareholding in the company is outlined in the table below:

Executive Director and Prescribed Officers' Shareholding

Acorn Agri & Food	Direct		Indirect				
Shareholding	AJ Uys	A Steyn	AJ Uys	LE Coetzer	AC Neethling	P Malan	A Geertsema
Acorn Manco (Pty) Ltd					1 367 607		
Acorn Manco (Pty) Ltd via Acorn Private Equity Holdings					859 053	2 508 435	
Acorn Manco 2 (Pty) Ltd			759 536	357 429	670 179		
Acorn Manco 2 (Pty) Ltd via Acorn Private Equity Holdings					537 260	1 568 800	
Acorn Private Equity Holdings (Pty) Ltd					138 855	405 455	
Jacton (Pty) Ltd					243 170		
Elpier Investments (Pty) Ltd						308 437	
Malan Investments (Pty) Ltd						2 151 563	
Ansandre (Pty) Ltd			32 849				
Coetzer Capital (Pty) Ltd				29 842			
Carl Andre Capital (Pty) Ltd					1 020 482		
AJ Uys	122 867						
A Steyn		27 900					
Total	122 867	27 900	792 385	387 271	4 836 606	6 942 690	0
Relative shareholding	0.08%	0.02%	0.55%	0.27%	3.34%	4.8%	0%

Non-executive Directors: Fees

Non-executive directors' fees are reviewed annually and paid as a monthly retainer. The Remuneration and nomination committee recommends non-executive directors' fees to be approved by shareholders at the annual general meeting.

	Year ending on 28 February 2021	
Non-executive directors	Fees for services** (R)	Total (R)
YJ Visser (chairperson)	450 602	450 602
DG de Kock (vice-chairperson)	394 680	394 680
JB McGrath (non-executive)*	23 994	23 994
DCH Uys (non-executive)	251 941	251 941
CA Smith (non-executive)	251 941	251 941
JHP van der Merwe (non-executive)	153 553	153 553
MR van Breda (non-executive)	321 133	321 133
CD Flemming (non-executive)	210 343	210 343
RE Goff (non-executive)	201 645	201 645
Total	2 259 832	2 259 832

* *Resigned 17 July 2020.*
** *All expenses incurred as part of non-executive directors' duties (such as travel), are reimbursed at cost and are in addition to the fees set out in the table above. Travel by private vehicle is reimbursed at a set rate per kilometre.*