

**RETAIL  
FOOD  
GROUP**

***Corporate Governance  
Statement***

Retail Food Group Limited (RFG or the Company) recognises the importance of good corporate governance to RFG's shareholders and other stakeholders.

This Corporate Governance Statement provides an overview of RFG's governance practices and response to the ASX Corporate Governance Council's Governance Principals & Recommendations (third edition) (ASX Principals), as at 30 June 2020. It was approved and adopted by the Board on 20 October 2020.

The Board has also reviewed the Company's compliance against the fourth edition of the ASX Principles, and will report against the fourth edition when the Company's 2021 Annual Report is released.

Principle Number	Best Practice Recommendation	Compliance/Non-Compliance	Reference
<b>1.</b>	<b>Lay Solid Foundations For Management And Oversight</b>		
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its Board and management; and (b) those matters expressly reserved to the Board and those delegated to management.	Complied	Refer pages 5-6
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and (b) provide security holders with all material information in its possession relevant to a decision whether or not to elect or re-elect a Director.	Complied	Refer page 6
1.3	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	Complied	Refer page 6
1.4	The Company Secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.	Complied	Refer page 6
1.5	A listed entity should have and disclose a Diversity Policy which includes the requirements set out in Recommendation 1.5.	Complied	Refer page 7
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Complied	Refer pages 6 – 7
1.7	A listed entity should: (a) have and disclose, a process for periodically evaluating the performance of its senior executives; and (b) disclose whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Complied	Refer Pages 6 - 7
<b>2.</b>	<b>Structure The Board To Add Value</b>		
2.1	The Board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a nomination committee which: <ul style="list-style-type: none"> <li>(1) has at least three members a majority of whom are independent Directors;</li> <li>(2) is chaired by an independent Director;</li> </ul> and disclose: <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> <li>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</li> </ul>	Complied	Refer page 10

Principle Number	Best Practice Recommendation	Compliance/Non-Compliance	Reference
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	Complied	Refer pages 7 – 8
2.3	A listed entity should disclose: (a) the names of the Directors considered by the Board to be independent Directors; (b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 of the Recommendations but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and (c) the length of service of each Director.	Complied	Refer pages 8 – 9
2.4	A majority of the Board should be independent Directors.	Complied	Refer pages 8 – 9
2.5	The chair of the Board of a listed entity should be an independent Director, and in particular, should not be the same person as the CEO of the entity.	Not Complied	Refer page 8
2.6	A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their roles as Directors effectively.	Complied	Refer page 9
<b>3.</b>	<b>A listed entity should act ethically and responsibly</b>		
3.1	A listed entity should have a code of conduct for its Directors, senior executives and employees and disclose that code or summary of it.	Complied	Refer pages 10-11
<b>4.</b>	<b>Safeguard Integrity In Corporate Reporting</b>		
4.1	The Board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and (2) is chaired by an independent Director, who is not the chair of the Board; and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	Not Complied	Refer pages 11-12
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Complied	Refer page 12
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Complied	Refer page 12

Principle Number	Best Practice Recommendation	Compliance/Non-Compliance	Reference
<b>5.</b>	<b>Make Timely And Balanced Disclosure</b>		
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Complied	Refer pages 12 – 13
<b>6.</b>	<b>Respect The Rights Of Security Holders</b>		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Complied	Refer page 13
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Complied	Refer page 13
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Complied	Refer page 13
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complied	Refer page 13
<b>7.</b>	<b>Recognise And Manage Risk</b>		
7.1	The Board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent Directors; and</li> <li>(2) is chaired by an independent Director; and disclose: <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> </ul> </li> <li>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</li> </ul>	Complied	Refer page 13
7.2	The Board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Complied	Refer page 13
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Complied	Refer page 13
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Complied	Refer pages 13-16
<b>8.</b>	<b>Remunerate Fairly And Responsibly</b>		
8.1	The Board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a remuneration committee which: <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent Directors; and</li> <li>(2) is chaired by an independent Director; and disclose: <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> </ul> </li> </ul> </li> </ul>	Complied	Refer page 16

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	(4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.		
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.	Complied	Refer pages 16
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether or not through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Complied	Refer pages 16

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The Board has in place corporate governance practices that it considers to be the most appropriate for the Company and its controlled entities (together referred to as the 'Group' in this statement). The Board continues to review its governance framework and practices to ensure they meet the interests of shareholders. This statement describes the main Corporate Governance practices in place during the financial year ended 30 June 2020.

The Board maintains a set of policies to assist in the discharge of its Corporate Governance responsibilities, including the following:

- Corporate Governance Charter, including Board and Committee Charters:
- Code of Conduct;
- Continuous Disclosure Policy;
- Remuneration Policy;
- Appointment of Directors Policy;
- Diversity Policy; and
- Trading Policy.

During FY20, the Company also adopted a Whistleblower Policy and Anti-Bribery & Corruption Policy.

Copies of the above policies are available from the Company's registered office or may be downloaded from the Company's website at [www.rfg.com.au](http://www.rfg.com.au) (refer Shareholder Centre). The Company's Remuneration Policy is specified in Remuneration Report forming part of the Company's Annual Financial Report for the financial year ended 30 June 2020.

**Principle 1: Lay Solid Foundations for Management and Oversight:**

The Directors are responsible to shareholders for promoting and managing the performance of the Group in both the short and longer term. Their focus is to enhance the interests of security holders, having appropriate regard to the interests of other key stakeholders, and to ensure the Group is properly managed.

The responsibilities of the Board are more particularly described in the Board's Charter (a copy of which is provided at [www.rfg.com.au](http://www.rfg.com.au)) and include:

- Charting strategy and setting financial targets for the Group;
- Monitoring the implementation and execution of strategy and performance against financial targets;
- Appointing and overseeing the performance of senior executive management;
- Monitoring the culture and values of the Group; and
- Taking and fulfilling an effective leadership role in relation to the Group.

The Board has reserved to itself, in addition to those matters reserved to it by law, the following matters and all power and authority in relation to those matters:

- Composition of the Board itself (including appointment and retirement or removal of Directors);
  - Periodic evaluation of the Board, its committees and individual Directors;
  - Oversight of the Group, including its control and accountability systems;
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- Appointing and removing the Chief Executive Officer (whether holding that title or one analogous thereto);
- Ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and the Company Secretary;
- Reviewing and overseeing the operation of systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and regulatory compliance;
- Input into and final approval of management's development of corporate strategy and performance objectives;
- Monitoring senior executive management's performance and implementation of strategy, and ensuring appropriate resources are available;
- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
- Approving and monitoring financial and other reporting;
- Approving the Group's remuneration framework;
- Performance of investment and treasury functions;
- Monitoring industry developments relevant to the Group and its business;
- Developing suitable key indicators of financial performance for the Group and its business;
- The overall corporate governance of the Group, including strategic direction, establishing goals for management and monitoring the achievement of these goals; and
- The oversight of Committees.

The Company maintains a rigorous recruitment process in respect to the appointment of potential new Directors or senior executives, having regard to the nature of the role, and the skillset and experience sought by the Company. This process includes scope for criminal history checks in respect to potential Board nominees and, where it is considered that the role demands it, senior executives.

Non-executive Directors are issued with formal letters of appointment governing their roles and responsibilities. Senior executives are issued with formal agreements setting out the terms of their employment.

Security holders are provided all material information in the Board's possession relevant to a decision on whether or not to elect or re-elect a Director. This information is provided in the Notice of Meeting for the relevant general meeting (ordinarily the Company's Annual General Meeting) at which non-executive Director election or re-election is to occur.

The Board has delegated specific responsibilities to various Board Committees which act, subject to the terms of their respective charters, in an advisory capacity, subject to the oversight of the Board.

Day to day management of the Group's affairs and the implementation of corporate strategy and policy initiatives are formally delegated by the Board to RFG's senior executive officer, supported by the senior leadership team. These delegations are reviewed periodically as appropriate. RFG Executive Chairman and CEO, Mr Peter George, was RFG's senior executive officer throughout FY20.

Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties. Management report to the Board at Board meetings, providing updates on Group performance, initiatives and issues.

The Board generally meets on a monthly basis, or more regularly as the case requires. On an annual basis, the Board sets financial and non-financial performance targets for management and performance is assessed against these performance targets. The Board reviews the performance of the Group CEO/Executive Chairman, whilst the Group CEO/Executive Chairman is responsible for performance reviews of the senior leadership team.

The Company Secretary is accountable to the Board, through the Chair, on all matters relevant to the proper functioning of the Board. All Directors have direct access to the Company Secretary.

### **Board & Senior Executive Performance**

The performance of the Board, its Committees, the Directors and senior executives is regularly evaluated in accordance with the processes outlined in this statement. This evaluation was undertaken during FY20.

Performance of Directors is assessed against a range of factors including the ability of Directors to consistently create shareholder value, to contribute to the development of strategies and risk identification, to provide clarity of direction to senior executive management, to listen to the views of fellow Directors and members of management and key third party stakeholders, and to provide the time commitment to ensure the discharge of duties and obligations to the Group.

This assessment is undertaken informally. The Board considers that:

- Given its current size and the circumstances of the Company, it is not necessary that a third party facilitate a more formalised evaluation process; and that
- The size, structure and function of the Board and its Committees had facilitated flexibility and prompt decision making which benefits the Company.

### Diversity policy

The Company recognises:

- The competitive advantages able to be derived from the variety of thought, experience and perspective held by a talented and diverse workforce which is aligned to the Company's values and core behaviours;
- The Company's performance is a reflection of the quality, skill and diversity of its workforce; and that
- Employees are more likely to be engaged where working in a diverse environment which is open and fair to all participants.

The Board is therefore committed to having an appropriate blend of diversity at all levels of employment within the Group. To achieve this objective, the Company has established employment, reward and recognition policies with reference and adherence to relevant provisions of the *Fair Work Act 2009* and the *Equal Opportunity Act 2010*, and adopted the Company's Diversity Policy on the 31<sup>st</sup> of August 2014 (a copy of which may be located on the Company's website). Appointment or promotion to positions vacant within the Group is based on merit, without regard to the gender, age, cultural background and/or ethnicity of candidates.

The Company also maintains an objective that the Board comprise at least 30% female representation, consistent with the voluntary target recommended by the Australian Institute of Company Directors. This objective was met or exceeded throughout FY20.

The following table shows the proportional representation of women at various levels within the Group:

Gender representation	Women %	Women %
	30 June 2019	30 June 2020
Board representation	50%	33.3%
Senior management personnel representation	25%	21.4%
Group representation*	32.3%	33.8%

\* It should be noted that the group weighting noted above was influenced by manufacturing operations conducted by Dairy Country, where operational activities were predominantly undertaken by male personnel. Where Dairy Country is excluded, the proportional representation of women across various levels within the Group was 52.5% during FY20.

### Principle 2: Structure The Board To Add Value

#### Board Skills

The Board seeks to ensure that its combination of members provides an appropriate range of experience, expertise, skills and contacts relevant to the Group and its business, to enable it to carry out its obligations and responsibilities. During FY20, the Board was comprised of Directors with a mix of skills and diversity to enable the Board to effectively oversee the Group's operations. These included but were not limited to the following skills:

- Financial/accounting;
- Treasury, debt & balance sheet management;
- Audit & risk;
- Corporate governance;
- Corporate turnarounds;
- Business management & development;
- Leadership & mentorship;
- Property;
- Franchising;
- Legal & regulatory matters;
- Food business operations;

- International experience; and
- Brand & marketing.

The Board considers that its current skillset is appropriately aligned to the Company's key risks and business operations, however, is desirous of adding further retail food expertise to the Board via additional non-executive Director appointment when appropriate. The Board otherwise considers that its skillsets in connection with certain functional proficiencies, such as Information & Technology, are well able to be supplemented by contracting or employing subject matter experts when the need arises.

### **Board Composition**

Historically, the composition of the Board has been determined according to the following principles:

- The Board must comprise members with a broad range of experience, expertise, skills and contacts relevant to the Group and its business;
- There must be at least four Directors;
- The number of Directors may be increased where the Board considers that additional expertise is required in specific areas or when an outstanding candidate is identified;
- The Chairman must be a non-executive Director who is also independent; and
- At least half of the Board must be non-executive Directors, at least two of whom must also be independent.

During FY19, the Board underwent a process of renewal of its membership by which three Directors departed the Board, and two new Directors were appointed to the Board.

This process also resulted in Peter George's appointment as Executive Chairman of the Board on 7 November 2018.

Given Mr George's appointment as Executive Chairman, and effective from the date of his appointment to this role, the Board resolved to amend its Charter to provide it with scope to appoint an Executive Chairman where it considered that appointment was in the best interests of RFG from time to time. Having regard to Mr George's considerable experience, including in turnaround situations and with regard to capital markets, the Board considered Mr George's appointment as Executive Chairman to be in RFG's best interests.

Additionally, on 1 August 2019 Ms Jessica Buchanan resigned as a non-executive Director of RFG in order to focus her contribution on the delivery and execution of strategic initiatives through a dedicated consulting role. Ms Buchanan subsequently assumed an executive role (Head of Retail) in December 2019.

Following Ms Buchanan's resignation as a Director, the Board resolved to amend its Charter in order that the Board must be comprised of a minimum three Directors. This number is consistent with the minimum contemplated by the Company's Constitution, and is aligned with the Board's current complement of Directors.

### **Directors' Independence**

The Board has adopted specific principles in relation to Directors' independence, which state that, when determining independence, a Director must be non-executive and the Board should consider whether the Director:

- Is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- Is employed, or has previously been employed in an executive capacity by the Company, and there has not been a period of at least three (3) years between ceasing such employment and serving on the Board;
- Has, within the last three (3) years, been a principal of a professional advisor or a significant consultant to the Group, or an employee significantly associated with the service provided, except in circumstances where the advisor might be considered to be independent, notwithstanding their position as a professional advisor, due to the fact that fees payable by the Group to the advisor's firm represents an insignificant component of its overall revenue;
- Is a significant supplier or customer of the Group, or an officer of or otherwise associated directly or indirectly with a significant supplier or customer of the Group;
- Has a material contractual relationship with the Group other than as a Director;
- Is free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group; and
- Has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group.

The Board assesses independence each year when finalising and adopting its annual financial statements. To enable this process, the Directors must provide all information that may be relevant to that assessment.

## **Board Members**

The names, skills and experience of the Directors in office during FY20, and the period in office of each Director, are set out in the Directors' Report forming part of the Company's Annual Financial Report. At the date of signing the Directors' Report (28.08.20), the Board comprised two non-executive Directors who are considered independent (Mr David Grant and Ms Kerry Ryan), and one executive Director who is not considered independent (being the Executive Chairman, Mr Peter George).

Ms Jessica Buchanan was a non-executive Director of the Company until 1 August 2019. During FY20 Ms Buchanan, via a consulting firm, provided consultancy services to RFG. Having regard to total consultancy fees paid, Ms Buchanan's ongoing independence as a Director, had she remained in office, may have been impacted.

## **Term of Office**

The Company's Constitution requires that one third (or the nearest number thereto but not less than one third) of the Directors, other than the Managing Director (who may bear that title or any other title determined by the Board), where one is appointed, must retire from office at each Annual General Meeting of the Company. The Director/s who must retire is the Director/s who has been in office longest since last being elected. Director/s retiring by rotation are eligible for re-election.

## **Executive Chairman & Senior NED**

The Executive Chairman, Mr Peter George, is responsible for leading the Board, ensuring Directors are properly briefed on all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Group's senior executive management. The Executive Chairman is also responsible for implementing Group strategies and policies.

Contemporaneous with the appointment of Mr Peter George as Executive Chairman, the Board formally recognised Mr David Grant as the senior non-executive, independent Director on the Board, who, in the absence of any conflict, shall lead non-executive Director deliberations undertaken by the Board from time to time.

In accepting these positions, the Executive Chairman and Mr Grant have acknowledged that each will respectively require significant time commitment and have confirmed that other positions will not hinder their effective performance in the roles noted above.

## **Induction**

The induction provided to new Directors enables them to actively participate in Board decision-making as soon as possible. It ensures that they have a full understanding of the Group's financial position, strategies, operations and key risks. It also explains the respective rights, duties, responsibilities and roles of the Board. In order to be able to perform their role effectively, where considered appropriate, Directors are provided opportunities to maintain or further develop their skills and knowledge in connection with the Company's operations and the environment in which the Group conducts its business.

## **Commitment**

The Board held twenty-three (23) meetings during FY20, and each Director attended all of the meetings they were eligible to attend during this period. Further details regarding the number of meetings of the Company's Board of Directors and each Board Committee held during the year ended 30 June 2020, and the number of eligible meetings attended by each Director, is disclosed in the Company's latest Annual Financial Report.

Non-executive Directors are expected to spend a minimum 20 days a year preparing for and attending Board and Committee meetings and associated activities.

The commitments of non-executive Directors are considered by the Nominations & Remuneration Committee prior to the Director's appointment to the Board, and are reviewed as part of performance assessments.

Prior to appointment or being submitted for re-election, each non-executive Director is required to specifically acknowledge that they have, and will continue to have, the time available to discharge their responsibilities to the Company.

## **Independent Professional Advice**

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Group's expense. Prior approval of the Executive Chairman is required, but this approval will not be unreasonably withheld. The advice obtained must be made available to all Board members in due course, where appropriate.

## Board Committees

The Board has established a number of standing Committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Standing Committees of the Board as at 30 June 2020 were the Nominations & Remuneration Committee and the Audit & Risk Management Committee.

Each of these Committees had its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate.

All matters determined by the Committees are submitted to the Board as recommendations for Board consideration.

The charter of each Committee is included in the Company's Corporate Governance Charter, a copy of which is available on the Company's website at [www.rfg.com.au](http://www.rfg.com.au).

## Nominations Committee

During FY20 the Board merged its Nominations Committee and Remunerations Committee to form the Nominations & Remuneration Committee to, amongst other things, assist the Board and make recommendations to it in relation to the appointment of new Directors (both executive and non-executive) and senior executive management.

The Committee (together with the prior Nominations Committee) had at least three members, the majority of whom were independent, and was at all times chaired by an independent non-executive Director. During FY20 the Nominations & Remuneration Committee consisted of the following Directors:

- Mr David Grant (Committee Chairman);
- Ms Kerry Ryan; and
- Mr Peter George.

The Nominations & Remuneration Committee held 2 meetings in FY20, which were attended by all members.

When a new Director is proposed to be appointed, the Committee reviews the range of skills, experience and expertise on the Board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice may be sought from independent search consultants. The Board then appoints the most suitable candidate who must submit themselves to shareholders for election at the first Annual General Meeting following their appointment. The Company provides shareholders with all material information relating to the election or re-election of Directors at the AGM.

New Directors are provided with a letter of appointment setting out the Company's expectations including involvement with Committee work, their responsibilities, remuneration, including superannuation and expenses, requirement to disclose their interests and any matters which affect the Director's independence.

New Directors are also provided with all relevant policies, including the Company's Trading Policy, a copy of the Company's Constitution, organisational chart and details of indemnity and insurance arrangements. A formal induction program, which covers the operation of the Board and its Committees and financial, strategic, operations and risk management issues, is also provided, to ensure that Directors have significant knowledge about the Group and the industry within which it operates.

New Directors are advised of the time commitment required of them in order to appropriately discharge their responsibilities as a Director of the Company. Directors are required to confirm that they have sufficient time to meet this requirement.

The Committee has an advisory role, consistent with its purpose of assisting the Board in relation to the matters with which it is charged with responsibility, and does not have any power to commit the Board to any recommendation or decision made by it but may, nevertheless, consult independent external expert advisers, as it may consider appropriate, for the proper performance of its function and charge the costs to the Group.

## Principle 3: A Listed Entity Should Act Ethically and Responsibly

### Code of Conduct

The Company has developed a Code of Conduct (the Code) which has been endorsed by the Board and applies to all Directors and employees. The Code is reviewed by the Board and updated as necessary. The Code draws together all of the Group's practices and policies, and reflects the Group's values of:

- Respect for others;
- Honesty, integrity and accountability;
- Leadership and teamwork;
- Diligence and care in the performance of duties; and
- An acknowledgement of the service orientated nature of the Group's core business.

It reinforces the need for Directors, employees, consultants and all other representatives of the Group to always act in good faith, in the Group's best interests and in accordance with all applicable policies, procedures, laws and regulations relevant to the regions in which the Group operates. The Board is informed of any material breaches of the Code should they occur.

A copy of the Code is available on the Company's website at [www.rfg.com.au](http://www.rfg.com.au).

#### **Whistleblower and Anti-Bribery & Corruption Policies:**

The Group is committed to fostering a culture of ethical behaviour, corporate compliance and risk management.

As part of this commitment, the Group has implemented Whistleblower and Anti-Bribery & Corruption Policies that respectively:

- Provide eligible whistleblowers with a process to speak up and feel safe about doing so, together with a mechanism for material incidents reported under the policy to be reported to the Board; and
- Further reinforces the Group's expectations and zero tolerance approach to bribery, corruption, fraud or dishonest conduct.

Copies of the Group's Whistleblower and Anti-Bribery & Corruption Policies are provided on the Company's website ([www.rfg.com.au](http://www.rfg.com.au)). The Board is informed of any material breaches of these policies.

#### **Trading In Company Securities by Directors, Senior Executive Management & Employees**

The Company has a Trading Policy which regulates dealings by Directors, senior executive management and employees in shares, options and other securities issued by the Company.

The Trading Policy provides that Restricted Persons, including the Directors and senior executive management, are normally precluded from trading in the Company's securities during Closed Periods. Under the Trading Policy, the Closed Periods are from 1 January until publication of the Company's Half Year Report and the period from 1 July until publication of the Company's full year results. The Trading Policy also imposes an over-riding restriction whereby officers and employees may not trade in the Company's securities whilst in possession of price sensitive information.

Trading in the Company's securities during Closed Periods may be authorised under the Trading Policy where the Restricted Person is in severe financial hardship or there are other exceptional circumstances, provided that the Restricted Person is not in possession of price sensitive information, such trading would not otherwise be contrary to law and such trading does not relate to financial products issued or created over or in respect of the Company's securities. There are also limited situations where trading in the Company's securities is not subject to the Trading Policy (for example, exercising options granted under an employee incentive scheme).

As noted above, a copy of the Trading Policy is available on the Company's website ([www.rfg.com.au](http://www.rfg.com.au)).

#### **Principle 4: Safeguard Integrity in Corporate Reporting**

##### **Audit & Risk Management Committee**

The Board has established an Audit & Risk Management Committee to provide additional assurance regarding the quality and reliability of financial information and to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. During FY20, the Audit & Risk Management Committee consisted of the following Directors:

- Mr David Grant (Committee Chairman);
- Ms Kerry Ryan;
- Mr Peter George; and
- Ms Jessica Buchanan (until 1 August 2019).

Whilst the Committee's membership is not entirely comprised of non-executive Directors (given Mr George's participation), the majority of members are independent and non-executive, and the Committee is chaired by the Company's senior non-executive Director, Mr David Grant.

Details of these Directors' qualifications and attendance at Audit & Risk Management Committee meetings are set out in the Directors' Report forming part of the Company's latest Annual Financial Report.

The Audit & Risk Management Committee has a formal charter, a copy of which is available on the Company's website at [www.rfg.com.au](http://www.rfg.com.au). The Committee charter requires that Committee meetings are convened at least four (4) times each year. The Audit & Risk Management Committee held 10 meetings in FY20.

In fulfilling its responsibilities, the Audit & Risk Management Committee:

- Receives regular reports from management and the external auditor;
- Meets with the external auditor at least twice a year, or more frequently if necessary;
- Reviews any significant disagreements between the external auditor and management, irrespective of whether they have been resolved; and
- Meets separately with the external auditor at least twice a year without the presence of management.

The Audit & Risk Management Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

The Audit & Risk Management Committee reports to, and makes recommendations to, the Board in relation to each of its functions.

### **Financial & Periodic Reports**

The Executive Chairman and Chief Financial Officer state in writing to the Board each reporting period that:

- The Group's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Group and are in accordance with the relevant Accounting Standards; and that
- The above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and is operating effectively.

Periodic corporate reports which are not subject to audit or review undergo extensive internal review and verification to ensure they are materially accurate, balanced and provide investors with appropriate information.

### **External Auditor**

The Company's and Audit & Risk Management Committee's policy is to appoint an external auditor which clearly demonstrates quality and independence. The performance of the external auditor is reviewed annually. PricewaterhouseCoopers (PwC) was appointed as the external auditor in 2016. Prior to this appointment, the Company's external auditor was Deloitte Touche Tohmatsu, which had acted in that capacity since before the Company's admission to the Official List of the ASX in June 2006.

An analysis of fees paid to the external auditor, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Company's latest Annual Financial Report. It is the policy of the external auditor to provide an annual declaration of its independence to the Audit & Risk Management Committee. The auditor's annual declaration of independence is disclosed in the Company's Annual Financial Report.

The external auditor is requested to attend the Company's Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

### **Principle 5: Make Timely & Balanced Disclosure**

The Group has an established policy for timely disclosure of material information concerning the Group. This policy includes internal reporting procedures to ensure that any required market announcements are reported in a timely manner.

The Company Secretary has been nominated as the person responsible for communication with the ASX. This role includes co-ordinating information disclosure to the ASX, and to analysts, brokers, shareholders, the media and the public, following confirmation from the ASX that such information has been released by it. Copies of all material market announcements are also promptly provided to the Directors after they have been made.

Information disclosed to the ASX is posted on the Group's corporate website ([www.rfg.com.au](http://www.rfg.com.au)) following release to the market by the ASX. When analysts are briefed following half year and full year results announcements, the material used in the presentations is released to the ASX prior to the commencement of the briefing. This information is also posted on the Group's corporate website ([www.rfg.com.au](http://www.rfg.com.au)).

The Company's Continuous Disclosure Policy is periodically reviewed to ensure its ongoing relevance and appropriateness. A copy of the policy is available on the Company's website ([www.rfg.com.au](http://www.rfg.com.au)).

#### **Principle 6: Respect the Rights of Security Holders**

The Group aims to keep shareholders informed of the Group's performance and all major developments in an ongoing manner. Information is communicated to shareholders through:

- The Annual Report and financial reports or presentations, including the Annual Financial Report, the Preliminary Final Report (where published), and the Half-Year Financial Report, which are published on the ASX corporate announcements platform and the Group's corporate website ([www.rfg.com.au](http://www.rfg.com.au)). A copy of the Annual Report is distributed to shareholders where nominated;
- The Annual General Meeting, and any other formally convened Company meetings;
- Communications issued to shareholders in connection with corporate events or actions; and
- All other information released to the ASX, which is subsequently posted to the Group's corporate website ([www.rfg.com.au](http://www.rfg.com.au)).

As well, the Group's corporate website ([www.rfg.com.au](http://www.rfg.com.au)) provides various information about the Company and its governance, including but not limited to, information about the Company's history, Board and senior management, key policies and Company documents, copies of announcements to the market, an FAQ, and links to the Company's registry.

Shareholders are given the option to receive and give communications to the Company and its registry electronically. Shareholders are also invited to submit written questions to the Company's auditor or management prior to the Company's Annual General Meeting, and are afforded a reasonable opportunity for questions and discussion on agenda items during the Company's Annual General Meeting.

It is the Company's practice that all resolutions put to a meeting of security holders is decided by a poll, rather than by a show of hands. This practice was observed during the Company's most recent General Meeting and Annual General Meeting respectively held on 19 November 2019 and 29 November 2019.

#### **Principle 7: Recognise & Manage Risk**

The Board, through the Audit & Risk Management Committee, is responsible for ensuring the adequacy of the Group's risk management and compliance framework and system of internal controls and for regularly reviewing its effectiveness.

The Group maintains a risk management framework which promotes risk identification, evaluation, treatment and ongoing monitoring and reporting. This framework, and the key risks considered relevant to the Company's business, were reviewed during FY20 having regard to the risk appetite set by the Board.

The Group does not have a formal internal audit function. Instead, and based on risks identified, the Executive Chairman and Chief Financial Officer, and other senior executive management, are responsible for ensuring risks are appropriately managed. This includes ensuring related controls and mitigations are in place and are operating effectively. The senior executive management are also responsible for ensuring suitable risk information is reported to the Audit & Risk Management Committee and Board. During Board and senior executive meetings throughout the year, risks that could prevent the Group from achieving its objectives are reviewed and identified.

Additionally, a formal risk assessment process is part of proposed major capital expenditures, significant business initiatives or transactions.

#### **Economic, Environmental & Social Sustainability Risks:**

The principal risks affecting the Group are set out below, and these encompass economic, environmental and social sustainability risks. Further information concerning some of the potential risks associated with the Company, its business and the industry in which it operates, together with the Company's strategies for its business, are detailed in the Company's most recent Annual Financial Report and the Investor Presentation ('Investor Presentation') released to the Market by RFG on 15 October 2019. These documents are available on the ASX website ([www.asx.com.au](http://www.asx.com.au)) using the ticker 'RFG') and Company's website ([www.rfg.com.au](http://www.rfg.com.au)).

Information in respect of principal risks affecting the Group (including the Company's strategies for managing these risks), include:

- **Franchise Network Performance:** RFG's financial performance is dependent to a large extent on the success of its existing and future master franchisees and franchisees, and on continuing to attract high quality master franchisees and franchisees to operate new stores within domestic and international markets. RFG and its franchisees operate within competitive environments and often have a high cost base due to factors such as labour, supply inputs, rents, utilities and other costs. A failure by franchisees to operate their franchise in accordance with relevant terms and conditions may also have adverse implications for the Group, including reputational damage, regulatory sanction, reduced franchise fees or exposure to onerous lease obligations (given in many cases RFG or its related bodies corporate will hold the lease from which franchised outlets are conducted). RFG monitors and evaluates the financial and operating performance of its franchise network to actively assess performance and compliance. It also implements a number of operational support initiatives (such as training or marketing programs) to support its franchise network. Cost management is also addressed through mechanisms including supplier relationship management, group purchasing and supply arrangements, pricing programs and review of franchise system fee structures.
- **Pandemic:** The COVID19 pandemic and the measures undertaken by government to contain it have materially changed the global economic outlook, causing large scale disruption in all markets the Group operates in. Ongoing government restrictions implemented in response to COVID19, together with any further escalation in the spread of COVID19 and further government measures which might be implemented in response thereto, may adversely impact the operation of the Group's domestic and or international franchise networks, or the businesses of customers to whom the Group supplies goods and services. This impact may include forced closure of businesses, trading restrictions, reduction in customer counts, or supply chain disruption. Whilst staff, franchisee and customer safety remain the priority for the Company, during FY20 the Group implemented a number of measures to support its franchisee community and respond to COVID19. These included operational modifications at store level, waiver or reduction of certain fixed or percentage based fees, supply chain management, deferment of payments, assistance with landlord negotiations, assistance with the interpretation of and compliance with government requirements, deferment of non-essential expenditure and travel, and workforce planning initiatives to reduce payroll costs. The nature, extent and duration of those measures implemented, or which might in the future be implemented, by the Company in response to COVID19, and the long term effects of COVID19 on the domestic and global economy more broadly, remains uncertain.
- **Supply Chain Disruption:** Any significant disruption to the Group's supply chain (including restrictions or delays in the delivery of key ingredients or non-renewal of supply contracts, or renewal on less favourable terms) could impact on the Group's ability to supply or procure value-added products to or for its customers or on the Group's franchisees' ability to successfully operate franchised outlets. Processes in place to manage this risk include supplier evaluation processes; auditing & monitoring practices; stock forecasting and the use of multiple suppliers where possible across multiple distribution routes;
- **Changes in Consumer Behaviour:** The Australian coffee and retail food sectors are subject to changing consumer trends, demands and preferences. A failure to anticipate, identify and appropriately react to these changes could impact the performance of the Company and its franchise network. This risk is managed by monitoring the consumer environment, and having processes in place that result in the development of innovative products and services designed to meet the changing needs and expectations of consumers and customers;
- **Food Safety & Quality:** Food quality and safety issues, arising from an operational lapse in food safety or sanitation, or contaminated product (including malicious tampering), could result in harm to consumers and adversely impact performance of the Company and its franchise network. Actions taken to manage this risk include standard operating procedures, outlet audit programs, customer complaints processes, and supplier evaluation & selection processes;
- **Availability & Security of IT Systems:** The Group relies on IT infrastructure, systems and processes to support ongoing business operations and growth. Were such infrastructure and processes to be unavailable, or if they were impacted by cyber-crime or events beyond RFG control, there could be an impact on operations. In addition, the impacts of cyber-crime could lead to loss of confidential or private data. The Group manages these risks through activities including implemented information security processes, user training and education, and IT policies and supporting procedures;
- **Competition:** RFG competes in a number of markets, including the Australian and international coffee and retail food sectors. The performance of the Company and its franchise network could be adversely affected if the actions of competitors become more effective or new competitors enter these markets. RFG addresses this risk by monitoring the markets in which it operates so that it is able to respond to competition;
- **Management of Talent:** The Group's ability to change and grow is reliant on having the right motivated and skilled talent in place. Recent organisational challenges and change have impacted on the Group's ability to attract such talent. This risk is being addressed via the establishment of performance targets and operational parameters, reward and recognition programs, employee benefits, communication plans, an appropriate organisational structure, and the application of appropriate human resources. There is also a risk that the Company's performance and reputation may be adversely impacted by wage non-compliance or underpayment within its franchise network. The Company is

mitigating this risk by investing significant resources in maintaining a wage entitlement compliance framework and other measures to drive franchise network compliance with employment laws;

- **Debt Position:** The Group's 2019 capital restructure eliminated a significant portion of RFG's debt and provided the Company with a sustainable debt facility (maturing November 2022) and liquidity buffer. Since that time, credit markets have tightened following the emergence of COVID19 and this may impact scope for future debt refinancing. The Company regularly engages with its senior debt lenders in relation to the Group's financial position. It is anticipated that the successful implementation of the Group's turnaround plan will have a positive impact on the Company's financial position and its ability to secure new finance, or a refinance of existing debt facilities, when required;
- **Regulatory Change:** Regulatory interventions and changes in the law, such as a potential sugar tax or proposed changes to the Franchising Code of Conduct, and political instability in certain regions, have the potential to impact the Group's performance, operations and financial position. The March 2019 report of the Parliamentary Joint Committee on Corporations and Financial Services on the Australian franchise industry (Parliamentary Report), made several recommendations in relation to the franchising industry in Australia, including changes to the Franchising Code of Conduct and Australian Consumer Law. The Commonwealth Government has subsequently released its response to the Parliamentary Report, which proposes a number of changes to the Franchising Code of Conduct, including increased penalties for non-compliance, enhanced disclosure obligations and changes to dispute resolution mechanisms. A number of these changes remain subject to further industry consultation and draft legislation is yet to be published. The Company monitors developments in the law and the political environment of those regions in which its brands operate, maintains an internal legal division and retains external legal counsel, so that it may keep informed of potential regulatory changes and respond appropriately;
- **Reputation:** The reputation of RFG and its brands is critical to the success of the Company and its franchisees. Reputational damage could arise from a number of circumstances. RFG's reputation and standing has been adversely impacted by the reference to it in the Parliamentary Report, and the heightened media scrutiny that this has attracted. Reputational damage may have significant adverse consequences for RFG, including in relation to the Company's share price, its ability to raise capital, and its ability to attract and retain capable staff, franchisees and customers. The Company is addressing this risk by engaging with relevant stakeholders and media, and taking action to improve the Company's franchise offer and the provision of operational and other support for its franchisees;
- **Significant Legal Actions:** RFG may from time to time be involved in legal proceedings with a variety of parties, including franchisees, landlords or employees. The outcome of litigation cannot be predicted with certainty, and could be costly and damaging to RFG's reputation and business relationships, and its performance and financial position. The Group is the subject of a number of possible class action claims, further details of which are provided in the Company's latest Annual Financial Report. No class action claim has been lodged against the Group. It is currently not possible to determine whether threatened actions may result in legal proceedings or what the impact, if any, may be. The Group has appointed legal advisors, and in the event legal proceedings are initiated, the Group intends to defend its position;
- **Regulator Risk:** The Australian Competition & Consumer Commission (ACCC) and Australian Securities Investment Commission (ASIC) have previously issued notices to the Group seeking documents and information in connection with the ACCC's and ASIC's investigations of conduct each respectively considers may possibly contravene the Australian Consumer Law and Corporations Act 2001 (Cth). In June 2020, ASIC advised the Company that it had concluded the investigation commenced by it in 2019 and had decided that it will not take any enforcement action following its investigation. It is currently not possible to determine whether the ACCC's investigation will result in legal proceedings being brought against the Group, and what the financial impact of such proceedings, if any, may be. The Group has appointed legal advisors and has co-operated with the ACCC in respect of the requests for information and documents outlined in the above notices. In the event legal proceedings are initiated, the Group intends to defend its position.

To further mitigate against material risks, the Company has implemented a turnaround strategy encapsulated by a Six Point Plan that focuses on business stabilisation, debt reduction and operational improvement amongst the Company's business units:

1. Re-focusing the Group on its core retail food franchise and coffee supply operations and divesting or discontinuing non-core or underperforming business units;
2. Strengthening the Company's balance sheet to improve financial stability;
3. 'Right sizing' shared services resourcing, aligning resources closer to customers/franchisees, and implementing initiatives to consolidate supply chains for a more agile and efficient business;
4. Improving the health of the domestic franchise network through ongoing implementation of strategic initiatives, including a focus on product innovation, marketing, systems and training;

5. Leveraging Di Bella Coffee's competencies to profitably service the Group's external coffee customer base, whilst continuing to support RFG's franchise partners; and
6. Driving growth in RFG's franchise business by leveraging a healthy network as a platform for new store sales and increased renewals, and capitalising on targeted international expansion opportunities.

## **Principle 8: Remunerate Fairly & Responsibly**

### **Remuneration Committee**

On commencement of FY20 the Board maintained a separate Remuneration Committee to assist the Board and report to it on remuneration and issues relevant to remuneration policies and practices. The Remuneration Committee had at least three members, the majority of whom were independent, and at all times was chaired by an independent non-executive Director.

During FY20 the Remuneration Committee met on one (1) occasion. Subsequent to this meeting, the Board resolved to merge the Remuneration Committee with the Nominations Committee, to create a consolidated Nominations & Remuneration Committee. Amongst other things, this Committee discharges the role formally undertaken by the Remuneration Committee.

The Nominations & Remuneration Committee met twice during FY20, and consists of the following members:

- Ms David Grant (Committee Chairman);
- Kerry Ryan;
- Mr Peter George.

Details of these Directors' attendance at Remuneration Committee, or Nominations & Remuneration Committee, meetings are set out in the Directors' Report forming part of the Company's latest Annual Financial Report.

Further information on Directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading "Remuneration Report" in the Company's latest Annual Financial Report.

### **Structure of Remuneration**

Details of the nature and amount of each element of remuneration for Directors and senior executive management of the Group are set out in the "Remuneration Report" section of the Directors' Report in the Company's latest Annual Financial Report.

Remuneration for executive Directors and senior executive management is appropriately structured for each based on the duties allocated to them, the size of the Group's business and the industry in which the Group operates.

Service contracts outline the components of compensation paid to the executives, but do not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year and may take into account cost-of-living changes, any change in the scope of the role performed by the executive and any changes required to meet the principles of the Remuneration Policy (detailed in the Remuneration Report referred to above).

Equity-based remuneration in the form of Performance Rights may be provided. Under the Company's Rights Plan, participants may not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to, their rights thereunder.

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. Non-executive Director remuneration takes the form of set fees plus superannuation entitlements, however, may comprise other benefits or rewards in certain circumstances.

The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting of the Company. The maximum amount which has been approved by the Company's shareholders for payment to non-executive Directors is \$1,100,000. Fees for non-executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.