



# 2018

## **RCL FOODS LIMITED** **SUSTAINABLE BUSINESS REPORT**

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FOR THE YEAR ENDED  
JUNE 2018



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## ABOUT THE REPORT

# SCOPE AND BOUNDARY

## REPORTING APPROACH

This report forms part of our annual suite of reports and covers the 12-month period from July 2017 to June 2018. The previous reporting period was July 2016 to June 2017. The information reported covers all activities of RCL FOODS and our three divisions, Consumer, Sugar and Milling and Logistics for the stated periods which are considered relevant to its stakeholders.

The report has drawn on the Sustainability Reporting Guidelines developed by the Global Reporting Initiative (GRI), recommendations of King IV, as well as the criteria of the Sustainability Reporting Index (SRI) of the JSE Limited. The criteria have been used for guidance only, with the reporting predominantly focusing on issues that are specifically material to RCL FOODS' business and stakeholder base.

The target audience for this report is all stakeholders that have an interest in the activities of RCL FOODS with particular emphasis on shareholders, customers, consumers, employees and suppliers.

The report is intended to be read in conjunction with the 2018 Integrated Annual Report as a compendium of our strategy and performance.

## ENSURING ACCURACY AND CREDIBILITY OF OUR RESULTS

We have implemented various management systems, some of them independently verified, that provide a platform for managing the business' economic, social and environmental practices as indicated in the pages that follow.

Although our sustainability performance and reporting have not been independently assured for the year, a significant portion of the information in this report is independently verified through compliance structures such as the ISO Standards, the Carbon Disclosure Project and others. The Board has relied on internal assurance providers with regard to the reliability of sustainability reporting in the Integrated Annual Report.

**RCL FOODS values feedback and therefore welcomes any questions or comments regarding this Report. These can be emailed to the Company Secretary, John Maher, at [john.maher@rclfoods.com](mailto:john.maher@rclfoods.com)**

## USABILITY FEATURES



This icon signifies that related information is available online at [www.rclfoods.com](http://www.rclfoods.com).



Directs readers to the page in the Abridged Integrated Annual Report with more details



Directs readers to the page in the Sustainable Business Report with more details.

# OUR BUSINESS AT A GLANCE

## OUR BUSINESS PROFILE

RCL FOODS is a leading African food manufacturer, producing a wide range of branded and private label food products which we distribute through our own route-to-market supply chain specialist, Vector. With R16,2 billion in market capitalisation and over 20 000 employees, we are one of the top 100 companies listed on the main board of the JSE.

Our strategy is founded on a clear sense of who we are and where we are going as a business. We aim to create the future Our Way – driven by Our Passion and Our Ambition and guided by Our Values.

### OUR PASSION

## MORE FOOD TO MORE PEOPLE, MORE OFTEN

We believe in doing more...with a single-minded passion to provide more food to more people, more often. We believe that by nourishing people while sustaining our resources, everyone wins. Communities will be enriched, employees inspired and our customers and shareholders will enjoy the benefits.

### OUR AMBITION

To build a profitable business of scale by creating food brands that matter.

The key to our strategy is to build **brands that people love** – brands that make an impact on their lives and cater to their needs.



### OUR STRATEGIC THRUSTS

Our Passion and Ambition are enabled by six strategic thrusts:

- Grow through strong brands
- Partner with strategic customers
- Extend our leading value chain
- Inspire great people
- Expand into the rest of Africa
- Drive sustainable business

### OUR VALUES

Four powerful values drive the way we do business:



Respect for people



Uncompromising integrity



Seeing and doing things differently



Act responsibly

### OUR WAY

Inspired by Our Passion and our Values

Our unique RCL FOODS culture is at the heart of our strategy, brought to life by Our Way – the key behaviours that inspire the way we work and create value.



MORE IMPACT



MORE OPEN



MORE BRAVE



MORE SPEED



MORE CURIOUS



MORE YOU

### OUR STRUCTURE

In line with our strategy, we have transformed from four separate businesses (TSB Sugar, Rainbow Chicken, Foodcorp and Vector Logistics) into a single, integrated **RCL FOODS** with three divisions, supported by common functions.



WITH MORE THAN  
**20** OF SOUTH AFRICA'S  
MUCH LOVED BRANDS

OVER  
**240** OPERATIONS ACROSS  
SOUTH AFRICA  
AND AFRICA  
(including joint ventures)

**60** MILLION  
CASES DELIVERED  
ANNUALLY BY  
VECTOR, OUR ROUTE-TO-  
MARKET SPECIALIST

MORE THAN  
**20 000**  
EMPLOYEES

NEARLY **150**  
TONS OF  
MAYONNAISE  
SOLD EVERY DAY

OVER **300 000**  
**PIES** SOLD DAILY

**67 000**  
HECTARES OF IRRIGATED  
CANE PRODUCING APPROXIMATELY  
**700 000** TONS OF SUGAR  
PER YEAR

**1,2**  
MILLION  
TONS OF  
ANIMAL FEED  
PRODUCED PER YEAR

**550 000**  
TONS OF WHEAT  
AND MAIZE MILLED  
EACH YEAR

**720 000** LOAVES  
OF BREAD  
BAKED DAILY





OUR BUSINESS AT A GLANCE

OUR KEY STAKEHOLDERS

Each of our stakeholders plays an important role in helping us achieve Our Passion of providing “More Food to More People, More Often”. This is because our relationships with our key stakeholders are critical to our ability to create meaningful value in the short-, medium- and long-term. We believe that building a sustainable future for our people and business depends on establishing and growing strong stakeholder partnerships that generate shared value.

Our stakeholder engagement framework places strong emphasis on cultivating positive relationships, and where possible, we strive to follow a partnership approach to drive business solutions jointly. In this context, we strive to ensure constructive and cooperative engagements characterised by openness and transparency; mutual respect; regular, structured interaction that is supportive and responsive; and a focus on outcomes linked to business-critical aspects and national priorities.

RCL FOODS’ stakeholder universe includes a broad range of stakeholders with an interest in our business, products, activities and initiatives, and also on whom our business has an impact. While we consider the entire universe of stakeholders in our engagement planning, we focus our reporting on key stakeholders. The table below provides a brief overview of our key stakeholders and the value we create.

Read more about Our Stakeholders in our Abridged Integrated Annual Report available at [www.rclfods.com/financial-results-and-investor-presentations-2018](http://www.rclfods.com/financial-results-and-investor-presentations-2018)

STAKEHOLDER	HOW WE CREATE VALUE
 Communities	<ul style="list-style-type: none"><li>Investing in social development initiatives to improve the lives of people in the communities around our operations</li><li>Empowering our community suppliers to support themselves while contributing to our value chain</li></ul>
 Consumers	<ul style="list-style-type: none"><li>Providing a portfolio of leading brands that meet their needs</li><li>Providing our consumers with safe and high-quality food products by implementing international systems and processes at all our facilities</li></ul>
 Customers	<ul style="list-style-type: none"><li>Partnering with our customers to meet their ambitions</li><li>Strategically pursuing common growth opportunities</li><li>Expanding our basket to offer a broader range of product solutions</li></ul>
 Employees	<ul style="list-style-type: none"><li>Employment opportunities that focus on fair and responsible remuneration</li><li>Investing in training to build a high-performance culture</li><li>Ensuring our employees’ health and safety in the workplace</li><li>Actively driving transparent and meaningful engagement with employee representative forums including the National Working Forum</li></ul>
 Government	<ul style="list-style-type: none"><li>Contributing to the fiscal revenue</li><li>Supporting the transformation agenda</li><li>Operating our business ethically and ensuring good governance practices</li></ul>
 Investors	<ul style="list-style-type: none"><li>Effective management of our financial resources and appropriate capital allocation decisions</li><li>Consistent financial returns in the form of dividends and share price growth</li></ul>
 Media	<ul style="list-style-type: none"><li>Partnering with the media to ensure that relevant information is communicated to our broader stakeholder community</li><li>Providing access to information in the public domain</li></ul>
 Suppliers	<ul style="list-style-type: none"><li>Promoting enterprise development through the purchase of goods and services from B-BBEE accredited suppliers</li><li>Supporting domestic suppliers through interconnected business models</li></ul>

# OUR BUSINESS AT A GLANCE

## OUR OPERATING CONTEXT AND TRENDS

### OPERATING ENVIRONMENT AND TRENDS THAT IMPACT OUR ABILITY TO CREATE VALUE

The context within which we operate our business, both now and in the future, is informed and shaped by various long-term trends that present opportunities, risks, and in some cases both, for our ability to create long-term value for all our stakeholders. For the key macroeconomic impacts in the current reporting period, refer to the Chief Financial Officer's report from page 56 in the Abridged Integrated Annual Report available at [www.rclfoods.com/financial-results-and-investor-presentations-2018](http://www.rclfoods.com/financial-results-and-investor-presentations-2018). The discussion below highlights the key trends which directly impact the food industry and our Passion to provide "more food to more people, more often".

#### A GLOBAL SURPLUS IN FOOD PRODUCTION



Due to advances in agriculture and technology, there is surplus of food produced in many countries today. The extent of the surplus is determined by a wide variety of factors including the type of food, local demand, farming subsidies and trade barriers. These global surpluses are constantly searching for alternative markets and often cause imbalances in, and damage to, local industries and farming communities in the unprotected markets they choose to enter. The product dumping in the domestic poultry and sugar markets in recent years is an example of this phenomenon. In parallel, the rapid increase in food production and a decrease in food diversity, driven by changing consumption patterns, is negatively affecting the environment. Loss of biodiversity, depletion and pollution of fresh water sources, degradation of soils and a rise in greenhouse gases, are contributing significantly to climate change and undermining food security. As a business we have a responsibility to reduce the environmental impact of our operations whilst meeting the growing needs of our population.

#### THE THREAT OF MALNUTRITION REMAINS, DESPITE AN ABUNDANCE OF FOOD



There is strong evidence that the world produces enough food, yet we operate in a context within which 27% of South African children under the age of five are stunted, at least two million people have only one meal a day, and nearly 63% of people aged 15 and older are obese\*, making them vulnerable to non-communicable diseases. As our population grows and the demand for food increases, we have a unique responsibility to nourish people according to their needs.

#### INCREASING REGULATORY INTERVENTION AND COMPLIANCE



Escalating regulatory and compliance demands present risks and associated costs for the business. Key recent regulatory and policy developments include the Health Promotion Levy, brining regulations, limitations placed on salt and sugar in foodstuffs, increased requirements in terms of labelling of products, and increasing food safety regulations. It is our responsibility to keep abreast of these developments, engage with regulators, contribute through thought leadership where appropriate, and ensure compliance, whilst managing impacts on revenue growth and cost efficiency.

### CHANGING CONSUMER BEHAVIOURS AND TASTES



#### A growing demand for convenience foods

The ever-increasing demands on our time have steered the evolving trend towards ready-made, added-value and pre-prepared convenience meals and snacks. Most of our retail and foodservice customers are capitalising on this by introducing a plethora of new products and ranges to attract consumers. We have the opportunity to utilise our strong base, modern technology and pipeline of innovation to participate and win in this environment.



#### Health conscious consumer

Consumers, especially in more affluent markets, are becoming more health conscious and are demanding more choice. They require healthier food options and the accommodation of dietary, allergy, religious and social preferences. This has led to an explosion of trends such as sugar-free, gluten-free, banting, raw foods and others on retailers' shelves. Our product offering must continue to take cognisance of these changing preferences.



#### Socially connected and digitally savvy consumer

Consumers are directing more spend online, particularly through mobile channels. Globally, footfall in malls has decreased markedly. Our traditional channels to market are expanding. Technology is also enabling customers to interact directly with retailers and with each other, providing powerful platforms for price comparisons, information sharing and brand manipulation. The data gathered from online interactions provides compelling insights and allows companies to rapidly tailor their offerings to capitalise on emerging trends. We must ensure that we participate in these trends and develop new channels and direct engagement with consumers to protect and grow our brands.



#### Social and environmentally conscious consumer

Consumers are placing increasing importance on companies' impact on and contribution towards the environment, economic development and communities. There is a growing preference for products that are responsibly sourced and companies that contribute meaningfully to society. Activism by other stakeholders emphasises the need for performance in the triple context of economy, society and environment. Our Sustainable Business Drive is gaining momentum and we continue to direct our strategies towards creating a secure future for our business.

### GROWING PRESSURE ON FOOD SYSTEMS



Although the world produces enough food to feed the current population, a third of food produced is wasted and food security remains an issue. With global populations expected to reach 9.2 billion by 2050, more people are going to need to be fed with fewer resources, which means that we need to transition to a sustainable food system, finding new ways to grow, produce and consume food for the good of people and the environment. RCL FOODS has a unique opportunity to see and do things differently through Our Sustainable Business Drive.

\* Stats SA: South Africa Demographic and Health Survey 2016



## OUR BUSINESS AT A GLANCE

## VALUE WE CREATE

## FOR OUR COMMUNITIES

Established and launched our  
DO MORE FOUNDATION

a separate non-profit organisation that will enable us to **#DoMore** for impoverished communities through partnerships with government and business



**R15,4 million** invested in community development CSI programmes

Our large-scale sugar joint ventures and small-scale cane growers in the Nkomazi area delivered a combined total of over **1,3 million tons of cane** to our mills in 2018

## FOR OUR CONSUMERS

Our brands are well entrenched with most of them holding market leading positions



Our diverse and affordable product offering has seen RCL FOODS' Consumer basket grow **4.1%**, ahead of total market growth of **1.6%** (Ask'd)



Our commitment to food safety and quality is assured via international standards bodies with **all our sites certified compliant** (FSSC 22000 and ISO 22000)

## FOR OUR CUSTOMERS

**R34,1 million investment** in IT systems and infrastructure in 2018 that contribute to enhanced customer experience

**60 million cases** delivered annually for our customers

## FOR OUR EMPLOYEES

We're passionate about training, developing and growing our people. **R39,9 million** spent on training **11 000 people**

**130 Graduates** have entered our Management Trainee Programme over the last three years

**R4,4 billion** paid in wages and benefits

**133%** increase in the number of employees registered on apprenticeships or learnerships



Communal gardens - Hammersdale

## FOR OUR ENVIRONMENT

**29% increase**

in the amount of renewable energy created



**9% decrease**

in the amount of municipal water used



Achieved **A- rating** in the Global Carbon Disclosure Project (CDP)



## FOR OUR GOVERNMENT

**R180,4 million** paid in taxes to support the national development goals

**R27,2 million** skills development levies paid

## FOR OUR INVESTORS/DEBT PROVIDERS

We delivered a total of **R841,8 million** in dividends to our shareholders over the past 3 years

We paid a total of **R315,1 million** in interest in 2018

## FOR OUR SUPPLIERS

**R17,9 billion** paid to our suppliers

**R758 million** paid to B-BBEE suppliers



# TOGETHER WE CAN #DoMore

We launched our DO MORE FOUNDATION (DMF) as a separate non-profit organisation in July 2017 so that a broader group of stakeholders could participate in our key CSI initiatives. With its core belief, “together we can #DoMore”, the Foundation is fast gaining momentum, with growing participation from existing and new stakeholders.

By facilitating collaborative partnerships between government, business, NGOs and NPOs who share its vision, the DO MORE FOUNDATION has been driving real change through impactful, collaborative projects in its three focus areas.



## #DoMore to Support Youth

Empowering South Africa's youth through job creation, training and skills development

**Abalimi Phambili Smallholder Vegetable Farmer Support Programme**, aims to provide technical support to farmers, develop agro-processing opportunities, provide affordable credit support, facilitate better market access and business linkages and create more jobs in the Nkomazi area

**133 youth** have been supported through the programme



**Hammarisdale Youth Development** A Youth Career Desk has been set up to create economic linkages including training and employment opportunities for youth in the area



**230 economic opportunities and linkages** have been created, including employment, internships, vocational training and child grants since 2016

Hammarisdale Youth Development Programme page 35

## Employee Support

Our people at RCL FOODS are an important part of driving the DO MORE FOUNDATION vision

### MANDELA DAY 100 YEARS OF INSPIRATION



**VOLUNTEERS**  
**TOTAL MEALS DONATED**  
**DMF PARTNERS INVOLVED**  
**TOTAL BENEFICIARY ORGANISATIONS**

**2016** **2017** **2018**

<b>300</b>	<b>700</b>	<b>1 400</b>
<b>2 200</b>	<b>7 000</b>	<b>11 500</b>
<b>2</b>	<b>5</b>	<b>10</b>
<b>5</b>	<b>31</b>	<b>66</b>

### World Food Day

	<b>OCT 2016</b>	<b>OCT 2017</b>
<b>RCL FOODS sites</b>	<b>1</b>	<b>28</b>
<b>DMF Partners involved</b>	<b>0</b>	<b>22</b>
<b>Meals provided</b>	<b>5 000</b>	<b>24 000</b>



### #DoMoreGiving

Voluntary payroll giving was launched during 2018. Employees donate a portion of their salary to the DO MORE FOUNDATION - allowing them to play a part in #DoingMore to support projects in the three focus areas

**2018: 286 sign-ups raising R192 000** for the DO MORE FOUNDATION

## Key Do More Foundation Partners

Provide support through project funding, collaboration, on-the-ground implementation partnerships and operational services



## #DoMore for Young Children

Ensuring that young children are given the best start, focusing on health, nutrition and education



LEAVE NO YOUNG CHILD BEHIND

**Leave No Young Child Behind** An integrated Early Childhood Development (ECD) initiative in the Nkomazi area, aims to meet the basic rights and needs of children under the age of 5

**R400 000 grant funding received** from Sugar Industries Trust Fund for Education (SITFE) to support ECD centres



**850 young children in 14 playgroups** benefited from a healthy daily snack of Monati porridge and Yum Yum peanut butter



**142 people** were trained on ECD related issues

**A Memorandum of Understanding signed** between provincial government and DMF

Leave No Young Child Behind page 20

**#DoMore4Hammarisdale** A collaborative initiative, which started in 2016 in the Hammarisdale community of KZN, addresses food security through the establishment of household, communal and ECD food gardens.

Collaborative partnerships	Communal, homestead and ECD gardens	Beneficiaries impacted
<b>2016: 9</b>	<b>2016: 52</b>	<b>2016: 147</b>
<b>2018: 24</b>	<b>2018: 112</b>	<b>2018: 1 040</b>

DoMore4Hammarisdale page 36

**Do Good Market** Fresh produce grown by local communities in Hammarisdale

**Income generated by growers from 2016 to 2018**

**R327 287** through formal and informal markets

#DoMore4Hammarisdale page 36



**3,2 million meals\*** donated through FoodForward SA and other organisations who on-donate to more than 600 beneficiary organisations across SA

\*Meals calculated on an average of 250 grams of product donated



## #DoMore to Ease Hunger

Promoting food security in the economically and socially challenged communities



# OUR SUSTAINABLE BUSINESS DRIVE

## MESSAGE FROM THE CEO



**In a world of unprecedented social, environmental, economic and technological change, the business that hesitates is lost. Business-as-usual is not a luxury we can indulge in if we want to remain relevant to the changing needs of our stakeholders while ensuring that we secure the future of our business.**

Almost three years ago we embarked on a journey to lead, not wait for the future, by introducing our Sustainable Business Framework which is our response to the most critical drivers of change affecting us as RCL FOODS. At that time, we were still in the early stages of understanding each of our newly integrated businesses' levels of maturity in terms of social, economic and environmental sustainability, but our vision was clear. Ignited by Our Passion to provide More Food to More People, More Often, we envisaged a future in which people are nourished, communities are enriched and resources are sustained while RCL FOODS continues to grow and develop as a business.

We have made significant progress in bringing this vision to life since 2016, although we acknowledge that there is more work to be done. Our key 2018 performance achievements against each of our sustainable business goals are briefly highlighted below.

### MORE FOOD – NOURISHING PEOPLE

Being one of South Africa's leading food producers, we have an opportunity to positively influence the country's nutrition agenda through thought leadership, nutritionally enhanced products and projects to alleviate nutritional challenges. We have begun investigating the scope for strong corporate participation to address nutrition challenges in the food system and have been looking at possible big ideas in this regard. As the lead partner of the DO MORE FOUNDATION (an independent NPO we founded in 2017 to implement our CSI strategy), we are excited to be a part of the national Zero Stunting initiative which aims to halve the prevalence of stunting in children under five. Through the DO MORE FOUNDATION, we also continue to play a lead role in the Leave No Young Child Behind early childhood development initiative in Nkomazi.

### MORE PEOPLE – ENRICHING COMMUNITIES

People are at the heart of what we do, and we recognise that inspired employees, as well as socially and economically enriched communities, play an important role in our success.

As part of our efforts to make RCL FOODS “the” place to work and to develop a compelling, high-performance RCL FOODS culture, we have invested nearly R40 million in training and developing our people in 2018.

Our continuous efforts to accelerate diversity in our leadership have earned us recognition from the Commission for Gender Equality, for being a leader in our sector, with a strong focus on development. Against this backdrop, we continue to work towards our 2020 employment equity goals in order to create a diverse and inclusive workforce that reflects the society in which we operate.

At a community level, we continue to drive sustainable farming programmes and interconnected business models that empower community members to support themselves while contributing to our leading value chain. Despite the recent drought, our large-scale sugar joint ventures and small-scale cane growers in the Nkomazi area delivered a combined total of over 1.3 million tons of cane to our mills in 2018. Our relationship with land reform beneficiaries (through sugar JVs) and small-scale cane growers (farming on communal land) has spearheaded some diversification which generate revenue and economic opportunities for the surrounding communities.

At the same time, our social development initiatives continue to build stronger communities. Through the DO MORE FOUNDATION, we have been able to join forces with other influential stakeholders to provide more integrated, sustainable solutions. One example is the multi-partner Nkomazi Smallholder Vegetable Farmer Support Programme which now has 57 cooperatives and 688 individual growers registered and is facilitating access to formal markets, technical training, seedling starter packs and revolving credit funding.

In KwaZulu-Natal, the #DoMore4Hammarisdale initiative is also growing in impact, capacitating the community through various initiatives ranging from food gardens to ECD support and, most recently, a Youth Career Desk aimed at linking local youth to careers and economic opportunities.

### MORE OFTEN – SUSTAINING RESOURCES

Because conserving our natural resources and reducing our waste is vital to sustaining the future of our business, we have embarked on a journey to become more energy self-sufficient, water-smart and waste-free. Our recently commissioned waste-to-value plant in Worcester has yielded even greater results than expected, providing enough renewable energy for 30% of our Worcester (Chicken and Speciality operations) energy requirements

and providing 90% cleaner waste water which can be reused on site. The success of this project has spearheaded the development of a similar but even larger waste-to-value plant at our Rustenburg chicken processing facility in the coming year.

On the water front, we are also focusing on becoming water smart by seeking new ways to reuse, reduce or create alternative water sources in our operations. In order to improve resilience during times of drought and water shortage, our Sugar business unit is currently implementing a significant irrigation replacement programme, which aims to reduce our water usage by as much as 30%. Logistics continued its focus on reducing water consumption with a R5,8 million investment, at our Peninsula operations, in a combination of water saving measures to provide for all non-human water needs. The result has been a reduction of almost 50% in municipal water consumption. [\(read more on page 46\).](#)

### SECURING OUR FUTURE, OUR WAY

Across the board, these and other initiatives are helping us drive sustainable, inclusive growth alongside our targeted growth in earnings. Achieving this balance will ensure that we secure the future of our business while maintaining our competitive advantage by staying relevant to our consumers. It's an ongoing, iterative process of leading through the change so that we can continue bringing More Food to More People, More Often – Our Way. Here's to an exciting next step.

M Dally

Chief Executive Officer



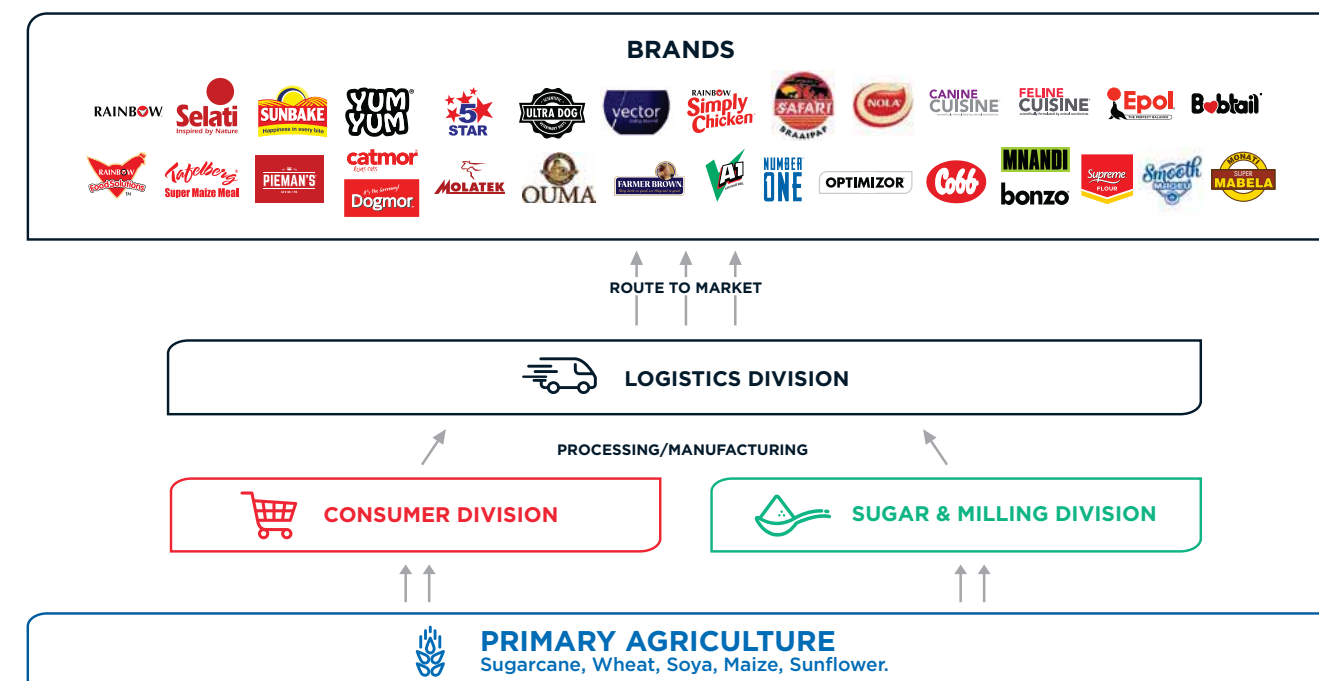
# OUR SUSTAINABLE BUSINESS DRIVE

## OUR APPROACH TO SUSTAINABILITY



Do Good Market produce - HammarSDale

Being a national producer of foods in various product categories, we are at the centre of a large and diverse value chain that extends from raw material production to the end-users of our products and the communities in which we operate. As such, our impact and environmental footprint is significant and diverse – as are the social, environmental and ethical issues that influence our business, either directly or through our supply chain and resource base. For this reason we have to manage a continually evolving set of issues in order to sustain what we do, both now and in the future.



In early 2016 we revisited and updated our sustainability strategy to address our key social and environmental challenges. These were identified through analysis of external standards such as the Global Reporting Initiative (GRI), relevant legislation, investor and NGO questionnaires, peer reviews, business intelligence, stakeholder dialogue, market surveys and stakeholder reports, as well as media coverage.

These insights were used to craft Our Sustainable Business Vision – to create a secure future in which we have a competitive advantage – and develop the three pillars of our Sustainable Business Framework. Our Sustainable Business Framework is aligned to our business strategy and addresses our sixth strategic thrust, “Drive Sustainable Business”. The three pillars of our framework reflect the three “mores” of Our Passion – More Food to More People, More Often – in recognition of the importance of sustainability in our interlinked business, social and environmental agenda.

Nearly three years since the roll-out of our framework, we have made good progress in most areas, while the challenges of our operating context have impacted on our progress in others.

### Our Governance of Sustainability

The RCL FOODS Board accepts overall responsibility for advancing sustainable development at RCL FOODS and has included a formal Risk Charter as part of the Risk Committee’s mandate. A director is responsible for championing our Sustainable Business Drive, while the Risk; and Social and Ethics Committees assist the Board in monitoring all aspects of sustainability – including health and safety, economic, environmental and social impacts. These committees oversight of our sustainability initiatives provides the business with the ideal platform to identify both risks and opportunities in an integrated way.

Read more about Our Stakeholders in our Abridged Integrated Annual Report available at [www.rclfoods.com/financial-results-and-investor-presentations-2018](http://www.rclfoods.com/financial-results-and-investor-presentations-2018)



# OUR SUSTAINABLE BUSINESS DRIVE

# OUR SUSTAINABLE BUSINESS FRAMEWORK

OUR SUSTAINABLE BUSINESS DRIVE is about **CREATING THE FUTURE**. Underpinned by **OUR PASSION**, it sets out **OUR RESPONSE** to the most critical social and environmental challenges we face. **OUR SUSTAINABLE BUSINESS DRIVE** enables us to **SECURE THE FUTURE** for our business, while establishing a **COMPETITIVE ADVANTAGE** in a fast-changing world.

## MORE FOOD NOURISHING PEOPLE

More nutritionally creative solutions

### 1 MORE NUTRITIOUS PRODUCTS

We will provide more nourishing food, better value and greater choice to all people – educating our consumers on the benefits of a balanced diet.

#### Ambition

To lead the promotion of nutrition with innovative product solutions in the context of a balanced diet.

### 2 MORE NUTRITIONAL THOUGHT LEADERSHIP

We will strive to become a trusted source of influence in food policies, regulation and food labelling development.

#### Ambition

To lead the promotion of nutrition through influencing policy development.

### 3 MORE BASIC NUTRITION FOR CHILDREN

We will drive awareness of the basic nutrition challenges for children through collaborative multi-stakeholder partnerships aimed at addressing nutritional stunting.

#### Ambition

To lead the promotion of nutrition for children through collective action against stunting.

## MORE PEOPLE ENRICHING COMMUNITIES

More socially creative solutions

### 1 MORE INSPIRED EMPLOYEES

We will build a unique organisation where work is safe, fun, meaningful and enriching in a way that unlocks the potential and creativity of our 20 000 people.

#### Ambition

To become THE place to work by building a compelling RCL FOODS culture.

### 2 MORE ECONOMICALLY DEVELOPED COMMUNITIES

We will drive an inclusive business agenda through land reform and new inter-connected business models.

#### Ambition

To become THE trusted business partner for economic development in the communities in which we operate.

### 3 MORE SOCIALLY DEVELOPED COMMUNITIES

We will drive social upliftment of our communities through a dialogue approach – understanding their needs and partnering with like-minded organisations to find solutions.

#### Ambition

To become THE respected business partner for social development in the communities in which we operate.

## MORE OFTEN SUSTAINING RESOURCES

More environmentally creative solutions

### 1 MORE ENERGY SELF-SUFFICIENT OPERATIONS

We will invest in energy sufficient operations and support the generation of renewable resources at a rate greater than we consume them.

#### Ambition

To become an energy self-sufficient business.

### 2 MORE WATER-SMART OPERATIONS

We will invest in water-smart operations and influence local government and other key stakeholders for collective solutions in the higher risk areas.

#### Ambition

To become a water-smart business that continually seeks new ways to reduce, reuse and “create” water.

### 3 MORE WASTE-FREE OPERATIONS

We will invest in new business opportunities that turn our waste into value (through circular economy principles), and minimise our waste to landfill.

#### Ambition

To become a waste-free business that continually seeks new ways to turn waste into value.

UNDERPINNED BY NEW DISRUPTIVE MODELS IN DEVELOPMENT

ACHIEVED AND SUSTAINED BY STRONG WIN-WIN MULTI-STAKEHOLDER PARTNERSHIPS



#DoMore4Hamarsdale vegetable grower - Hamarsdale



# MORE FOOD NOURISHING PEOPLE



In South Africa we face a spectrum of nutritional challenges. On the one end, 27% of South African children under the age of five are stunted<sup>1</sup>, while on the other, nearly 68% of women and 31% of men are overweight or obese<sup>2</sup>.

As one of South Africa's leading food producers, with a basket of over 20 much-loved food brands ranging from staples to top-end speciality products, we have a unique opportunity to nourish people according to their needs. We will do this by providing more product choice, by strengthening the nutritional profile of our brands and by leading in thought and action to contribute to the national nutritional agenda.

To ensure that we make the right impact in the right place, it is critical that we engage with experts and other stakeholders to better understand the nutritional landscape in South Africa and how we can best deliver on our nutritional ambition.

<sup>1</sup> Stats SA: South Africa Demographic and Health Survey 2016 - page 27  
<sup>2</sup> Stats SA: South Africa Demographic and Health Survey 2016 - page 45

Children at ECD centre - Hammarsdale

## 1 MORE NUTRITIOUS PRODUCTS

Our ambition is to lead the promotion of nutrition with innovative product solutions in the context of a balanced diet.

With more than half of South Africans living in poverty<sup>1</sup>, the harsh reality is that half the country's population lives in hunger or is at risk of experiencing hunger<sup>2</sup>. As a result undernutrition among children is high, severely impacting on their and the country's future. We see this as a pressing area of need that we can do something about - not just because we're a leading food company, but because we're galvanised by Our Passion to provide More Food to More People, More Often.

As a company we have made a start by identifying nutrition for young children as a strategic focus area (see page 20), and in the CSI space we are the lead nutrition partner in meeting localised feeding needs (see page 20). But we believe there is more we can do through our product portfolio that could be specifically designed to combat malnutrition by providing the key nutrients a child needs before the age of five. To this end, as part of our exploratory phase, we have collaborated with the likes of Harvard Business School to look at possible game-changing ideas to make an impact where it's needed most.

## 2 MORE NUTRITIONAL THOUGHT LEADERSHIP

Our ambition is to lead the promotion of nutrition through influencing policy development.

We believe we can positively influence nutritional thought leadership and contribute to appropriate policy development in South Africa by collaborating with like-minded partners that have the right expertise. In our drive to provide More Food to More People, More Often, we are aware of the responsibility to ensure that our products are affordable and nutritious, meeting the changing needs of our consumers. We have started our journey by engaging with leading organisations in the nutrition thought leadership space. Collaboration with Southern Africa Food Lab (linked to Stellenbosch University) and the Worldwide Trust For Nature is currently under way, focusing on corporate's role in addressing nutrition challenges in the food system.

## 3 MORE BASIC NUTRITION FOR CHILDREN

Our ambition is to lead the promotion of nutrition for children through collective action against stunting.

Research shows that early childhood is the most important phase of human development, with 90% of brain growth taking place before the age of five. Yet 27% of South African children under this age are stunted due to a lack of proper nutrition, while 50% do not attend a day care or educational facility outside their homes.

Access to proper nutrition, early learning stimulation and health and social services is vital if children are to fulfil their potential and play an active role in our country's development. We have therefore chosen to focus on nutrition promotion as part of a wider Early Childhood Development (ECD) approach to reduce physical and cognitive stunting. Being a leading South African food producer, we are providing nutrition to vulnerable children as well as facilitating the development of multi-stakeholder partnerships in various other essential childhood services.

<sup>1</sup> Stats SA: "Poverty on the rise in South Africa", 22 August 2017. <http://www.statssa.gov.za/?p=10334>  
<sup>2</sup> South African National Health and Nutrition Examination Survey (SANHANES-1), 2014.



## Leave No Young Child Behind

In 2015 we spearheaded the formation of “Leave No Young Child Behind”, a multi-faceted, multi-partner initiative that targets early childhood development in the community around our Malalane sugar mill. The initiative addresses five areas – food and nutrition, health, early learning, parenting, infrastructure and services for children – and was piloted in the two poorest wards (16 and 19) of the Nkomazi municipality. Both have been classified by government as “key poverty nodes needing urgent intervention”.

In December 2015 the South African Cabinet approved the National Integrated ECD Policy, that envisages universal access for every young South African child to a comprehensive package of quality services by 2030. “Leave No Young Child Behind” endeavours to implement this policy through a collaborative public/private partnership between provincial and district government departments, the community, the municipality, business and civil society.

We currently co-lead the agenda while facilitating partnerships between government, NGOs, corporates and other stakeholders. We have positioned ourselves as a facilitator and partner, transferring relevant corporate knowledge into a social context and building trust among participants by modelling a collaborative decision-making process. The “Leave No Young Child Behind” initiative in Nkomazi is gaining momentum, with growing participation from existing and new stakeholders.

### 2018 Achievements

- **A Memorandum of Understanding was signed between the provincial government departments and the DO MORE FOUNDATION**
  - The objective being to aggressively drive early childhood development and related initiatives.
  - The Implementation Committee has been tasked with implementing the national ECD policy.
- **A business planning session was held during the year, where the key focus areas for integrated ECD service provision were identified** Implementation plans with associated strategic objectives were developed, with the key highlights listed below.
  - 850 young children at 14 ECD centres benefited from the provision of a healthy snack of Monati porridge and Yum Yum peanut butter.
  - R400 000 grant funding received received from Sugar Industry Trust Fund for Education (SITFE), was used to purchase teaching and learning resources and provide basic infrastructural needs for ECD's as well as capacity building of practitioners.
  - 142 people were trained on ECD related issues in partnership with the departments of Social Development, Education and Health.



Children at ECD centre - Hammarsdale

### 2018 Achievements continued

- Teaching and learning resources were received from partners to support ECD centres.
- LIMA Rural Development Foundation, the DO MORE FOUNDATION's implementation partner, assisted by managing, coordinating and mobilising stakeholders.
- Six JoJo tanks were provided by Nkomazi Local Municipality to six ECD centres in Wards 16 and 19 to assist with water provision on site.
- A weekly ECD radio programme is aired on Nkomazi FM with content relevant to pregnant women and caregivers of young children. This is supported by regular monthly press articles in the local community newspaper for parents of young children.

### Case Study : Z ero Stunting in Worcester

The community of Worcester, where our Western Cape chicken processing and Speciality operations are located, has been hard hit by socio-economic issues such as drugs, alcoholism and gangsterism, exacerbated by extreme poverty in the area. Young children are especially vulnerable in this context, and the development of many is stunted through inadequate access to nutrition, as well as the effects of foetal alcohol syndrome amongst other things.

Stunting (or low height for age) is largely caused by undernutrition and a lack of proper care in the crucial ‘first 1000 days’. It can lead to lifelong cognitive defects, educational challenges, chronic disease and employment challenges that keep people trapped in the poverty cycle. Economists estimate that stunting can reduce a country's GDP by as much as 12%<sup>1</sup>.

As the main employer in the Worcester area, we have been partnering with other role-players to begin addressing the educational and social fallout of these challenges. Conversations have started on ‘the first 1000 days’, and at the beginning of 2018 we were proud to join South Africa's first-ever national Zero Stunting initiative through the DO MORE FOUNDATION. The multi-stakeholder initiative aims to halve the prevalence of stunting of zero to five year olds within a decade through a number of affiliated projects.

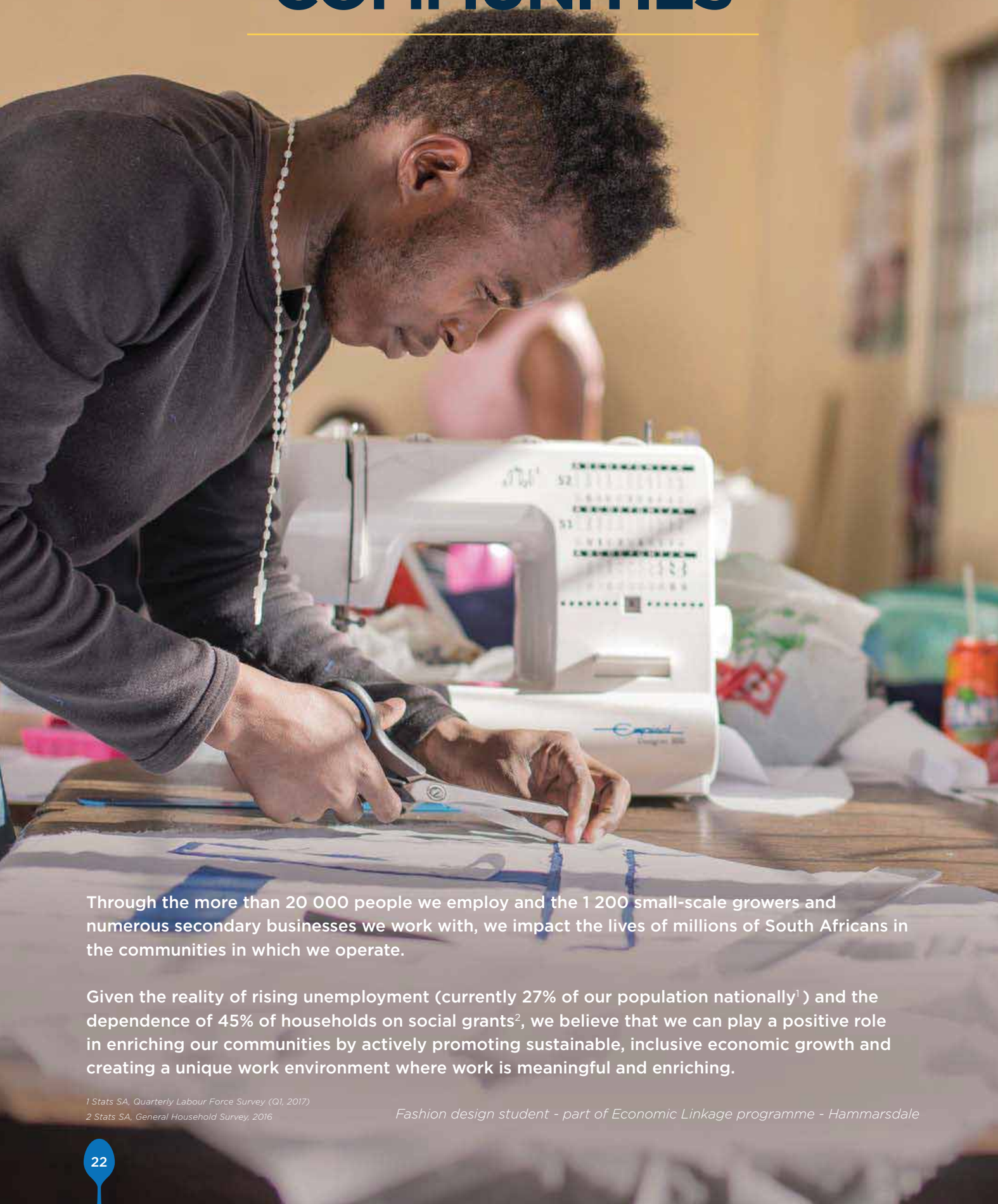
Our Worcester and Nkomazi communities have both been selected as locations for a Zero Stunting pilot under the “Grow Great” project led by the DG Murray Trust (one of the largest private funders of young children in SA). At present the Zero Stunting initiative is still in its initial stages, focusing on laying the groundwork with relevant stakeholders in order to implement strategies to change things for young children in Worcester and Nkomazi.

<sup>1</sup> <https://thousanddays.org/the-issue/stunting/>





# MORE PEOPLE ENRICHING COMMUNITIES



Through the more than 20 000 people we employ and the 1 200 small-scale growers and numerous secondary businesses we work with, we impact the lives of millions of South Africans in the communities in which we operate.

Given the reality of rising unemployment (currently 27% of our population nationally<sup>1</sup>) and the dependence of 45% of households on social grants<sup>2</sup>, we believe that we can play a positive role in enriching our communities by actively promoting sustainable, inclusive economic growth and creating a unique work environment where work is meaningful and enriching.

<sup>1</sup> Stats SA, Quarterly Labour Force Survey (Q1, 2017)  
<sup>2</sup> Stats SA, General Household Survey, 2016

Fashion design student - part of Economic Linkage programme - Hammarsdale

## 1 MORE INSPIRED EMPLOYEES

Our ambition is to become “THE place to work” by building a compelling RCL FOODS culture.

Developing our talent, building leaders and creating the right organisation and culture are crucial to achieving our growth ambitions and delivering on Our Passion. For this reason, we have embarked on a journey to build a unique organisation and culture where work is safe, fun, meaningful and enriching – unlocking the potential and creativity of our 20 000 people.

**To build a community of inspirational and productive people who have a common purpose, we have identified four key focus areas:**

- Develop Leaders and Grow Talent
- Culture and Diversity
- Collaborative Employee Relations and Engagement
- Employee Health, Safety and Wellness

### Focus Area 1: Develop Leaders and Grow Talent

We take a holistic approach towards developing our leaders and growing talent to build a high-performance culture with satisfied employees. Attracting and retaining the right talent, supported by leadership development and talent management programmes, is key to transforming our organisation and building ONE RCL FOODS.

Underpinning this are our learning and development plans, our focus on individual development, our commitment to contributing to the National Development Strategy, and our investment in industry through our SETA-accredited programmes which ensure that employees are recognised and prepared for the future.

RCL FOODS is committed to providing growth opportunities and building a diverse workforce and working environment. We take pride in igniting individual potential for the effectiveness of the organisation. To create a skilled, innovative, and values-based organisation in line with the RCL FOODS way, it is critical that learning and development continue to be a strategic priority for the company. This means continuing to invest time and resources to support employee learning and development.

### 2018 Achievements

- **R39,9 million was invested in training over 11 000 employees**, of which nearly 90% were African, Coloured or Indian.
- **133% increase in the number of employees registered on SETA-accredited learnerships**
  - We remain committed to upskilling and growing our talent across South Africa with over 930 employees registered on SETA-accredited apprenticeships or learnerships.
  - These programmes target our operational staff, focusing on practical (workplace) and theoretical (institutional) skills upliftment in designated trades.
- **Implemented our first Technical School for our Chicken agricultural operation in the Consumer division**
  - The school provided an opportunity for more of our managers in agriculture to benefit from the latest international poultry production knowledge.
  - The new ‘technical school’ was styled on the COBB World Technical Schools.
  - The four-day Technical School brought together nearly 60 employees from across the country.



## 2018 Achievements continued

### • Our Driver Crew Development Programme reached 293 drivers and van assistants

- Piloted in the Baking business unit, the programme focuses on improving our customers' service experience as delivered by drivers and van assistants.
- In addition, drivers attended an accredited Defensive Driver Programme after which they were certified as competent to operate a heavy duty vehicle.

### • Launched two new transitional leadership programmes that support our commitment to accelerate the development of future leaders in our business. These are:

- **The RCL FOODS Emerging Leaders Programme, designed and presented by Nelson Mandela University**
  - RCL FOODS, in partnership with Nelson Mandela University, launched its first leadership course for emerging leaders earmarked for future leadership roles.
  - The 9-month course has a strong mentoring and coaching component and encourages our emerging leaders to "see and do things differently".
- **The Supervisory Fundamentals Programme:**
  - The programme focusses on building leadership capability in areas of personal effectiveness, effective communication and relationship management.
  - The programme is aimed at supervisory employees with the objective being to strengthen employees' leadership abilities.

### • Continued to implement the RCL FOODS Leadership Development Programme, a customised programme developed in collaboration with the internationally accredited Gordon Institute of Business Science (GIBS), to establish and build high-potential leaders in pursuit of our business ambition.

- 43% of our management population and 100% of our executives have now taken part in one of our RCL FOODS Leadership Development Programme.



Cook-off at GIBS 2018

## Focus Area 2: Culture and Diversity

We are committed to creating an organisational culture in which all employees are able to perform to their full potential. We remain focused on pursuing the transformation imperative to create a diverse and inclusive workforce that is reflective of the society in which we operate.

To this end, our recruitment and development strategy focuses on building a diverse organisation which is attractive and engaging for emerging generations. Guided by the principles of employment equity, we are concentrating on creating our talent pipeline by targeting graduates, building our in-house recruitment capabilities and increasing our social and media presence.

## 2018 Achievements

### • Continued to empower women in our organisation

- Our commitment to gender equality focuses on appropriate training and development for women in our business and in the broader industry. We believe that this approach is integral to the transformation of identified business sectors, whilst addressing our specific skills challenges.
- We believe that transformation and diversity within our workforce are key drivers of sustainable operations. *The case studies on page 27 highlight our commitment and efforts in this regard.*

### • 130 students to date have entered our talent pipeline through our Management Trainee Programme

- Our Management Trainee Programme is an integral part of our talent acquisition strategy and was launched three years ago. It focuses on fast-tracking the development of future leaders and on meeting RCL FOODS' transformation targets through structured development plans.
- 17 of the 130 students have been promoted to a manager level.
- 82% of the 17 above were Employment Equity candidates and 76% are ACI.

### • Recognised as a front runner in digital recruitment

- Our digital recruitment campaign focuses on stimulating graduate engagement with our brand to help us source the best talent for our business. The campaign was nominated as a finalist and received the bronze award for the Best Graduate Digital Campaign in 2017.
- The awards hosted by the South African Graduate Employers Association (SAGEA) brings 300 top talent management specialists together every second year to vote for the country's best graduate recruitment campaigns.

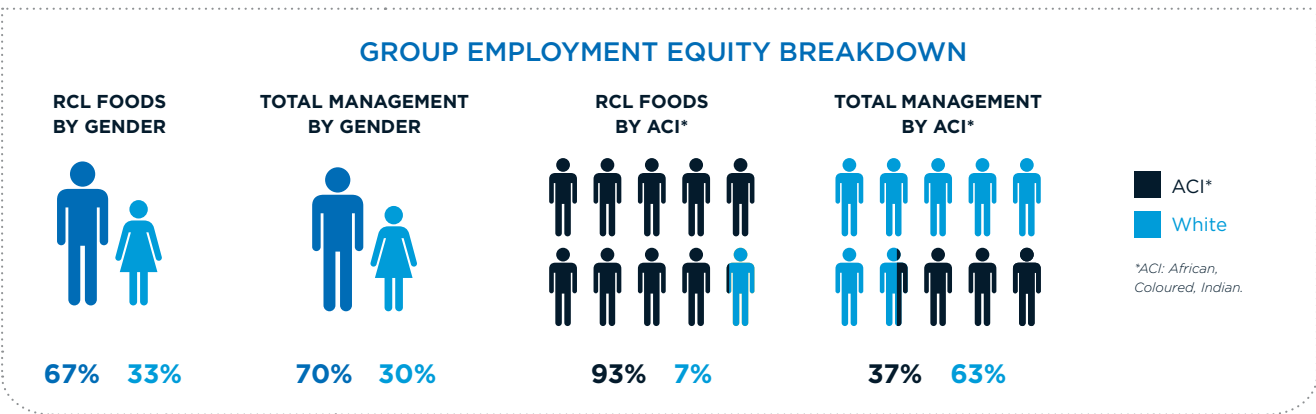


Management Trainee Induction - 2018



## 2018 Achievements continued

- **Provided in-service training to 18 students from local universities**
  - 14 Agriculture students and four Food Technology students were selected to receive in-service training at our poultry farms and within our Grocery business unit.
  - Each student spends 12 months learning on-the-job skills, being mentored by an on-site mentor, and completing various assignments relevant to their field of study.
  - On completion, trainees may be selected and offered full-time contracts.
- **Commended by the Commission for Gender Equality** for the genuine gains made in advancing gender transformation.
- **Continued to make good progress on our diversity strategy in line with our 2020 Employment Equity Plan**
  - Our recruitment strategy, which incorporates principles from the employment and gender equality guidelines, focuses on building a diverse organisation; appointing the right leaders; and developing and retaining diverse talent in the right roles.
  - Our five-year Employment Equity Plan seeks to address all barriers in promoting equal and fair opportunities in the workplace, and has contributed towards solid progress against our 2020 targets.



- **Broad-Based Black Economic Empowerment (B-BBEE)**  
RCL FOODS believes that B-BBEE is a component of the broader transformation imperative in our country. Our transformation policy has always been guided by a continuous focus on growing a healthy and sustainable business that creates value for all our stakeholders and contributes to nation building.

We completed our Broad-Based Black Economic Empowerment Act ("B-BBEE Act") verification process in accordance with the new JSE regulations on the old Agriculture Sector Codes. As a Group, we improved our BEE score to a Level 3 score for the 12 months ended December 2017, while our Sugar business unit maintained their Level 2 score for a third consecutive year. Our land transfer programmes continued to reap benefits for the communities in the Nkomazi region by empowering and supporting the local communities in the sugarcane growing industry. Through the Sugar and Milling division, we supported small-scale cane growers with finance and other skills required to sustain their businesses. Further Enterprise and Supplier Development through assisting smaller emergent chicken growers to improve their business through incubation and other support programmes exist. [Read more on page 30 More Economically Developed Communities](#)

Building and retaining a pipeline of talented employees through scholarship and learnership programmes, was a further pillar of the transformation scorecard where we have made a significant contribution. Going forward, our biggest area of concern is in the Preferential Procurement element, mainly due to the impact of the new codes on the BEE ratings of many of our suppliers. We are however investing in projects to ensure our suppliers are fully empowered and supported by applicable supplier development programmes where appropriate.

## Case Studies: Empowering Women in Our Business

Gender imbalance and issues of diversity and inclusion in the commercial transport, agricultural and engineering sector have been widely acknowledged. To combat this we have rolled out several initiatives, a few of which are highlighted below.

### Women with Drive

Our Logistics division is doing pioneering work in the field of training and development of women, by addressing specific skills challenges and aligning with the Commission for Gender Equality's (CGE) recommendations regarding training women in "hard skills". We believe that this approach is integral to the transformation in the male-dominated transport industry.

In 2017 we launched the "Women with Drive" programme, which promotes gender equality and ensures that equal opportunity is provided for women in the transport sector. Since August 2017, 10 unemployed women have been part of a year-long learnership which will see them qualify with a National Certificate of Professional Driving and enable them to work as professional truck drivers. This will greatly enhance their employability and assist in transforming the face of the transport sector.



### Women in Agriculture

In our Chicken agricultural operations we continue to drive our Women in Agriculture programme which was established in 2015 to create an environment conducive to the attraction, empowerment and retention of women in the traditionally male-dominated agriculture sector. The main objective of the programme is to identify, attract and retain women through empowering, developing and mentoring them to be confident in all aspects of their lives.

We support a solid network where women can connect, in order to inspire each other and celebrate their unique contribution in a safe and nurturing environment, underpinned by the motto "I Am A Woman, I Will Make A Positive Difference". Some 28% of female managers within our Chicken agricultural operation have now participated in the Women in Agriculture programme, which has played a key role in increasing the percentage of women in agricultural leadership positions from 12% to 30% in six years.

### Women in Engineering

Our Sugar & Milling division continues to empower women in traditionally male-dominated fields, focusing on the engineering discipline. To promote women's participation and create a talent pipeline of qualified individuals, we have designed and are implementing Engineer-In-Training programmes in electrical, mechanical, chemical and instrumentation engineering. Talented engineering graduates are recruited onto our Management Trainee Programme as Engineers-in-Training and follow a targeted development plan designed to facilitate their promotion into a Junior Engineer role and ultimately that of Engineer.

We currently have five female engineers (four appointed and one in training). To aid our ambition of empowering more women in the workplace, we also run a Bursary Scheme, an Apprenticeship Programme and our Management Trainee (Engineer-In-Training) Programme. Currently we have one female engineering bursar in the pipeline completing Civil Engineering, 20 women in the Apprenticeship Programme, and two management trainees.





### Focus Area 3: Collaborative Employee Relations and Engagement

We acknowledge the right of all our employees to freedom of association, and we actively drive best management practices in all our operations to create a work environment conducive to productivity, participation and organisational stability.

The various bargaining units now represent 76% of our workforce, and the recognised trade unions negotiate salaries and conditions of employment through them as per the recognition agreements. To ensure proper communication and engagement with our social partners in the recognised trade unions, we have created national, regional and site-based employee representative forums. We have successfully signed multi-year wage agreements with various unions across most of our business units. Our efforts in this regard have resulted in employee industrial action being kept to a minimum.

In order to ensure equitable and fair working conditions, we have clear disciplinary and grievance policies and procedures which are communicated to all employees during their induction (via our on-boarding pack), through training, on the RCL FOODS intranet and through ongoing communication of our standard policies and procedures.

### Focus Area 4: Employee Health, Safety and Wellness

Our employees are a key asset in our business and we are committed to promoting their health, safety and wellness through relevant programmes and support initiatives. Being a relatively new business, our employee wellness programmes are still fairly fragmented and range significantly in maturity. We are currently in the process of developing a consolidated strategy for employee health, safety and wellness across the company, incorporating both occupational and primary healthcare.

Occupational healthcare is guided by legislation to ensure that employees are monitored, risk exposure is minimised and a safe and healthy workforce environment is in place. We provide a core occupational healthcare service on our operating sites, with smaller and outlying sites being serviced by mobile clinics on a regular basis.

Primary healthcare and emergency care are essential support services in any large manufacturing company. We understand the importance of reliable primary healthcare to our employees and their families and appreciate the fact that primary healthcare (medical aid) is unaffordable to many of our employees. To assist our employees to access this facility, we have made available a low cost medical aid plan and health benefits to shop floor employees, with 1 080 people signing on during this financial year.

As part of our holistic approach to employee wellness, we are partnering with an external party to run formal financial awareness programmes. Through these workshops we aim to empower employees at all levels to become more financially astute.



Female engineer part of Engineer-in-Training program - Malelane



## 2 MORE ECONOMICALLY DEVELOPED COMMUNITIES

Our ambition is to become “THE trusted business partner” for economic development in the communities in which we operate.

Through sustainable farming programmes and interconnected business models, we aim to empower our communities to support themselves while contributing to our leading value chain. Within our supply chain we work closely with a growing number of small-scale sugarcane growers to improve their agricultural practices, enhance their competitiveness and better their livelihoods.

### Sugar Joint Ventures (JV)

Community partnerships are key to driving long-term business sustainability. Our Sugar business unit sold the majority of its agricultural operations to settle land claims in the Nkomazi region between 2007 and 2012. Partnership agreements were negotiated with the claimant communities, resulting in the establishment of three JV companies.

Through these arrangements, the communities now own high-potential agricultural assets which the JV companies lease back from them at market rates, while also providing additional benefits in terms of employment and enterprise development – a key pillar agreed when developing the partnerships.

#### 2018 Achievements

- Despite the worst drought on record, the JV companies implemented a drought recovery strategy that resulted in them **delivering more than 846 000 tons of cane from more than 8 700 hectares of irrigated land.**
- **183 land reform beneficiaries** benefited through direct employment.
- From an enterprise development perspective, **34 companies were awarded contracts**, to the value of R90 million in procurement spend. These companies are owned by beneficiaries from the three partnering communities.
- **R39 million in lease payments** were made to partnering land reform beneficiaries.
- **8 students have been awarded bursaries** to study in the fields of Agriculture, Engineering and Finance.

### Small-scale Growers (SSGs)

The communal areas of Nkomazi are home to nearly 1 200 SSG households farming approximately 9 500 hectares of irrigated cane on farms that average around seven hectares in size. The long-term sustainability of the SSGs is crucial to their livelihoods.

Various initiatives are under way through our partnerships with SSGs (in the form of the joint venture services companies, Akwandze Agricultural Finance and TSGRO) to further increase cane production, thereby contributing to sustainable and stable rural areas. Akwandze and TSGRO's 2018 performance is reported on page 31.

#### 2018 Achievements

- Approximately **R285 million in turnover** was generated by SSGs through the supply of approximately **510 000 tons of cane** to our sugar mills in Nkomazi – representing nearly 16% of cane supplied to our mills.

### Development Finance - Akwandze Agricultural Finance (AAF)

AAF, a joint venture between RCL FOODS' Sugar business unit and Nkomazi small-scale sugarcane growers, provides these farmers with access to unsecured credit at reduced interest rates. AAF was set up in 2006 with R15 million capital provided by growers, the Sugar business unit and a R10 million donation from the South African Sugar Association (SASA). The company has managed to leverage a number of different funds to support land reform and small-scale farmers, resulting in an AAF loanbook of R350 million which underpins the production of two million tons of cane (approximately 14% of the industry's cane volume). The composition of the loanbook by value is presently 25% SSGs, 67% BEE JVs and 8% commercial growers.

#### 2018 Achievements

- More than **R188 million was reinvested by 1 200 SSGs** into their own operations through retention savings and new loans.
- **R100 million was loaned to five BEE JV companies.**
- Since inception, **AAF has invested over R2,1 billion into SSGs and BEE JV companies** in the form of loans and savings.
- **AAF commenced with its four-year blended funding project to increase smallholder sugarcane area** by 1 270 hectares through greenfields and brownfields development, and create 975 farm jobs. AAF will use an R80 million Jobs Fund grant and the funds under its management to create the blended funding mix to drive the development.

### Farming and Business Support Services - TSGRO

Since 2014, our Sugar business unit has been in partnership with 1 200 Nkomazi SSGs in the form of TSGRO – a company that provides farming and business support services to small growers to enable them to overcome key challenges. Its specific objective is to maximise production and returns to the growers, thereby ensuring long-term sustainability. Apart from focusing on improving farm productivity, TSGRO also sets up enterprise development opportunities for small-scale growers to become contractors.

#### 2018 Achievements

- **A Bulk Water Supply (BWS) paid service** has been **provided to 630 SSGs and seven cooperatives** with 456 members, on 5 662 hectares during 2018.
  - Its primary purpose is to repair, maintain, service and protect irrigation infrastructure on an ongoing basis.
  - BWS played a critical role in stabilising SSG average yield during the 2016/17 drought, as they were able to retrieve their water allocations.
  - Smallholder deliveries continued to increase through the drought; and emerging from the drought, the 2018 average smallholder yield has risen by 25%.
- **An ongoing free extension service has been provided to all 1 200 SSGs on 9 500 hectares.** This covers sugarcane agronomy, better management practices for terrestrial ecosystems and planning tools for management and budgeting.
- **A complete farm management service is being provided to 56 SSGs on 1 163 hectares.** In addition, the 60 new farm staff who have been employed are receiving real employment benefits (above-minimum wages, a provident fund, protective clothing, training and access to clinic services).
- **Basic accounting and bookkeeping services** are provided to 315 farmers to ensure good governance.



### Case Study : Skwahlane Cooperative Diversifies into Vegetable Production

Five years ago, 36 struggling SSGs formed the Skwahlane Farmers' Cooperative to irrigate and re-establish their sugar cane fields.

When the project collapsed due to financial difficulties, the Land Bank agreed to restructure the cooperative's debt from R12 million to R2 million, and the cooperative was able to raise a grant from the Department of Rural Development and Land Reform (DRDLR) to recapitalise the fields and place them back into production.

RCL FOODS provided mentorship oversight during the recapitalisation phase and TSGRO was contracted to provide bulk water supply and farm management services. Two success stories began to unfold from that moment: one in the sugar space and another unexpectedly in vegetable farming.

Of the original 250 hectares, 220 were replanted to sugarcane and the rest left fallow as they were unsuited to irrigated sugarcane production. The cooperative delivered approximately 22 200 tons of cane to our Komati mill from the rehabilitated fields – a significant turnaround in a very short space of time – while the fallow land was planted with two hectares of beetroot and five hectares of sweet potatoes.

The vegetable production increased the cooperative's revenue, skills and knowledge while increasing employment in the neighbouring village. The main buyers of the vegetables are Spar outlets in the Nkomazi area, as well as hawkers who buy directly from the farm gate. In 2018, another seven hectares of land were cleared in a joint project between Skwahlane, TSGRO and Spar to ensure access to markets.

The cooperative has also initiated a youth programme enabling members' children to undertake butternut production on half a hectare of irrigated land, rent free. Another way in which the cooperative is giving back is by distributing unmarketable but nutritious sweet potatoes to vulnerable persons in the Skwahlane village.



### Land Reform

From 2012 our Sugar business unit was appointed as a mentor by the DRDLR to assist 12 land reform projects in Nkomazi and Pongola. For this, five-year mentorship agreements were signed with DRDLR and land reform beneficiaries through the DRDLR's Recapitalisation and Development Programme (RADP).

Under the Programme, the Department approved business plans and released R65 million funding for irrigation infrastructure rehabilitation and planting of sugarcane. Eight of the projects were concluded, and agreements ended in 2017. In four of the approved projects, our Sugar business unit is focused on providing mentorship support to the farmers as a development partner. We remain committed to building stronger relationships with both government and land reform beneficiaries, with the aim of growing the number of farmers in the programme and increasing procurement spend over the coming years, which is key for land reform sustainability in the sugar milling areas.

Through the RADP over 1 000 hectares of sugarcane were planted and nearly 400 hectares of irrigation infrastructure rehabilitated, benefiting nearly 160 land reform beneficiaries. This resulted in the restructuring of existing debts owed to the Land Bank by the land reform beneficiaries from R17 million to just over R3 million. The farmers were able to supply the Nkomazi and Pongola sugar mills with over 116 000 tons of sugarcane. Through the mentorship, one of the farmers managed to expand his sugarcane operations by 11 hectares, supplying nearly 1 000 tons of sugarcane to the sugar mill. Other farmers diversified to other crops and off-farm business ventures.

### 2018 Achievements

- **Nearly 42 hectares of irrigated sugarcane land was rehabilitated.**
- **Over 5 952 tons of sugarcane were produced and delivered to our sugar mills.** Six permanent jobs and approximately 100 seasonal jobs were created, resulting in improved farm income and livelihoods.

### Case Study : Farming for Business: Mr Sithole's Story

In 2009 Mr Petros Sithole, a land reform beneficiary, partnered with a commercial vegetable farmer to lease a state-acquired farm which had been left idle for three years. A year later, the DRDLR developed the Recapitalisation and Development Programme (RADP) to provide post-settlement support to land reform beneficiaries, in partnership with the private sector.

Through the programme, Mr Sithole approached RCL FOODS to mentor him. We helped him compile and submit a business plan to DRDLR for irrigation, infrastructure, refurbishment and re-establishment of the sugarcane crop. Following the plan's approval and our appointment as mentor, 70 hectares of sugarcane were established in 2013.

Transparency in RADP funds expenditure and Mr Sithole's active involvement in operational and governance decisions played a major role in solidifying our relationship over the years. As his farm yield grew, Mr Sithole diversified into other crops and expanded his business interests outside farming. His most recent business venture was to invest in a business complex in Nkomazi, which is currently occupied by the local radio station.

### Chicken Contract Growers

**39% of our chicken is supplied by contract growers.** Our Consumer division supports 27 chicken contract growers who rear chickens on our behalf using their own farms and facilities. The division supplies day-old chicks, feed and technical support including veterinary services. The growers are managed and mentored against RCL FOODS' standards and operating practices.



### 3 MORE SOCIALLY DEVELOPED COMMUNITIES

Our ambition is to become “THE respected business partner” for social development in the communities in which we operate.

The communities around our Hammarsdale, Nkomazi (Malalane) and Worcester operations are some of the most economically and socially challenged communities in South Africa. As a major employer in these areas we have an obligation to assist - because these are the communities of our own employees and bringing positive change to these communities will help break the cycle of poverty affecting our nation.

Because of the complexity of the challenges these communities face, we choose to work in conjunction with other stakeholders – from government departments and municipalities to NGOs, NPOs and private businesses – to contribute to holistic solutions. This multi-partner, collaborative approach has enabled us to harness the expertise of a wide range of stakeholders and to ensure that we meet the real needs of the people on the ground.

We see our role as that of a catalyst in strengthening current forums, supporting existing projects and driving several new potential projects. Launching compelling initiatives without attaching our name to them has helped secure considerable community buy-in, as is evident from our #DoMore4Hammarsdale experience.

#### Nkomazi Smallholder Vegetable Farmer Support Programme

To help smallholder vegetable farmers to compete in the marketplace, we have partnered with LIMA Rural Development Foundation and the Jobs Fund to establish a Smallholder Vegetable Farmer Support Programme in the Nkomazi area. The initiative aims to improve smallholder vegetable farmers’ access to markets, services and quality inputs such as seed and fertiliser. This will assist them in competing with larger commercial producers, which in turn will boost their food security and standard of living.

As a co-funding partner, our R2,5 million contribution is being used to facilitate access to formal markets for smallholder produce, technical training of farmers, distribution of seedling starter packs and revolving credit funding to enable production loans to be given to qualifying farmers.

#### 2018 Achievements

- **57 cooperatives and 688 individual growers** have been recruited into the programme to date and 417 vegetable farmers have been trained.
- **A total of 407 hectares have been planted with vegetables** during the season, with the majority being delivered to formal markets. This has resulted in the **creation of 92 jobs**.
- **Revolving credit of over R264 000** has been disbursed to farmers to assist with farming inputs.
- **Growers have been supplying vegetables to the local community** at the Do Good Market in Nkomazi. During the year a total of **R10 864 in proceeds** has been generated from the sale of vegetables. In addition 12 markets have been created for growers to supply their vegetables at the local major retail outlets.

#### Nkomazi Youth and Community Mobilisation Initiative

RCL FOODS initiated a process of further investment in the Nkomazi area to enhance the lives of local community members and empower disadvantaged community members with a particular focus on the youth. To ensure the sustainability and relevance of the initiative, which now falls within the ambit of the DO MORE FOUNDATION, we have partnered with LIMA Rural Development Foundation to undertake a community consultation process in order to inform our youth programmes.

This entails:

- Conducting environmental scanning of Nkomazi to ascertain the existing status quo and identify gaps, particularly with regard to existing youth programmes and challenges experienced by the youth.
- Assess and identify how the challenges can be addressed and to allow the youth to discuss their contributions and frustrations in an open and participatory manner.
- Identify and engage with stakeholders that might be interested in the initiative, with the ultimate aim of creating a unified youth development strategy.

#### Hammarsale Youth Development

A Youth Career Desk has been set up to create economic linkages and opportunities for youth in the area. The initiative is an offspring of the #DoMore4Hammarsdale project. Although the programme is still in early stages, there has been a considerable amount of work resulting in the following achievements.

#### 2018 Achievements

- **230 economic opportunities and linkages** have been created for community members.
- **11 individuals were assisted to obtain government social security services** such as birth certificates, identity documents and social grants.
- **Seven internships were facilitated** with various provincial government departments such as EDTEA, Arts & Culture, eThekweni Municipality and Elangeni College.
- **166 full time & part-time employment opportunities were created** with GP Retail, Mr Price, SAPS, eThekweni Municipality, RCL FOODS, LIMA, DOE, UKZN, Midlands Hospital, St Anne’s Hospital, Pick n Pay and various local retailers (Inkways, Icebolethu and Food Joint).
- **13 local youth received computer training** sponsored by Durban Youth Computer Village.
- **33 unemployed local youth obtained driver training** sponsored by local driving schools.

#### Worcester Early Literacy and Numeracy Programme

The community of Worcester, where our Chicken and Specialty plants are situated, is increasingly threatened by poverty, crime and drug use. To help strengthen families and improve staff morale, we started by teaching our employees positive parenting skills in conjunction with ECD forums and the Department of Social Development. This work was extended to ECD principals and teachers from the community, which is our current focus. Since 2017 we have been collaborating with the Western Cape Foundation for Community Work (FCW) and our literacy partner WordWorks, to provide focused support to ECD teachers from the community.



## 2018 Achievements

- **A monthly workshop was conducted for 32 ECD practioners.**
- **Educational material was provided to workshop attendees** for use at the centres.
- **A weekly radio programme, #LovePlayTalk, is aired on the local radion station.** Important issues relating to young children are discussed with a guest speaker. A monthly article is featured in the local community newspaper highlighting key issues relating to young children.

### #DoMore4Hamarsdale

To help alleviate food and economic insecurity in the community around our KwaZulu-Natal Chicken plants, we helped establish the Greater Hamarsdale Integrated Community Development Initiative in 2016. Now known as #DoMore4Hamarsdale, this is a collaborative partnership between the DO MORE FOUNDATION, government departments, the private sector and LIMA which focuses on food security and economic linkages.

The #DoMore4Hamarsdale initiative is gaining momentum and improving the livelihoods of vulnerable community members, with growing participation from existing and new stakeholders and increased support from government departments.

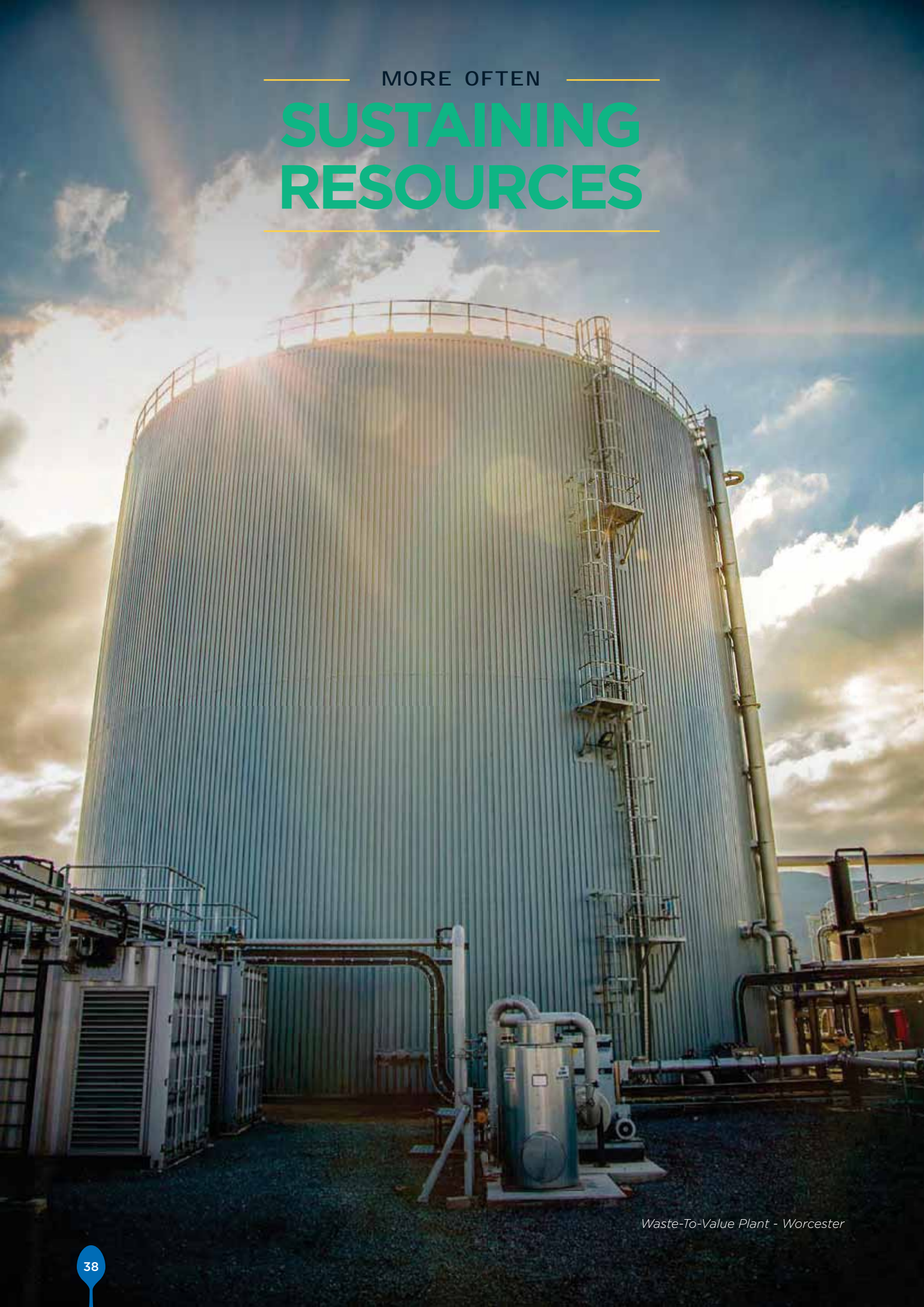
## 2018 Achievements

- **Assisted 18 communal gardens to be more sustainable**
  - 50 water tanks, agricultural inputs and fencing material were provided to growers by the provincial Department of Agriculture and Rural Development.
  - Water tanks, mechanisation and storage facilities were supplied by eThekweni Municipality.
  - A R70 000 donation by a local corporate enabled one hectare of communal garden land to be fenced and borehole pedal pump water system to be constructed.
  - 155 small-scale vegetable growers were trained on organic farming best practice.
- **Established food gardens at 24 Early Childhood Development (ECD) centres, contributing toward the improvement of 2 078 young children's nutritional status**
  - A R250 000 donation from a corporate partner provided for the establishment of food gardens at 11 ECD centres, as well as a monthly stipend for the gardeners at each ECD centre.
  - 13 of the ECD centres are supported by the DO MORE FOUNDATION.
- **70 homestead gardens were established** for the most vulnerable households within Hamarsdale, the main purpose being to provide nutritious meals to these homes.
- **44 vulnerable families were assisted with food parcels and donations**
  - 25 destitute families, identified in collaboration with the Department of Social Development, received food parcels and blankets from RCL FOODS.
  - The Ntshongweni Support Group was assisted in submitting an application to FoodForward SA which now provides 19 needy families with food donations in addition to cooked meals for a further 620 vulnerable individuals.
- **18 small-scale vegetable growers were connected with formal and informal markets to sell their 100% organic produce** including four large corporates and twelve local retailers. During the year, R106 000 proceeds have been earned by the growers from sale of vegetables.
- **We supported 283 employees from Hamarsdale who were affected by the chicken restructure**
  - 283 out of 391 retrenched employees received vocational training through accredited training providers.
  - Skills acquired by affected employees included driving, forklift operation, handyman skills, baking, sewing, firefighting, first aid, fashion design, office administration, poultry and vegetable production, home-based care, security guarding and electrical and welding trade tests.



Seedling Nursery in the #DoMore4Hamarsdale programme - Hamarsdale








MORE OFTEN

# SUSTAINING RESOURCES

Waste-To-Value Plant - Worcester

Being a large food company with a multi-tiered and geographically dispersed supply chain, we have an environmental footprint that extends right from raw material production to the end-users of our products. Scarcity of natural resources, limited land and climate change all impact on our ability to survive into the future, which makes it imperative for us to see and do things differently now. This is why we are working to come up with creative solutions to consume less fossil-fuel-based energy and fresh water, minimise our waste, and do more with what we have – including the waste we generate.

Our Targets - Step change RCL FOODS' environmental agenda, incorporating circular economy principles.

	 Energy	 Water	 Waste
<b>Ambition</b>	To become an energy self-sufficient business by supporting the generation of renewable resources	To become a water smart business by seeking new ways to reuse, reduce and “create” water in our operations	To become a waste free business by minimising our waste to landfill and exploring ways to turn waste into value
<b>Target Key Performance Indicators (KPIs)</b>	50% electricity self-sufficient by 2025  50% coal reduction by 2025	50% water reduction in Chicken processing by 2025  60% water reduction in Logistics warehousing by 2025  30% reduction of irrigation water use for Sugar farming operations by 2023	Zero waste to landfill by 2025
<b>KPIs Achieved in 2018</b>	25% self-sufficiency achieved through co-generation, waste-to-value and solar projects	10% water reduction in the Consumer division  15% water reduction in Logistics warehousing  25% annual water savings driven by implementation of drip irrigation and green harvesting in the Sugar business unit	92% of our waste is converted into fertiliser or energy  0.5% of our waste is diverted from landfill into recycling streams (e.g. cardboard, plastic and metal)  8% of our waste is landfilled



## Case Study : Doing More for the Environment at "Our Place"

Making a difference to the environment is all about doing what we can with what we have - in such a way that it makes financial sense and improves our efficiencies as well. Our recently constructed National Office in Westville is a prime example of how we built sustainable environmental thinking into our design planning, while balancing it against financial priorities.

Where possible, green-rated materials, furniture and fittings were used and a low-energy air handling system was installed. Thermally efficient glass and sun louvres that limit heat gain from the sun and use less power to cool the interiors, were also installed. The lighting and water heating systems have also been designed as efficiently as possible, while solar panels on the roof are generating a portion of the power needed to run the building. A building management system switches building lights off during certain periods, while motion sensors in the parking lot turn on lights only when activated. An additional 30% saving on electricity can be obtained from this system.

Water-wise, we have installed a borehole to reduce our dependence on municipal water, while rain water runoff is being channelled to the natural wetland nearby which supports indigenous fauna and flora. To reduce waste, there is a designated waste separation area, in addition to driving recycling of various 'clean' wastes through designated bins in the building.

### As a result of these initiatives, we have seen substantial resource savings over the past year:

- We produced 212 megawatt hours (MWh) of energy from the 271 photovoltaic solar panels on our roof, reducing our carbon footprint by 206 tons.
- Our borehole has supplied 460 kilolitres (kl) of water which has been used in our cooling towers and for our in-house car wash where 3 500 cars have been washed.
- The use of heat wheel technology for air-conditioning reduces energy consumption by 15%, and chiller capacity and power supply by 18% compared to conventional air-conditioning and chiller systems.
- The building employs heat pumps for efficient water heating, offering a 60% saving on energy compared to conventional geysers.
- 7 224 kg of waste (aluminium cans, glass bottles, plastics, cardboard and paper) were recycled.

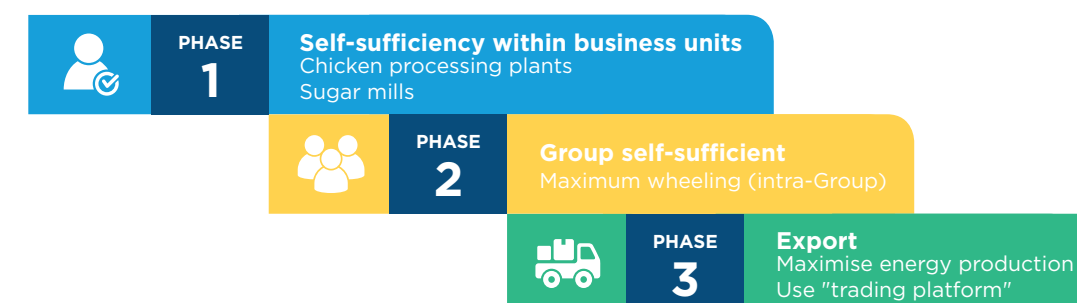


Solar Panels - National Office Westville

## 1 MORE ENERGY SELF-SUFFICIENT OPERATIONS

Our ambition is to become an energy self-sufficient business.

With energy self-sufficiency and price certainty as objectives, we have identified real, quantifiable opportunities that are reflected in our Energy Roadmap. Our three-phase approach focuses on first creating self-sufficiency in a business unit, then within our wider business and lastly exporting energy through a trading platform.



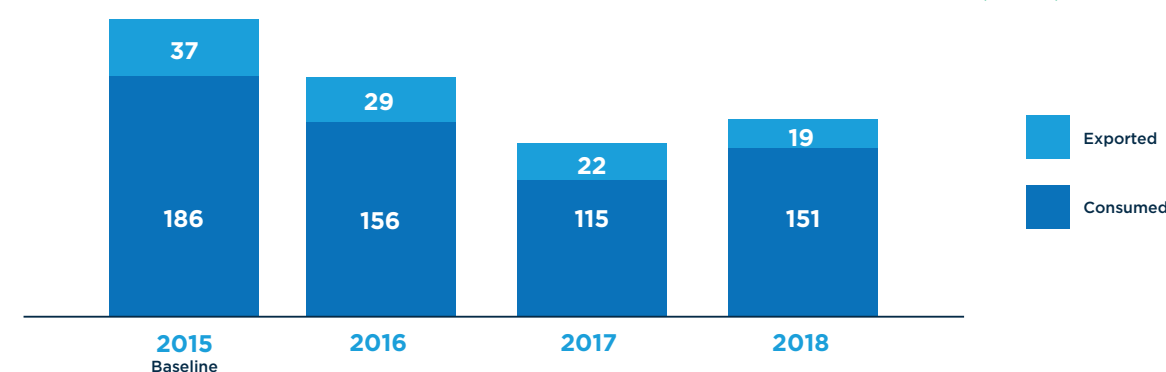
Our Energy Roadmap aims to ensure price certainty and secure long-term supply of electricity to our business. We have identified three focus areas that will enable us to achieve our future electricity requirement.



### Focus Area 1: Sugar Co - Generation Electricity

Bagasse – a residual by-product of sugar production – is used to generate electricity which not only powers the sugar manufacturing process at our sugar mills but is also sold externally. Our Sugar business unit has been generating and supplying electricity since 1994 from the Komati Mill and since 2003 from the Malalane Mill. Our electricity co-generation increased by 24% in 2018, largely due to our recovery from the drought which impacted the 2016/2017 season's cane supply. Over the last four years we have generated and exported over 107 GWh of electricity to Eskom. Our electricity export has reduced by approximately 49% from our base year, due to a change in requirements from Eskom. Energy offtake agreements were cancelled during the 2018 financial year and our co-generation operations were reduced to provide electricity largely for our own use. Currently 87% of our sugar mills' electricity consumption is supplied by co-generation.

#### CO-GENERATED ELECTRICITY CONSUMED AND EXPORTED (GWh)





## Focus Area 2: Waste - to - Value

Our recently completed waste-to-value plant in Worcester is performing well. The large-scale poultry waste-to-energy project was constructed and commissioned in 2017, the largest of its kind in Africa. This plant takes water that is currently discharged to the municipal effluent line (after passing through a dissolved air flotation treatment process) and runs it through an anaerobic digestion process, producing biogas which generates enough electricity and heat to run our entire Speciality factory and parts of the Chicken processing plant.

The success of this project has prompted us to proceed with a waste-to-value project at our largest poultry facility in Rustenburg. This project will utilise waste water from our chicken processing plant, as well as chicken litter from our farms, to generate 60% of the electricity required by the poultry plant and 100% of the steam needed for our animal feed mill.

This is achieved through an anaerobic digester in which micro-organisms break down the biodegradable material in the water and litter to produce methane-rich biogas which then fuels combined heat and power generators. A reverse osmosis water recovery plant will enable the recovery of up to 50% of waste water for use in non-food contact applications at the plant and adjacent animal feed mill.

### 2018 Achievements

- **8 539 MWh of clean electrical energy was produced** – 30% of the total plant requirement.
- **2 600 kl of effluent water treated per day** - containing about 30 tons of waste organics.
- **The treated water is more than 90% cleaner than the untreated effluent water** and can be reused in parts of the operation that do not require potable water.
- **Usage of effluent treatment chemicals has dropped to zero.** The team from GreenCreate, together with our engineers, are continually looking for ways to optimise the system and maximise the utilisation of cleaned water from the plant. Complementing technologies are being investigated and we are targeting significant water re-use opportunities.

## Focus Area 3: Solar (Rooftop Solar)

In 2018, we completed groundwork for at least five additional rooftop solar plants. After establishing the most viable sites for solar, and looking into consumption profiles, solar yields and roof design, we are ready to roll out 2 300 kW of solar installations in the 2019 financial year. Our first rooftop solar project at our National Office has served as a great example and pilot.

### 2018 Achievements

Our office rooftop solar plant in Westville was completed successfully and albeit small, boasts the following statistics:

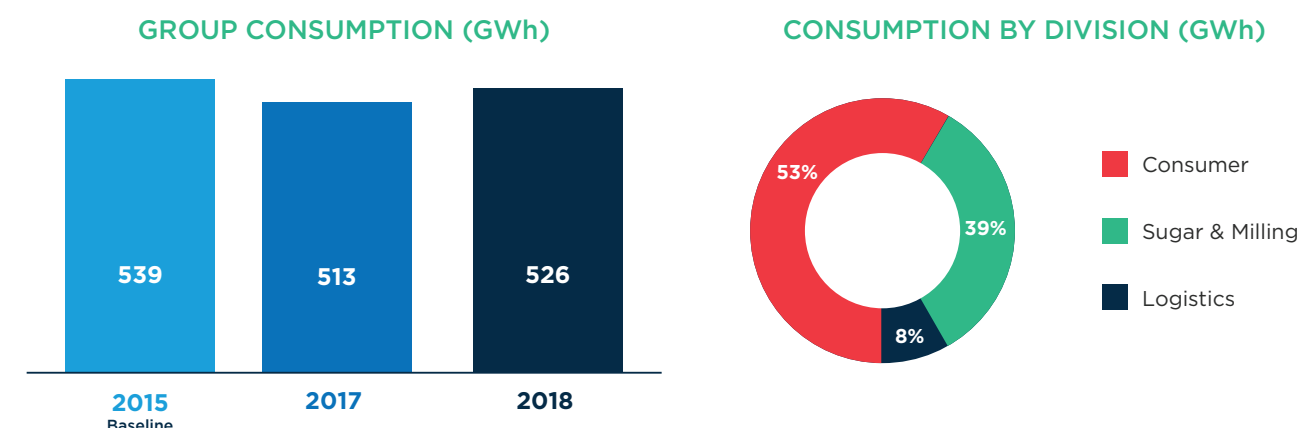
- Green energy from the **271 solar panels provided us with 11% of the building's total energy requirement.**
- **We produced 212 MWh of electricity**, which is more than enough energy to power all the lights in the building.
- **Our carbon footprint was reduced by 206 tons per annum** of CO<sub>2</sub> equivalent this year.

## Our 2018 Energy Consumption

### Our Electricity Consumption

In addition to renewable energy generation, we continue to focus strongly on energy efficiency and optimisation at operational levels. Over the past few years we have given consistent attention to electricity measurement and management, and to the implementation of reduction and optimisation initiatives. In 2018 there was a 2.3% increase in municipal electricity consumption compared to 2017.

- Our Consumer division saw a 5.8% decrease driven mainly by our poultry operations where a 14.3% reduction in electricity consumption was achieved, driven mainly by the new chicken business model.
- The Logistics division realised a 16.6% reduction on the back of remodeling the distribution network.
- The Sugar & Milling division experienced a 22.2% increase, mainly driven by an increase in power use for irrigation in our sugar farming operations following the drought.

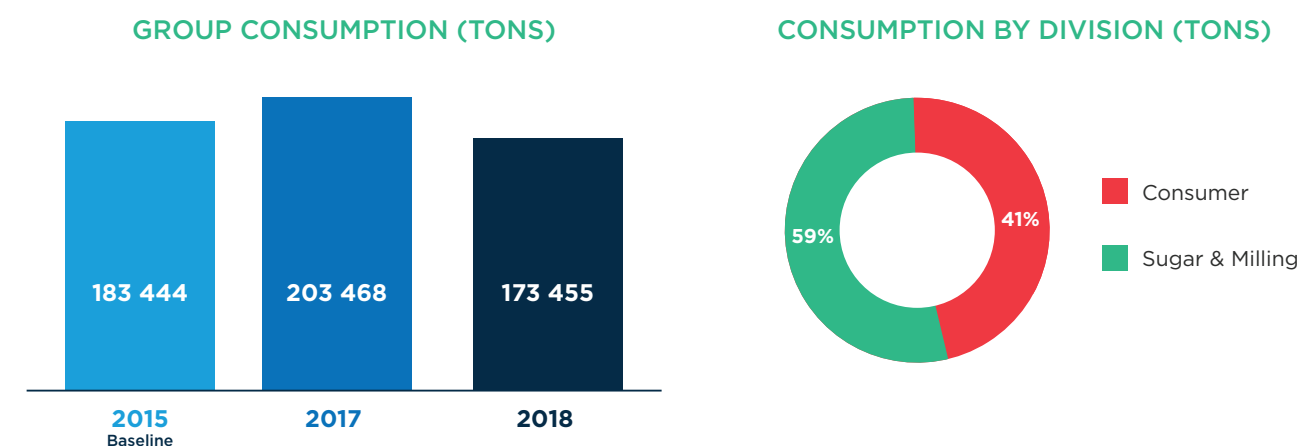


### Our Coal Consumption

Coal is used for heat generation at our poultry farms and steam generation at our processing, grocery and beverage plants; and our animal feed, flour and sugar mills. Coal-to-steam conversion, condensate return, make-up water and managed chemical consumption are monitored performance areas. Good boiler management practices and annual boiler inspections ensure safe and efficient operation of equipment.

Our coal consumption decreased by 15% from last year, due to:

- a reduction of 11% in the Consumer division, driven mainly by the new business model in Chicken which reduced product throughput; and
- a 17% decrease in the Sugar & Milling division, mainly due to an efficiency project at the Malalane mill and the increased availability of bagasse, post drought, for electricity co-generation.

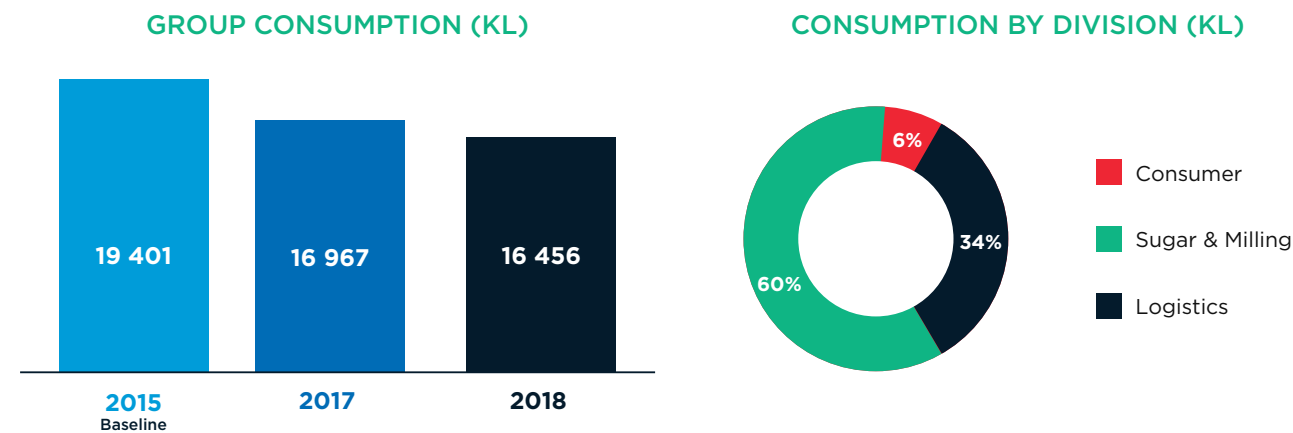




## Our 2018 Energy Consumption continued

### Our Diesel Consumption

Our consumption of diesel dropped by 3% during the last financial period, mainly driven by a reduction in sugarcane transport volumes, as well as a decrease in product hauled by our Logistics division arising from the revised business model in Chicken.



### Case Study : Saving Electricity, Our Way

RCL FOODS has installed close to 200 LED lights at various sites across the business, at a cost of approximately R470 000, resulting in an annual energy reduction of 206 848 kW which is reducing our carbon footprint and helping us become more energy efficient.

See page 40.

We have also been investigating ways to improve the energy efficiency at our chicken plants, with refrigeration controls being a key focus area. To begin with, we looked at the current setup and isolated the operational and non-operational refrigeration working conditions to understand energy consumptions.

Our refrigeration plants are driven by screw compressors which are powered individually by large motors generally in the range of 315-450 kW each, and on average we have at least 12 of these motors per processing facility. In order to improve performance while saving energy, we implemented a number of operational and non-operational measures. These included:

- optimising current set points so that the compressors would run at optimal electrical efficiency while not compromising on cold chain stability;
- sending refrigeration technicians on an in-house energy efficiency course to convey the importance of refrigeration dashboard monitoring, the impacts of energy conservation, and how our environmental carbon footprint affects our business;
- freezer optimisation (where holding rooms and blast freezers are run on standby mode during weekends, thus lowering the energy requirements);
- optimisation of central cooling at the processing plants over non-production periods; and
- expanding on LED lighting projects and driving a philosophy change in refrigeration control.

### Case Study : Going Beyond to Optimise the Diesel use in Logistics

A diesel optimisation project which started in our Logistics division in 2017, has seen increased fuel efficiency and reduced our CO<sub>2</sub> with the acquisition of more fuel-efficient trucks. Logistics invested R16 million in purchasing more fuel-efficient and environmentally friendly trucks (as per European legislation) than our current secondary fleet.

The aim of European legislation is to reduce the levels of harmful exhaust emissions, mainly nitrogen oxide (NO<sub>x</sub>), carbon monoxide (CO), hydrocarbons (HC) and particulate matter (PM).

For diesels, the permitted level of NO<sub>x</sub> has been reduced from 0.18g/km to 0.08g/km. The environmental benefits of investing in the new vehicles include:

- **Increased efficiency** – The new trucks have a fuel efficiency of 2.6km per litre compared to 2.2km per litre for the average truck in our fleet. The average fuel saving is 3 600 litres of diesel per truck per year (assuming a distance travelled of 50 000km).
- **Reduced CO<sub>2</sub>** – 14 trucks save 50 400 litres of fuel per year, which is equivalent to a carbon emission saving of 135 tons.



### Pumped Up to Save More

Our Logistics depot in Cape Town (Vector Peninsula) has installed a 46 000 litre diesel bowser on site with the aim of reducing operational costs and our carbon footprint. The objective of this project was to reduce diesel usage and time on the road, since the depot's fleet of 34 trucks had been travelling to a fuel station 12km away to refill every day. The result of this initiative is a saving of 20 300 km of travel per year, equating to a total annual operational cost saving of R680 000 and a diesel saving of 6 400 litres of diesel – the equivalent of 17 tons of CO<sub>2</sub>.



## 2 MORE WATER-SMART OPERATIONS

Our ambition is to become a more water-smart business that continually seeks new ways to reduce, reuse and “create water”.

We believe our first priority is to ensure food safety and the wholesomeness of our products, and we understand the critical role that water plays in ensuring the cleanliness of our facilities. We also recognise the balance between protecting product quality for the sake of the consumer and conserving a scarce, shared natural resource.

As the global demand for water increases, international water resource authorities forecast that water withdrawal will exceed water renewals by 2030 and in the South African context by 2025 as estimated by World Wide Fund for Nature. With this in mind, we are committed to re-thinking our relationship with water. Water management, conservation and optimisation have been focus areas across our divisions, while programmes and technologies (water committees, team member education and quality inspections, along with reuse systems, reservoir systems and waste water treatment systems) have been employed to minimise our impact on scarce water resources.

### Water Savings and Reuse Initiatives

#### Logistics division “Going Beyond” as Cape Water Crisis Continues

Rainfall in the Western Cape has steadily declined, hitting a record low in 2017 and leading to the region’s worst drought in more than a century. While Cape Town successfully avoided Day Zero in 2018, keeping taps open will depend on above-average winter rainfall and ongoing strict water management. For our Logistics division, that means “Going Beyond” to reduce our overall consumption and ensure that the water crisis has a limited effect on our Cape operations.

The average water consumption at our Peninsula operation in Cape Town has typically been 1 429 kl a month. Of this, 47% is used by condensers in the refrigeration plant, which ensures that all products in the cold stores are kept at required temperatures. In addition to the refrigeration plant, the other main consumers of fresh water are sanitation and the truck wash bay.

#### 2018 Achievements

- **Water consumption reduced by approximately 50%**, based on initiatives implemented below:
  - Shifting from traditional water-cooled condensers to adiabatic (air-cooled) condensers which have reduced refrigeration water use by about 70%;
  - Installing waterless urinals and flow restrictors to minimise fresh water use;
  - Introducing waterless truck washing via a chemical wash system;
  - Securing municipal ‘grey water’ as a water source for all low-risk processes such as toilet flushing and yard cleaning; and
  - Using alternative sources of non-potable water such as refrigeration defrost water, rain water harvesting and borehole water.

#### Water Savings in our Sugar business unit

The Sugar business unit has implemented a number of raw water savings and efficiency initiatives. Conversion of drag line irrigation systems to drip irrigation, and other conservation initiatives, aim to effect a 30% reduction in water use.

#### 2018 Achievements

- **1 889 hectares out of 5 682 hectares (34%) cane area** was converted to efficient irrigation systems in the past year
- **The business unit continues to participate in water use management** and is actively involved in various catchment-wide initiatives.
- **Our sugar mills remain water positive** and there is active involvement in Irrigation Boards and Catchment/ River Management Forums to ensure that water use throughout the catchment is effectively measured and managed – both for farming operations and for all downstream water users.
- **The Inkomati Catchment Management Agency and the Department of Water Affairs** have been approached to assist with and formalise all water-related agreements and licensing, with scheduled quarterly site inspections and meetings.

#### Case Study : Our Speciality Operation gets More Water-Smart

Our Speciality plant in Centurion, Pretoria, produces a variety of products for Woolworths, and water is a key part of the preparation and production process. An average of 4.5 million litres of water are used per month - 205 000 litres a day.

After processing, all this water has to be treated before being discharged. To do this, we have a waste water treatment plant in place, along with an effluent dam to catch the treated runoff. Faced with constraints in the treatment plant’s ability to treat such a large volume of waste water from the factory, the site team came up with a two-phase solution. This involves cleaning the post-processing water enough to reuse for irrigation (and possible other uses) and discharging the balance via the municipal effluent line.

The first part – a dissolved air flotation and flocculation (DAFF) unit – was commissioned on the site on 31 October 2017. The DAFF is removing 81% of the organic waste from the waste water and is producing water quality that is four times better than the minimum level required for irrigation quality.

Not only has this initiative positively strengthened our commitment to meeting all environmental requirements, it has also reduced odour and reinforced our agenda of wasting less and reusing more by reusing the treated effluent water as irrigation water. The next step will be to investigate whether more of the treated effluent can be used again in other downstream processes.



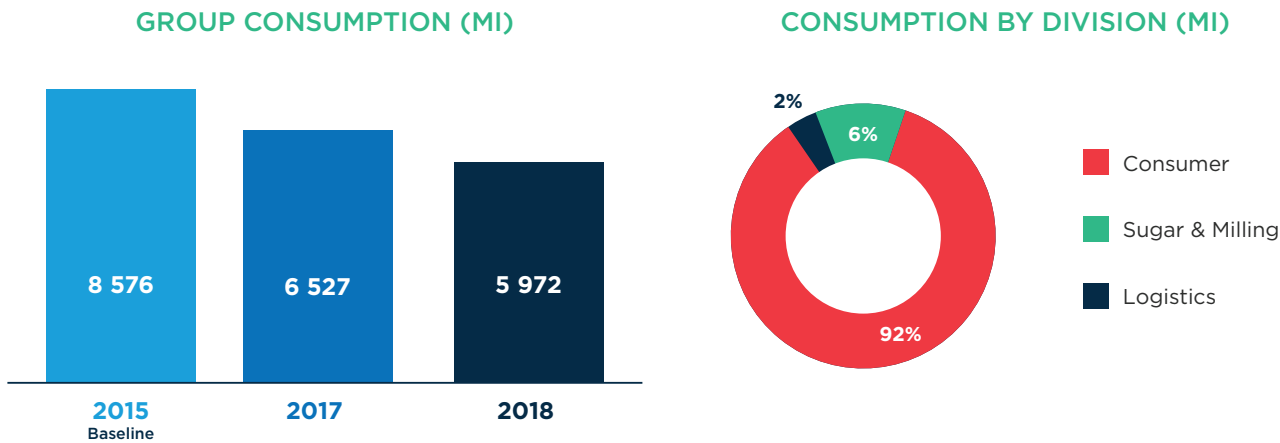


Our 2018 Water Consumption

Our Municipal Water Consumption

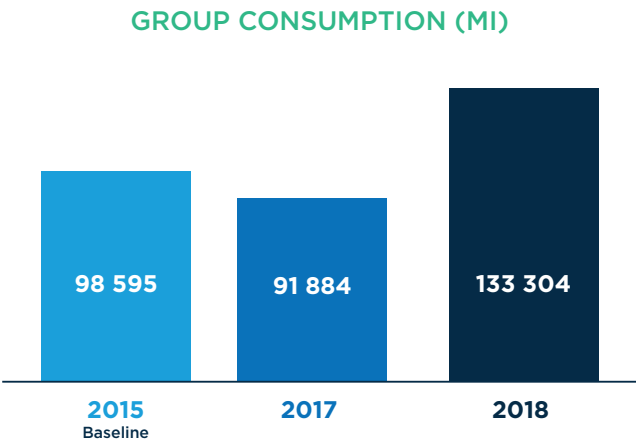
Our municipal water consumption reduced by 9%, due to the following:

- A 10% decrease in the Consumer division, driven mainly by the new business model in Chicken which lowered product throughput; and
- A 15% decrease in the Logistics division due to water saving initiatives and a remodel of the Logistics distribution network.
- Municipal water consumption in the Sugar & Milling division increased by 14%, mainly due to a significant increase in throughput at our flour mill in the Millbake business unit.



Our Raw Water Consumption

Whereas water allocations in the 2017 financial year were severely rationed due to the drought, RCL FOODS and JV farms received on average 75% of the full annual water withdrawal allocation in the 2018 financial year, which accounts for the 45% increase in raw water usage in 2018. Our sugar mills, the main user of raw water, had a 5% reduction in raw water consumption. This was achieved through an increased focus on water management, mill efficiency projects and improved sugar cane quality.



3 MORE WASTE-FREE OPERATIONS

Our ambition is to become a waste-free business that continually seeks new ways to turn waste into value.

Being a relatively new company in our current form, we are developing our understanding of the potential opportunities that waste represents, and exploring business models that will maximise waste-to-value prospects.

RCL FOODS reduced waste to landfill by nearly 30%.

Objective: To divert waste from landfill for recycling or reuse and maximise waste to value opportunities

Approach	Key Role Players
1. Measure	Sourcing Team
2. Reduce and Manage	Operational Team
3. Identify Key Waste Streams	Environmental Sustainability Team
4. Innovate and Explore	

	Progress	Status	Next Steps
1. Measure	<ol style="list-style-type: none"><li>Waste information included in monthly sustainability reporting</li><li>Waste information captured in a consolidated database by sustainability team and visualised in PowerBI dashboard</li></ol>	64% of sites report waste on a monthly basis	<ul style="list-style-type: none"><li>Ensure 100% reporting by sites by 2019</li><li>Drive disciplined monthly waste reporting in 2019, add key sites to internal audit plan</li></ul>
2. Reduce and Manage	<ol style="list-style-type: none"><li>Ongoing brilliant basics at the facilities to drive down waste generated</li><li>Work with Group Strategic Sourcing to review waste contracts and costs for large sites</li></ol>	Eight of 16 large sites waste contracts reviewed	<ul style="list-style-type: none"><li>Continue review of contracts and ensure alignment across sites</li></ul>
3. ID Key Waste Streams	<ol style="list-style-type: none"><li>Waste dashboard developed to visualise and analyse current operational waste view</li><li>Eight physical site waste assessments completed by Environmental Sustainability Team</li><li>Facility waste registers reviewed</li></ol>	Completed a review of eight sites. Gap analysis in progress	<ul style="list-style-type: none"><li>Review requirements and standardisation of waste registers</li><li>Identify key waste streams (once 100% information received)</li></ul>
4. Innovate and Explore	<ol style="list-style-type: none"><li>Establish a clear view of our waste universe</li><li>Drive the development of our sustainable packaging roadmap</li></ol>	Review waste definitions and site reporting  Update group packaging footprint	<ul style="list-style-type: none"><li>Identify key projects/big wins to reduce our waste impact</li><li>Identify/Quantify Waste to Value opportunities</li><li>Establish group packaging dashboard and develop roadmap</li></ul>



Our Approach to Waste Management

We ensure that waste generated is carefully managed in our operations and at licensed waste disposal facilities in accordance with legislative requirements. We analyse all types of waste material generated, assess options for possible reuse and disposal, and apply the waste management hierarchy to ensure that waste is used or disposed of in the most environmentally friendly way.

Our Approach to Packaging

Packaging is used to preserve, protect, contain, transport and inform consumers and sell our products. Since only 8% of resources used to make a product can be allocated to product packaging, we understand the importance of protecting our products through improved packaging quality.

We therefore strive to develop fit-for-purpose packaging that preserves the products we produce while maximising the use of recycled or recyclable substrates and avoiding unnecessary waste to landfill. Reducing the pre-and post-consumer impact of packaging materials is a responsibility we take very seriously.

We have added the recycling codes and statements such as “care for our environment” and “dispose of packaging responsibly” to all our packaging material. We have also challenged our strategic packaging suppliers to assist with finding ways of implementing the four Rs (Reduce, Reuse, Recycle, Recover) in all packaging materials used.

We have now investigated three business units – Pies, Chicken and Beverages – to establish the volume of packaging used, identify the main substrates (main base material) and determine their recycling rates according to industry standards.

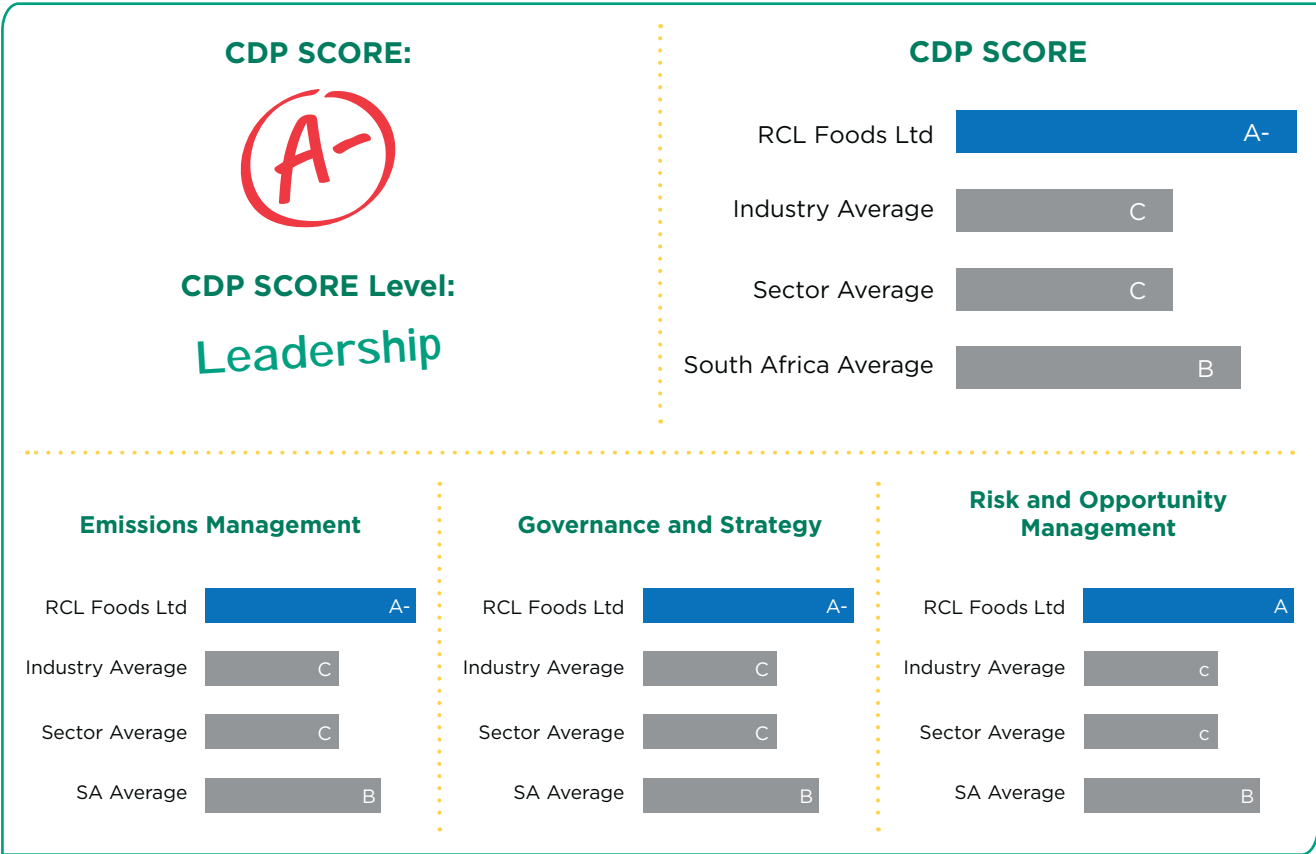
Our next steps will be to complete a full company-wide packaging footprint; track our packaging recyclability; understand our future risk in respect of the regulatory environment; and develop a packaging roadmap that entails working with our packaging suppliers to develop more sustainable packaging for our products.

Our Approach to Environmental Air Quality

We have an environmental air quality management procedure in place which spans our entire business. The objective of this procedure is to protect the environment by providing reasonable measures for the protection and enhancement of air quality and the prevention of air pollution and ecological degradation. While there is currently no legislation governing vehicle emissions, we are conscious of their impact on the environment. As a result, all vehicles are maintained and replaced on a regular basis to minimise both emissions and diesel fuel wastage.

Global Carbon Disclosure Project

We achieved an “A-” rating in the Global Carbon Disclosure Project (CDP) in 2017, achieving a Leadership score level and ranking amongst the 22% highest scoring companies. The project encourages the top companies in each country to calculate their direct and indirect carbon emissions and come up with plans to lower them.





# OUR CARBON DISCLOSURE REVIEW

Our 2018 Carbon Disclosure Review was conducted internally and verified by an external assurance specialist. This constitutes our fourth carbon footprint review and should be compared against the previous Carbon Footprint calculations from 2015. All reports have been prepared using the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard methodology. We commissioned an Independent party to perform a gap analysis and verification of our Carbon Footprint Inventory with a view to express an opinion on our GHG assertions (pertaining to the emissions we have disclosed).

The verification process assesses:

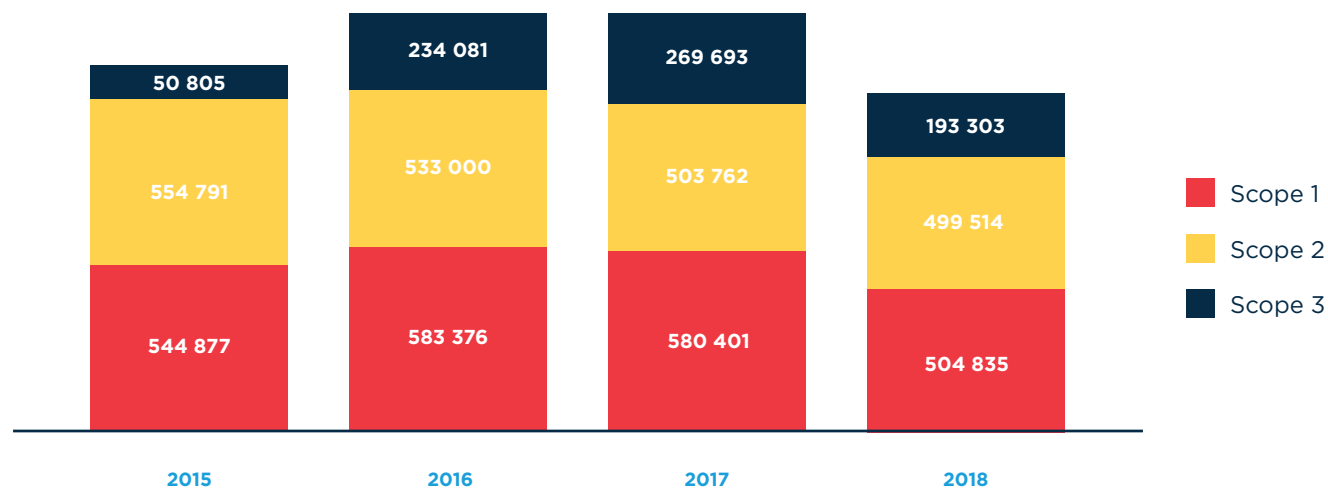
- The consistency of the procedures and methodologies with the general requirements and guidance of the World Business Council for Sustainable Development/World Resources Institute GHG Protocol for Corporate Accounting Standards; and
- The technical correctness of the quantification procedures/methodologies of our GHG Inventory.

Under the GHG Protocol, it is compulsory to report on both direct emissions and indirect emissions resulting from purchased electricity. All other indirect emissions are reported on a voluntary basis. In addition, certain “outside of scope” emissions have been included, namely non-Kyoto Protocol greenhouse gases and carbon dioxide emissions resulting from the use of biomass as a renewable energy source.

## Our Carbon Footprint Trends

We have been tracking our carbon footprint in accordance with the GHG Protocol and deem this an acceptable method to measure our impact on climate change and keep track of mitigating strategies. We set 2015 as our base-year for the carbon footprint calculations as this was the first full year where data was available for all our divisions under ONE RCL FOODS.

CARBON FOOTPRINT BY SCOPE IN TONS OF CO<sub>2</sub>E



## Environmental Sustainability Practices

As a business we acknowledge that we have a moral and legal responsibility towards the environment, our employees, our customers, our neighbours, our business partners and future generations. Not only do we endeavour to conduct all our activities in such a way that the environment is not adversely affected, but we also favour suppliers and partners who have similar environmental policies.

Through our Environmental Policy we promote shared responsibility and accountability amongst employees, stakeholders, local communities and other affected parties on environmental matters of mutual concern. Our policy requires that contractors also follow responsible environmental practices.

This policy is applicable across all operations and functions, including those situations where employees and contractors are required to work off-site. The environmental policy is communicated to all areas of the business through the employee induction process and the intranet.

## Environmental Impact Assessments (EIA)

We conduct EIAs as required by the Department of Agriculture and Environmental Affairs when considering investment in new facilities or upgrades to existing ones. This process allows for comments and input from all interested stakeholders and affected parties. An Environmental Management Plan is established for the construction phase of such projects, to serve as a guide to assist in minimising the potential environmental impact of business initiatives.



# OUR PERFORMANCE

# PERFORMANCE INDICATORS

## ECONOMIC, ENVIRONMENTAL AND SOCIAL INDICATOR STATEMENT

		June 2018	June 2017
<b>ECONOMIC PERFORMANCE INDICATORS (R million)</b>			
<b>Impact on suppliers:</b>			
Total paid to suppliers		17 906	18 916
Major sources of suppliers:			
- Transport		1 618	1 687
- Total contract growers		2 115	2 165
- BEE contract growers		758	619
- Electricity		658	614
<b>Impact on employees:</b>			
Total payroll and benefits		4 402	4 185
<b>Impact on providers of capital:</b>			
Total interest paid to funders		315,1	366,1
Total dividends paid to ordinary shareholders		304,6	217,1
Reserves		627,7	305,2
<b>Impact on public sector:</b>			
Tax (excluding VAT)		219,6	125,6
<b>Impact on community:</b>			
Social responsibility expenditure		15,4	12,8
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>			
<b>Water consumption</b>	Mℓ	5 972	6 527
<b>Energy consumption:</b>			
- electricity (Eskom)*	GWh	526	513
- electricity (own generation)	GWh	178	138
- coal	tons	173 455	203 468
- liquid petroleum gas	kℓ	3 126	3 141
- diesel*	kℓ	16 456	16 967
<b>Recycled waste products:</b>			
- cardboard waste	tons	1 529	462
- plastic waste	tons	654	194
- scrap metal and timber	tons	319	121
- treated water discharged to municipality	kℓ	2 508 360	2 033 560
- treated water as a percentage of total water consumption	%	42	31
Levies for non-compliance	R'000	1 392	642
<b>SOCIAL PERFORMANCE INDICATORS</b>			
Full-time employees		20 581	20 111
Net full-time employment (decrease)/increase		470	(961)
Bargaining unit employees	%	76	74
Training expenditure	Rm	39,9	40
Disabling incident frequency rate:			
- Consumer		1,16	1,01
- Sugar & Milling		1,10	1,71
- Logistics		1,80	1,86
Number of working days lost through strike action^		8	Nil

\* 2017 numbers restated due to enhanced reporting availability in 2018.

^ Refers to the number of production days lost at a production facility due to strike action.





## OUR VALUE ADDED STATEMENT

	%	June 2018	%	June 2017
<b>ECONOMIC PERFORMANCE INDICATORS (R million)</b>				
Revenue		24 425 966		24 950 655
Paid suppliers		17 906 068		18 915 521
Value added by operations		6 519 898		6 035 134
Dividend received		62 394		93 522
Finance income		62 624		40 999
<b>Total value added</b>		<b>6 644 916</b>		<b>6 169 655</b>
<b>Applied as follows:</b>				
To pay employees				
Salaries, wages and benefit	66.2%	4 402 225	67.8%	4 184 550
To pay providers of capital	9.3%	619 714	9.5%	583 227
Interest paid	4.7%	315 104	5.9%	366 080
Dividend paid	4.6%	304 610	3.5%	217 147
Tax expense	3.3%	219 589	2.0%	125 552
Re-invested in the business	21.1%	1 403 388	20.7%	1 276 326
Depreciation, amortisation and impairment	11.7%	775 640	15.7%	971 125
Retained earnings	9.4%	627 748	4.9%	305 201
<b>TOTAL</b>	<b>100.0%</b>	<b>6 644 916</b>	<b>100.0%</b>	<b>6 169 655</b>

## OUR TRAINING SPEND

	A	C	I	W*	June 2018	June 2017
<b>TRAINING INDICATOR</b>						
Training Budget					R 39 057 669	R 40 777 900
Training Spend					R 39 945 020	R 40 138 940
Total Hours of Training	205 161	33 627	15 588	37 972	292 348	365 585
Ave. hours of training per employee	25,34	20,57	19,10	30,52	24,79	21,97
No. of employees trained	8 097	1 635	816	1 244	11 792	16 637
No. of employees on Learnerships	696	114	15	40	865	304
No. of employees on Apprenticeships	56	4	1	5	66	100
No. of Learners on Adult Education and Training	7	0	0	0	7	47
SETA stats - Grants received						
- Mandatory Grants					R 8 155 042	R 3 671 851
- Discretionary Grants					R 5 518 859	R 6 071 134

\*African, Coloured, Indian, White



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