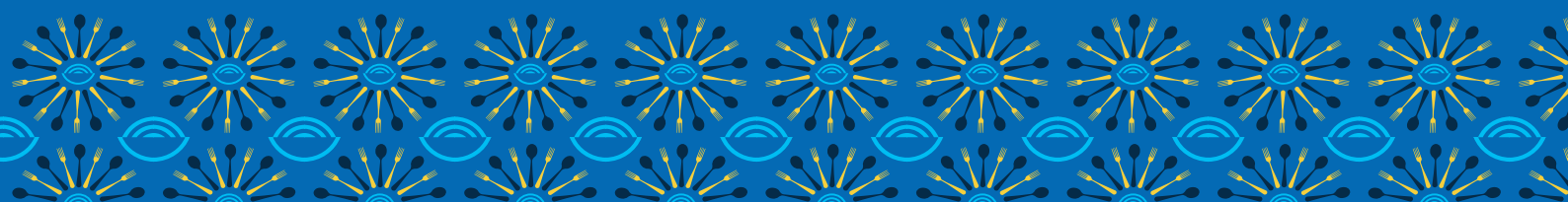




# 2017



**OUR SUSTAINABLE  
BUSINESS REPORT**  
FOR THE YEAR ENDED JUNE 2017



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## ABOUT THE REPORT

# SCOPE AND BOUNDARY

## REPORTING APPROACH

This Report forms part of our annual suite of Reports for the year ended June 2017. The previous reporting period was July 2015 to June 2016. The information reported covers all activities of RCL FOODS and our three divisions, Consumer division, Sugar & Milling division and Logistics division (Vector) 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 III, 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 2017 Abridged Integrated Annual Report and the 2017 Annual Financial Statements, 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.

**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



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



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



This icon signifies that related information is available online on the relevant Facebook page.



# OUR BUSINESS AT A GLANCE

## PERFORMANCE OVERVIEW

### R50million IRRIGATION INFRASTRUCTURE REHABILITATION PROJECT

by Akwandze Agricultural Finance created 2 700 permanent and short-term jobs

### 850 YOUNG CHILDREN

in Nkomazi provided with a daily snack of Monati porridge and Yum Yum peanut butter through our early childhood development programme

### R30million IN LEASE PAYMENTS to

land reform community beneficiaries through our community projects, contributing to economic and social development



### REVENUE R25,0billion ↓0,3%

### EBITDA R1,7billion ↓0,8%

### HEADLINE EARNINGS R548,5million ↓34,1%

### TOTAL DIVIDENDS Per Share 30,0cents



### R4,2billion PAID TO EMPLOYEES

As salaries, wages and other benefits

### R40million SPENT ON TRAINING

16 000 employees

### 630 SMALL- SCALE GROWERS

received paid bulk water services from TSGRO

### 138 GWh OF ENERGY GENERATED

in 2017 by energy efficiency and optimisation projects

### R18,9billion PAID TO SUPPLIERS

for goods and services supplied

### R793,2million INVESTED IN INFRASTRUCTURE

to build and optimise our production and distribution facilities and deliver capacity for growth

### R217,1million PAID TO SHAREHOLDERS

During the year

### LEVEL 4 B-BBEE

contributor status maintained

### 37% OF MANAGEMENT AND 100% OF EXECUTIVES

have taken part in our Leadership Development Programmes with GIBS

### A-RATED

in the 2016 Global Carbon Disclosure Project\*

\*The Carbon Disclosure 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 BUSINESS AT A GLANCE

# WHO WE ARE AND WHAT WE DO



ONE OF AFRICA'S  
LEADING FOOD  
PRODUCERS

A TOP 100  
JSE-LISTED  
COMPANY



MORE THAN  
**20 000**  
EMPLOYEES

## OUR LOGO AND ITS MEANING



A BOWL



FILLED ABUNDANTLY

Representing the rising opportunity in  
Africa and the desire to sustain its people



**RCL**  
FOODS™

RCL FOODS is a food company. It is therefore fitting that our icon is representative of food. It is made up of two parts. The first part, the bottom half, represents a food bowl and that shape symbolises balance, harmony and community. The second part, the top half, represents a serving of food. It is rainbow shaped which symbolises hope, opportunity and prosperity. The two parts together represent a bowl filled with an abundance of food.



WE MANUFACTURE A WIDE RANGE  
OF BRANDED AND PRIVATE LABEL  
FOOD PRODUCTS WHICH WE  
DISTRIBUTE ACROSS SOUTHERN AFRICA THROUGH  
OUR OWN ROUTE-TO-MARKET  
SPECIALIST, VECTOR LOGISTICS

OVER 240 OPERATIONS  
ACROSS SOUTH  
AFRICA AND AFRICA  
(INCLUDING JOINT VENTURES)



WITH MORE  
THAN 20  
MUCH-LOVED BRANDS,  
WE'RE IN ALMOST EVERY SOUTH  
AFRICAN HOUSEHOLD

OUR PASSION IS TO  
PROVIDE MORE FOOD  
TO MORE PEOPLE,  
MORE OFTEN

R14  
BILLION  
MARKET  
CAPITALISATION





# OUR BUSINESS 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.



## GROUP FUNCTIONS



Support is provided to the three divisions in common strategic and operational areas which are managed by:



Human Resources



Finance



IT



CEO's Office

## CONSUMER DIVISION



Our Consumer division produces a wide range of quality culinary, pet food and beverage products through its five business units – Chicken, Grocery, Pies, Beverages and Speciality. Our Foodsolutions service channel spans across the Consumer and Sugar & Milling divisions, providing dedicated support to customers in the food service industry.

**R13,5bn**  
(45,0%)  
**REVENUE**  
CONTRIBUTION

**R506,5m**  
(29,0%)  
**EBITDA**  
CONTRIBUTION

**R8,4bn**  
**TOTAL ASSET**  
VALUE

## SUGAR & MILLING DIVISION



Our Sugar & Milling division produces a number of consumer staples and animal feed products within its three business units: Sugar, Millbake and Animal Feed. Our sugar and flour mills are key raw material suppliers to our molasses-based feed mills and bakeries respectively.

**R14,5bn**  
(48,2%)  
**REVENUE**  
CONTRIBUTION

**R1 036,1m**  
(59,4%)  
**EBITDA**  
CONTRIBUTION

**R8,2bn**  
**TOTAL ASSET**  
VALUE

## LOGISTICS DIVISION



Our Logistics division (Vector) provides RCL FOODS and numerous third parties with multi-temperature warehousing and distribution, supply chain intelligence and sales solutions.

**R2,0bn**  
(6,8%)  
**REVENUE**  
CONTRIBUTION

**R203,2m**  
(11,6%)  
**EBITDA**  
CONTRIBUTION

**R3,3bn**  
**TOTAL ASSET**  
VALUE

## OUR BUSINESS AT A GLANCE

# OUR STRATEGY

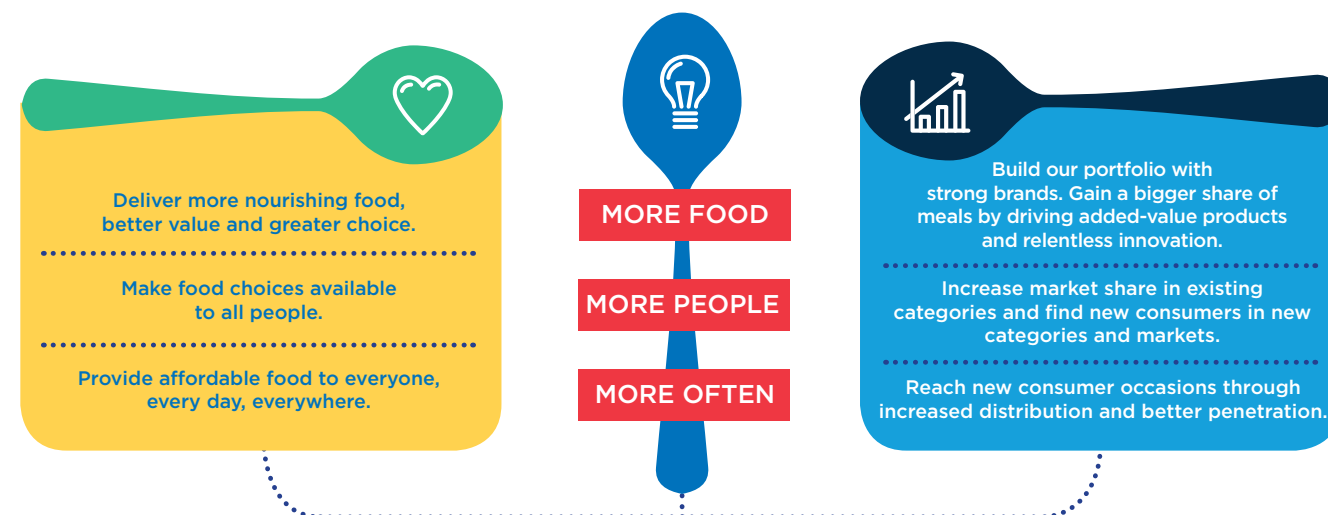
Our strategy is founded on a clear sense of who we are and where we are going as a business. We aim to create the future Our Way – driven by Our Passion and Our Ambition, guided by Our Values and Our Leadership Standards.

Our Business Model, Our Strategic Thrusts and Our Sustainable Business Drive framework are key pillars of our strategy that help us move towards achieving our passion and ambition.

## OUR PASSION

**OUR PASSION IS TO PROVIDE MORE FOOD TO MORE PEOPLE, MORE OFTEN.**

In Our Passion to do more, we are driven by a desire to improve people's access to nourishing food while achieving sustained business growth. The three "mores" of Our Passion are a simple expression of our interlinked social and business agenda.



## OUR AMBITION

**TO BUILD A PROFITABLE BUSINESS OF SCALE BY CREATING FOOD BRANDS THAT MATTER**

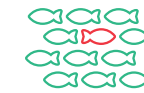
Our goal is to double our revenue whilst driving a steady and sustainable improvement in operating margin. The key to our strategy is to build brands that people love – brands that make an impact on their lives and cater to their needs.

## OUR VALUES

Four powerful values underpin our business model, drive our strategy and inform the way we do business.



**Respect for people:**  
treating people with  
dignity and fairness



**Seeing and doing things differently:**  
innovating in every  
part of our business



**Uncompromising integrity:** being  
consistently ethical  
in our conduct



**Act responsibly:**  
protecting our  
business, environment  
and the communities  
in which we operate

## OUR LEADERSHIP STANDARDS

Authentic leadership is a key component of our strategy and culture. We define authentic leaders as leaders who see and do things differently and who display judgement, drive and influence while leading in four key areas: performance, change, people and self. These are the areas targeted by our unique and internally-developed Leadership Standards.

**Leading Performance**

creating a high-performance culture and a customer service obsession

**Leading Change**

seeing and doing things differently to unlock business value

**Leading People**

inspiring people to exceed expectations and promoting collaboration

**Leading Self**

energising and motivating others through self-drive and a focus on continuous learning

## OUR WAY

Developing a unique RCL FOODS culture is both central to our strategy and key to its success. Inspired by Our Passion for MORE, Our Values and Our Leadership Standards, our unique culture is brought to life in Our Way – a set of key behaviours that inspire the way we work and create value as a business.

<b>MORE IMPACT</b> 	We strive to make the greatest impact by facing the brutal facts and clearing the biggest hurdles.	<b>MORE OPEN</b> 	We believe in sharing knowledge and we value the views of others, regardless of who they are.
<b>MORE BRAVE</b> 	We have the courage to do the right thing, make bold decisions and learn from our mistakes.	<b>MORE SPEED</b> 	We strive to combine speed and simplicity to do better business.
<b>MORE CURIOUS</b> 	We are persistent in seeing and doing things differently and we encourage curiosity which leads to game-changing ideas.	<b>MORE YOU</b> 	We encourage authenticity because great ideas come from real, honest and passionate people.

**P.S. MORE FUN!** ...because it's contagious!



# OUR BUSINESS AT A GLANCE

# OUR STAKEHOLDERS

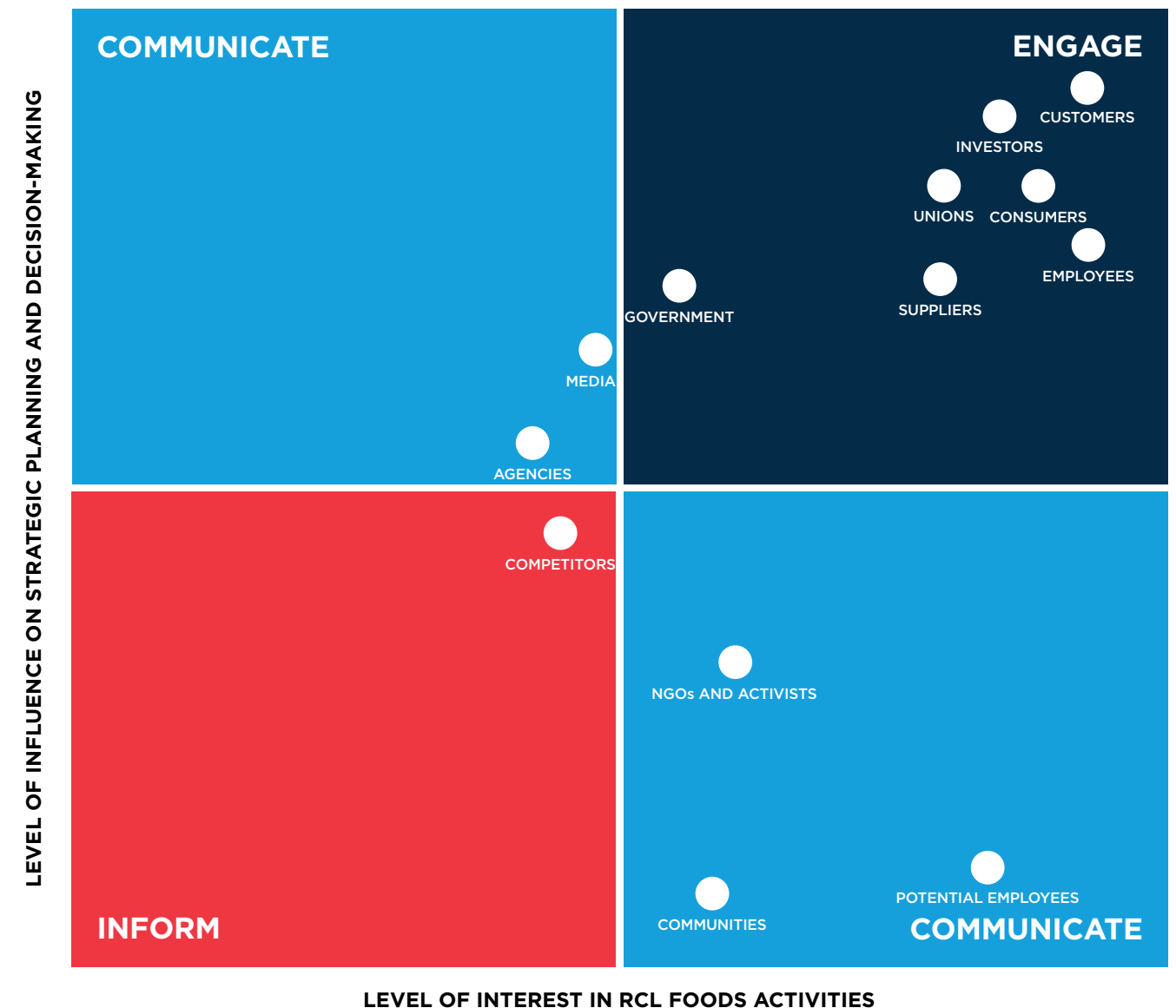


Being a recently integrated company with an expanding footprint, we are still in the process of developing an aligned RCL FOODS stakeholder engagement framework. We place strong emphasis on cultivating positive relationships and, where possible, we follow a partnership approach to engage and find solutions for common business impact. Each of our stakeholders plays an important role in helping us achieve Our Passion of providing “More Food to More People, More Often”.

*Our stakeholder engagement approach aims to ensure:*

- Constructive and co-operative engagements;
- Openness and transparency;
- Mutual respect;
- Supportive and responsive interaction;
- Working towards regular and structured engagements;
- Engagements that are based on business-critical aspects, national priorities and material issues for the business; and
- Recognition that all stakeholders are also existing or potential consumers.

Our stakeholder matrix below provides us with a foundation for our stakeholder engagement strategy. Material stakeholders are mapped against their level of interest in RCL FOODS’ activities, along with their level of influence on strategic planning and decision-making.



The table below outlines our material stakeholders and our engagement with them on key issues.

INVESTORS

(Investors, Board Members)

We engage regularly with our investors, keeping them informed about our financial performance, overall sustainability, business risk management and strategic growth.

For more detail on our investor relations, refer to our CEO Report on pages 58 to 63 and our Strategic Performance section on pages 38 to 51.

KEY ISSUES RAISED

- Exposure to commodity food categories
- Regulatory impact of:
  - Chicken brining, dumped imports and tariffs
  - Sugar tax and tariffs

OUR RESPONSE

- Staple foods are a critical aspect of our portfolio. To safeguard our profitability, we are moving towards a more balanced portfolio that incorporates higher-margin added-value components.
- We engage with government, labour and industry on an ongoing basis.

EMPLOYEES

(Employees, Unions, Potential Employees)

We are committed to engaging the hearts and minds of our employee community as it is their skill, attitude and potential that determines our ability to succeed and realise Our Passion.

For more detail on our employee initiatives, refer to our Strategic Performance section on pages 38 to 51, Our Sustainable Business Report and our Remuneration Report both available at [www.rclfoods.com](http://www.rclfoods.com)



KEY ISSUES RAISED

- Career development and growth
- Education and training
- Diversity and equal opportunities in the workplace
- Constructive employee relations and engagement
- Employee wellness
- Remuneration and benefits

OUR RESPONSE

- In partnership with the Gordon Institute of Business Science (GIBS), we launched the RCL FOODS Leadership Development programme for our management.
- We have spent R40 million on training and development of our people.
- We have strengthened our relationship with Union partners, assisted by the establishment of national working forums across our divisions.
- Our five-year employment equity plan has been aligned to Department of Labour targets.
- We provide varying levels of occupational healthcare services at our operating sites.

LOCAL COMMUNITIES

(Communities, NGOs, Activists)

We actively promote inclusive, sustainable economic growth through local community upliftment and economic development initiatives, such as our unique economic partnership with small-scale sugarcane growers.

For more detail on our social development initiatives, refer to Our Sustainable Business Report at [www.rclfoods.com](http://www.rclfoods.com).



KEY ISSUES RAISED

- Social and economic development

OUR RESPONSE

- Akwandze Agricultural Finance (a joint venture of the Group) completed its five-year, R50 million rehabilitation of irrigation infrastructure which created approximately 2 900 jobs.
- TSGRO, a farming and business support services joint venture successfully provided a new Bulk Water Supply (BWS) paid service to 630 small-scale growers and seven co-operatives.
- We assisted in facilitating a number of public-private partnerships in the Nkomazi area where our early childhood development project is being piloted.

GOVERNMENT

We identify and discuss areas of mutual concern, share industry expertise and contribute to policy formulation.

For more details on government engagement, refer to Our Sustainable Business Report at [www.rclfoods.com](http://www.rclfoods.com).



KEY ISSUES RAISED

- Ongoing compliance with regulatory frameworks
- Partnerships
- Job losses

OUR RESPONSE

- We actively monitor all compliance requirements and engage extensively with government to understand any proposed changes.
- We engaged extensively with government to highlight the plight of the chicken industry and find joint solutions.
- With the support of the Department of Rural Development and Land Reform, our Sugar business unit partnered with farmers in KwaZulu-Natal and Mpumalanga to produce 1 096 500 tons of cane during the 2016/17 season.

BUSINESS PARTNERS

(Customers, Agencies, Suppliers)

We seek to build strong, collaborative partnerships with our business partners that deliver service excellence while advancing our mutual growth ambitions. For more details on our business partners, refer to Our Sustainable Business Report at [www.rclfoods.com](http://www.rclfoods.com) and our Strategic Performance section on pages 38 to 51.



KEY ISSUES RAISED

- Opportunities to supply RCL FOODS
- Access to finance
- Growth and development
- One RCL FOODS sales team

OUR RESPONSE

- Our joint venture agreements provide for ownership of land, infrastructure and water rights to be passed to the community and leased back by RCL FOODS at market rates with offtake agreements for cane supply.
- The Group implemented a single sales interface for customers, receiving very positive feedback on service improvements and the broad range of product solutions offered.

CONSUMERS

We actively build trust through brand experiences where product value, safety and quality are paramount.

For more details on our consumers, refer to Our Sustainable Business Report at [www.rclfoods.com](http://www.rclfoods.com).



KEY ISSUES RAISED

- Affordability
- Quality

OUR RESPONSE

- High input costs resulted in significant margin pressure this year. A return to more normal rainfall patterns is alleviating the pressure and should translate into lower prices in the next year.
- International Standards Organisation (ISO) principles are embedded in our integrated management systems which span the supply chain to ensure customer satisfaction, build customer trust, reap commercial benefits and drive sustainability in a changing environment.

MEDIA

Through our press releases, advertising and announcements, we engage with the media and the public on current industry issues, our company performance, our brands and our corporate social investment initiatives.

KEY ISSUES RAISED

- Timing of results announcements
- Access to management
- Rapid response to queries
- Up-to-date reporting

OUR RESPONSE

Brand innovations and achievements, promotions, financial updates, HR initiatives, community development news and industry opinions are externally reported on via press releases, advertisements, advertorials, our website and our social media pages.



# OUR SUSTAINABLE BUSINESS DRIVE

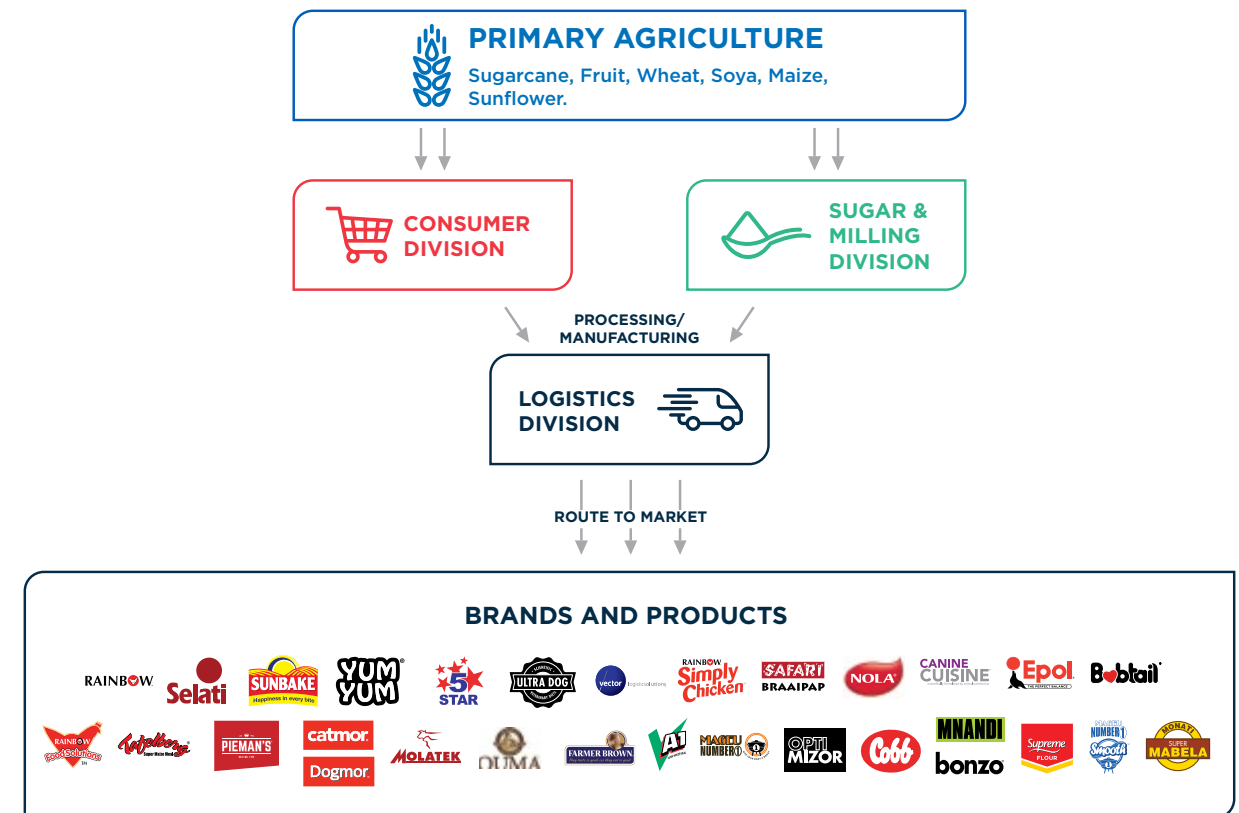
# OUR APPROACH TO SUSTAINABILITY

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 material risks and environmental footprint are 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.



Waste-To-Value Plant - Worcester

## OUR VALUE CHAIN MODEL



In early 2016 our Sustainability Steering Committee 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 then 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.

Having completed one full year since the roll out of our framework, we have made good progress in most areas, while the challenges of the macro-economic environment we operate in 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 Sustainability Charter as part of the Risk Committee mandate. A director is responsible for championing our Sustainable Business Drive initiative, while the Risk and Social & Ethics Committees’ role is to assist the Board in monitoring all aspects of sustainability – including health, safety, economic, environmental and social impacts. The committee’s oversight of our sustainability initiatives provides the business with the ideal platform to identify both risks and opportunities in an integrated way.



More information on the RCL FOODS Board and governance structures is available in the Corporate Governance Report included in the 2017 suite of reports.



# OUR SUSTAINABLE BUSINESS DRIVE MESSAGE FROM THE CEO



A year ago we posed an all-important question to ourselves: How does RCL FOODS ensure that we remain relevant as a company in decades to come? What do we need to see and do differently in order to keep delivering on our Passion of providing **More Food to More People, More Often?**

During 2016 we launched our Sustainable Business Drive which puts Nourishing People, Enriching Communities and Sustaining Resources at the heart of what we do as a business – mirroring the three “Mores” of our Passion. It’s our way of finding more socially and environmentally creative solutions while delivering on our ambition of “building a profitable business of scale by creating food brands that matter”.

Our key 2017 achievements against our sustainable business goals are briefly captured below.

## **MORE FOOD - NOURISHING PEOPLE**

As a major food producer in South Africa, we have an important part to play in the national nutritional agenda. One of our ambitions in this area is to lead the promotion of nutrition for children through collective action against stunting. We have made great progress as a key role player in the “Leave No Young Child Behind” project – an integrated early childhood development (ECD) initiative in the Nkomazi area where our Malalane and Komati sugar mills are situated. We have facilitated a number of public-private partnerships aimed at providing vulnerable children with better nutrition, early learning stimulation, health and social services.

As lead nutrition partner in the project, we are also providing a healthy daily snack of Yum Yum Peanut Butter and Monati Porridge to 850 children at ECD centres. The work we are doing in Nkomazi is helping establish us as a credible and committed player in the national nutrition agenda, providing a foundation for our other ambitions in this area. For the full story, refer to page 25.

## **MORE PEOPLE - ENRICHING COMMUNITIES**

Our people are our most important asset, both as a business and as a country. At a business level, we have made significant progress towards our ambition of becoming “THE place to work” by building a compelling RCL FOODS culture. Our first-ever Employee Engagement Survey showed a particularly high level of employee engagement in relation to our values, our safety and our corporate

*"Our people are our most important asset, both as a business and as a country."*





social investment. Our continued investment in our people saw R40 million being dedicated to employee training, while nearly 40% of our managers have now attended an RCL FOODS Leadership Development Programme with GIBS.

We continue to make solid progress with our community economic development initiatives. As a result of the strong partnerships and support infrastructure we have set up in the Nkomazi area, Sugar business unit joint ventures and small-scale cane growers delivered nearly 1,1 million tons of cane to our Nkomazi mills in 2017 – nearly 40% of total production – despite the worst drought on record. Our two community joint ventures, Akwandze Agricultural Finance and TSGRO, have played a critical role in assisting small growers to survive the drought by providing critical financial and farming support services. For more information, please refer to page 36.

Alongside our well-established community economic development efforts, we are also making an important impact on community social development. We take a collaborative, multi-partner approach in our work with three of our most economically and socially challenged communities: Nkomazi, Hammarsdale and Worcester. Our success in catalysing partnerships around current and new initiatives led to us recently establishing the “DO MORE FOUNDATION”, an independent non-profit organisation that will enable us to mobilise even greater support from potential stakeholders to make a bigger impact.

#### MORE OFTEN – SUSTAINING RESOURCES

Our work to create a more energy self-sufficient, water smart and waste-free business is ongoing, and good progress has been made in key areas over the last year.

A major achievement has been the commissioning of the Waste-to-Value plant in Worcester, which produces renewable energy from waste water discharged by our Chicken processing plant. While we are still in the process of developing our Water Roadmap, the drought has been a catalyst in rethinking our water use in our Sugar business unit. The introduction of more water efficient irrigation techniques in parts of our cane growing operations has already started to yield water savings, and we will continue to work towards creating a more drought-resilient business.

Our achievement of an “A” rating in the Global Carbon Disclosure Project in 2016 was a significant milestone for the business. We were one of only 11 South African companies amongst the top 100 on the JSE to achieve this rating, and the only food manufacturer. Read more on page 59.

#### CREATING THE FUTURE, TODAY

In the context of ever-increasing uncertainty and change, doing business sustainably has never been more important. And while our RCL FOODS Sustainable Business Drive is about creating our desired future, it's the work we are doing in the present that will influence our success.

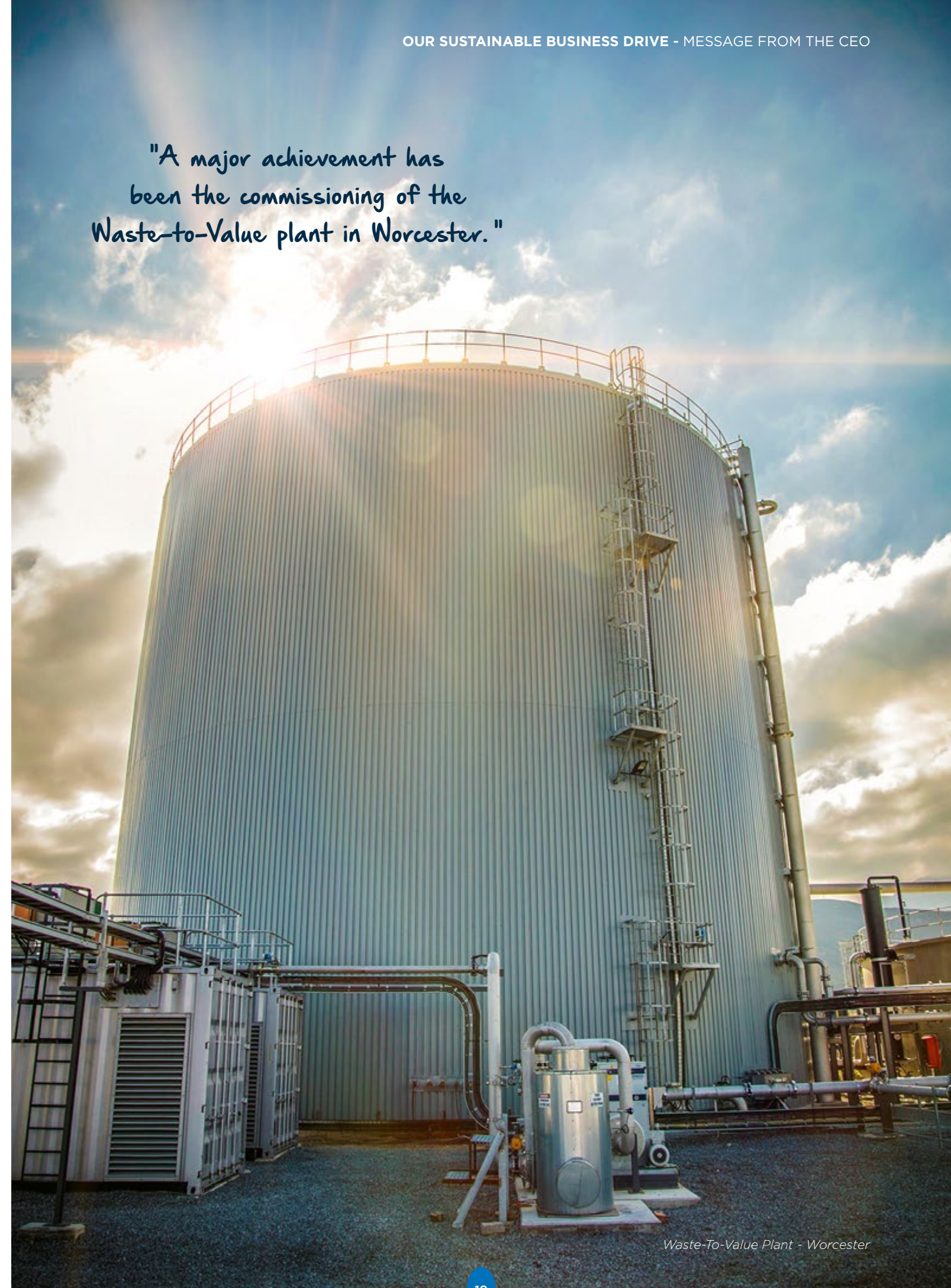
During a year of unprecedented uncertainty we have managed to move the needle significantly in most of our sustainability goals, paving the way for MORE in the coming year – even amidst continued market challenges.

Here's to a great future!



**M Dally**  
Chief Executive Officer

*"A major achievement has been the commissioning of the Waste-to-Value plant in Worcester."*



Waste-To-Value Plant - Worcester



OUR SUSTAINABLE BUSINESS DRIVE

# OUR SUSTAINABLE BUSINESS DRIVE

Our Sustainable Business Drive, framed in the model alongside, is aligned to our business strategy and addresses our sixth strategic thrust, “Drive Sustainable Business”.



Small vegetable growers - Hammarsdale

## OUR SUSTAINABLE BUSINESS DRIVE

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





MORE FOOD

# NOURISHING PEOPLE

We operate in a context in which 27% of South African children under the age of five are stunted, while nearly 63% of people aged 15 and older are overweight or obese<sup>1</sup>.

As a leading food producer in South Africa, with 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  
Children at ECD Centre - Nkomazi

## More Nutritious Products

OUR AMBITION IS TO LEAD THE PROMOTION OF  
**NUTRITION WITH INNOVATIVE  
PRODUCT SOLUTIONS** IN THE  
CONTEXT OF **A BALANCED DIET.**



## More Nutritional Thought Leadership



OUR AMBITION IS TO LEAD THE  
PROMOTION OF **NUTRITION** THROUGH  
**INFLUENCING POLICY  
DEVELOPMENT.**



## More Basic Nutrition for Children

OUR AMBITION IS TO LEAD THE PROMOTION OF  
**NUTRITION FOR CHILDREN** THROUGH  
COLLECTIVE **ACTION AGAINST STUNTING.**

### LEAVE NO YOUNG CHILD BEHIND HIGHLIGHTS



**R400 000**

Funding received from  
Sugar Industry Trust Fund  
for Education (SITFE)  
to assist with funding  
basic infrastructure  
improvements, training  
and resources.



**27 ECD  
CENTRES**

Supported through  
funding, training and  
social support.



**850  
CHILDREN**

Received a nutritious daily  
snack of Monati porridge  
and Yum Yum peanut  
butter.



## 1 MORE NUTRITIOUS PRODUCTS

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

Given the challenges of under-nutrition and obesity, coupled with modern lifestyle demands, we aim to empower consumers by providing more choice and convenience, more nutritional value and better information on our food's nutritional content and its place in a balanced diet. Our focus is to strengthen the nutritional profile of our brands and to assist consumers in making informed dietary choices. Within the context of a balanced diet, we seek to understand our customers' lifestyle needs and how our brands can better meet them. Over the next year, we will continue to focus on the nutritional analysis of our products with the aim of identifying products for possible nutritional innovation. We will also enhance our understanding of how we can best assist our consumers to make more informed choices through improved nutritional labelling.

## 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. We will begin this externally-oriented phase once we are comfortable with our progress in the previous focus area, which will ensure we understand our own portfolio's nutritional profile and its role in meeting nutritional needs.



Children at ECD Centre - Hammarsdale

## 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<sup>2</sup> 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 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.

### 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 mill. The initiative addresses five areas – food and nutrition, health, early learning, parenting, infrastructure and services for children – and was piloted in the Nkomazi area's two poorest wards (16 and 19). Both have been classified by government as "key poverty nodes needing urgent intervention".

We currently lead the food provision agenda while facilitating partnerships between government departments, municipalities, 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 is gaining momentum, with growing participation from existing and new stakeholders and increased activities by government departments, NGOs and the municipality.

### 2017 Achievements

- **R400 000** was secured from the Sugar Industry Trust Fund for Education (SITFE) to assist with funding basic infrastructure improvements, training and resources for **27 ECD centres** – impacting over **800 children**.
- **850 children** aged between two to six, in **27 ECD centres**, received a nutritious daily snack of Monati porridge and Yum Yum peanut butter.
- **179 people** were trained in ECD-related services in partnership with the provincial departments of Social Development and Health:
  - **25 field workers** on ECD basics for ECD centre registration;
  - **84 health workers** on infant and child health;
  - **30 social workers** and **15 provincial education officials** on ECD programme quality; and
  - **25 Community Work Programme (CWP) participants** on implementing UNICEF parent/primary caregiver training.
- **A joint business planning workshop** was recently held by the multi-stakeholder Steering Team of "Leave No Young Child Behind". This team incorporates the provincial departments of health, social development and education, along with RCL FOODS and Lima Rural Development Foundation. This allowed for a more integrated response to the needs of Nkomazi wards 16 and 19.

<sup>2</sup>Stats SA: South Africa Demographic and Health Survey 2016



## 2017 Achievements continued

- Learning material, skills training and knowledge transfer was made possible through the formation of new partnerships:
  - **2 000** units of learning material were printed on cardboard offcuts by one of our suppliers, Barrows, and distributed to ECD centres and parents;
  - **1 000** saplings of the endangered medicinal Pepper Bark Tree were donated to public facilities in Nkomazi by the South African National Parks; and
  - **Quarterly ECD workshops** were run by a local private school, where ECD practitioners from the community were exposed to new concepts and methods of teaching,
- **Six Jojo tanks** were supplied by the Nkomazi municipality to ECD centres to assist with rainwater harvesting.
- We sponsor the **#LovePlayTalk** radio programme which is aired weekly on Nkomazi FM and provides practical parenting advice to its **80 000 listeners**. The advice is reiterated in informative articles in the local community newspaper to reinforce the programme's messaging.
- **1 205 children** received **measles immunisations** as part of the Department of Health's immunisation drive. We supported the drive by promoting the campaign on air as part of the #LovePlayTalk radio programme.
- A **baseline assessment** was conducted at all **27 ECD centres** and **9 playgroups** to identify gaps, formulate solutions and enable future measurement of project outcomes.
- A **technical team** has been set up to **drive project execution**. The team meets monthly and has made good progress in driving project implementation on the ground.



# MORE PEOPLE ENRICHING COMMUNITIES

As an employer of over 20 000 people and working with more than 1 200 small-scale growers and numerous secondary businesses, we impact the lives of millions of South Africans in the communities in which we operate.

With over 27% of our population unemployed<sup>3</sup> and nearly 45% of households dependent on social grants<sup>4</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>3</sup>Stats SA, Quarterly Labour Force Survey (Q1, 2017)

<sup>4</sup>Stats SA, General Household Survey, 2016

Management Trainee Programme - Class of 2017

## More Inspired Employees

OUR AMBITION IS TO BECOME “THE PLACE TO WORK”  
BY BUILDING A COMPELLING RCL FOODS CULTURE.



**R40 MILLION**  
spent on  
training our  
**16 000**  
**PEOPLE**



**400**  
**EMPLOYEES**  
registered on  
apprenticeships  
or learnerships.



**80% OF OUR**  
**WORKFORCE**  
have Union  
representation.

## More Economically Developed Communities

OUR AMBITION IS TO BECOME “THE TRUSTED BUSINESS  
PARTNER” FOR ECONOMIC DEVELOPMENT IN THE COMMUNITIES  
IN WHICH WE OPERATE.



**625 000 TONS**  
of cane delivered  
by JV companies



**234 LAND**  
**REFORM**  
**BENEFICIARIES**  
benefited through  
direct employment



**R295 MILLION IN**  
**TURNOVER** generated by  
small-scale growers through  
the supply of 471 500 tons  
of cane to our sugar mills in  
Nkomazi

## More Socially Developed Communities

OUR AMBITION IS TO BECOME “THE RESPECTED BUSINESS  
PARTNER” FOR SOCIAL DEVELOPMENT IN THE COMMUNITIES IN WHICH  
WE OPERATE.



**335 HECTARES**  
Planted with  
vegetables in the  
Nkomazi area



**25 SMALL**  
**VEGETABLE**  
**GROWERS**  
connected with  
formal markets for  
their 100% organic  
produce



**116 COMMUNITY**  
**MEMBERS** were  
beneficiaries of economic  
linkages created



## 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, efficient 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 talent, supported by leadership 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 high-potential employees are recognised and prepared for the future.

#### 2017 Achievements

- **37% of our management population and 100% of our executives** took part in a RCL FOODS Leadership Development Programme which was 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.
- **Over R40 million was invested in training over 16 000 employees.** For more detail on our training spend during 2017, read pages 65.
- **400 employees are currently registered on SETA-accredited apprenticeships or learnerships - up from 100 in 2016.** These programmes target our operational staff, focusing on practical (workplace) and theoretical (institutional) skills upliftment in designated trades.
- **We received two AgriSeta Excellence Awards in 2017.** Our Sugar & Milling division received first prize in the “Leading Employer: Skills Development” category and one of our qualified female apprentices was runner-up in the “Best Learner: Artisan Development” category.
- **200 employees completed courses through five new professional skills and functional learning academies.** We are partnering with “best in class” external subject matter experts to build the various functional skills sets that will form the foundation for “Learning Pathways” in each business unit, and inform our Functional Academy curriculum development.

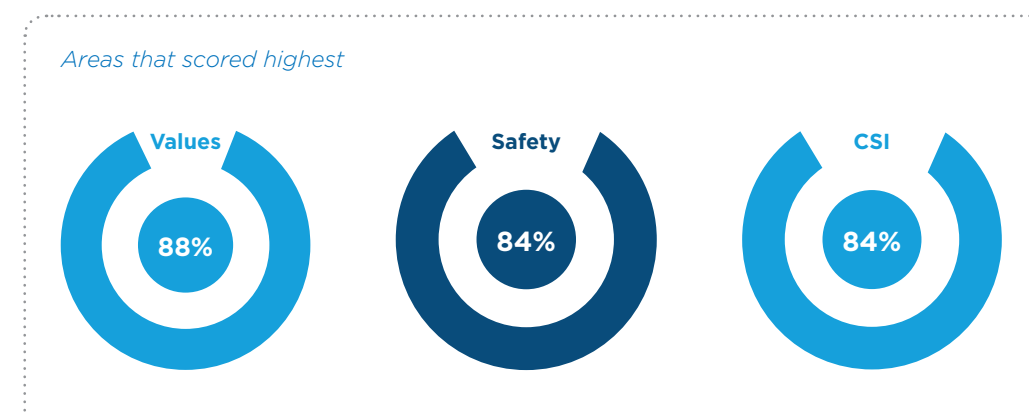
## Focus Area 2: Culture and Diversity

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 our customer base and 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.

#### 2017 Achievements

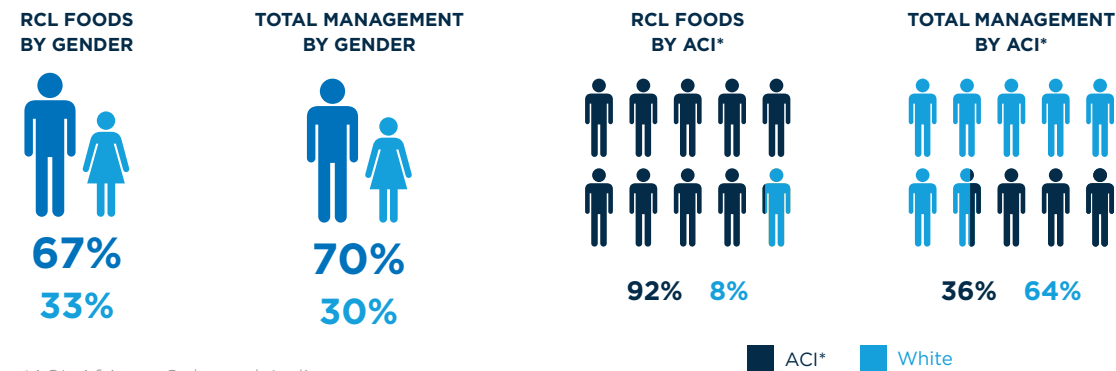
- **RCL FOODS’ first employee engagement survey netted a 63% response rate.** The aim of the survey was to obtain feedback from our employees on how well RCL FOODS had performed on creating a culture that is aligned to “Our Passion” and “Our Way”. Overall, the results were positive, with RCL FOODS being above or within 5% of the Global Benchmark in 13 out of 18 dimensions, and above or within 5% of the Global FMCG benchmark in 14 out of 18 dimensions. The areas that scored the highest were Values - our people feel engaged - Safety - employees value RCL FOODS’ commitment to their safety and Corporate Social Responsibility - employees are proud to be associated with a company committed to being a responsible corporate citizen.



- **Our Logistics division launched its employee engagement programme, “Living Our Way”.** This highly effective employment engagement strategy incorporates the “OUR WAY” culture principles into a logistics-focused programme which consists of five steps: Explore, Excite, Engage, Entrench and Evaluate. This programme targets managers, supervisors, and the shop floor with the aim of creating a shared optimism around our future and shaping a culture that incorporates a sense of feeling valued, whilst inspiring employees to reach their maximum potential.
- **Over 113 students entered our talent pipeline through our Management Trainee Programme** that started four years ago. Of these, seven were promoted to a manager level within three years, while 75% are Employment Equity and are African, Coloured or Indian (ACI). Our Management Trainee Programme is an integral part of our talent acquisition strategy. It focuses on developing future leaders and on meeting RCL FOODS’ transformation targets through structured development plans.
- **We have made 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 revised five-year Employment Equity Plan, which seeks to address all barriers in promoting equal and fair opportunities in the workplace, contributed towards solid progress towards achieving our 2020 targets.



### Group Employment Equity Breakdown



\*ACI: African, Coloured, Indian.

#### • Empowering women in our organisation

We are committed to promoting gender equality and ensuring that appropriate training and development are provided for women. We believe that this approach is integral to the transformation of identified industries, whilst addressing our specific skills challenges.

- **RCL FOODS was commended by the Commission for Gender Equality** for prioritising women's participation in our Leadership Development Programmes run by the Gordon Institute of Business Science. This was in response to the presentation of our short, medium and long-term plans for gender transformation. The Commission further commended RCL FOODS for the genuine gains made in advancing gender transformation since previous representation during October 2016.

- **28% of female managers within our Agricultural business unit are currently participating in the Women in Agriculture programme.** Established in 2015, this emotional intelligence leadership programme aims to create an environment conducive to attraction, empowerment and retention of Women in Agriculture.

#### • Broad-Based Black Economic Empowerment (B-BBEE)

RCL FOODS completed its B-BBEE verification process in accordance with the Department of Trade & Industry Agriculture Codes (Agricultural Sector) for the year ended June 2016. As a Group, we managed to maintain a Level 4 score for the next 12 months ending 18 December 2017, while our Sugar business unit managed to maintain their Level 2 score for a consecutive year.

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. Our land transfer programme is testimony to this. Through joint venture agreements, our Sugar business unit has transferred over 80% of its land to communities in the Nkomazi region. This has helped to empower and support local communities in the sugar growing space. We have also been able to support small-scale cane growers with finance and other skills required to sustain their businesses (*see page 36 - more economically developed communities*).



"We actively drive best management practices in all our operations to create a work environment conducive to productivity."



### 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 80% of our workforce, and the recognised trade unions negotiate salaries and conditions of employment through them annually. To ensure proper communication and engagement with the recognised trade unions, our social partners and the various trade unions, regional and site-based employee representative forums are in place, including the National Working Forum for national issues. We have successfully signed multi-year wage agreements with various unions across its divisions.

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 cash-strapped employees to access this facility, we have started to introduce a more affordable primary healthcare option which we are currently making available to employees in the Chicken business unit and Logistics division. This will be followed by other business units as the scheme gains traction.

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.





## 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 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.

### 2017 Achievements

- Despite the worst drought on record, JV companies **delivered more than 625 000 tons of cane from more than 7 900 hectares of irrigated land.**
- **234 land reform beneficiaries benefited through direct employment.** These employees now benefit from access to medical services and retirement funds.
- From an enterprise development perspective, **28 companies were awarded contracts, to the value of R73 million in procurement spend.**
- **R30 million in lease payments** were made to JV community beneficiaries.
- **10 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 SSGs households farming approximately 9 500 hectares of irrigated cane on farms that average around seven hectares in size. Approximately R295 million in turnover was generated by SSGs through the supply of approximately 471 500 tons of cane to our sugar mills in Nkomazi – representing nearly 16% of cane supplied to our mills. The long-term sustainability of the SSGs is crucial to RCL FOODS due to the significant impact that cane income has on 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 2017 performance is reported below.



Sugar JV Farm - Nkomazi



## Development Finance – Akwandze Agricultural Finance (AAF)

Akwandze Agricultural Finance, a joint venture between RCL FOODS' Sugar business unit and Nkomazi small-scale growers, provides these small-scale sugarcane farmers with access to unsecured credit at reduced interest rates. AAF was set up in 2006 with R15 million capital provided by growers and the Sugar business unit, along with 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 R400 million which underpins the production of two million tons of cane or approximately 14% of the industry's cane volume. The composition of the loanbook by value is presently 25% small-scale growers, 70% BEE JVs and 5% commercial growers.

### 2017 Achievements

- **More than R150 million was reinvested by 1 200 small-scale growers** into their own operations through retention savings and new loans.
- **R260 million** was loaned to six BEE JV companies.
- AAF completed its five year, **R50 million rehabilitation of irrigation infrastructure project in 2016**. This project has created approximately **1 300 permanent and 1 600 short-term jobs**. Better management of irrigation infrastructure also ensures better climate resilience, especially in drought. Based on the success of this project, a new application has been submitted to the Jobs Fund for additional grant funding to commence during 2017.

## Farming and Business Support Services – TSGRO

Since 2014, our Sugar business unit has been in partnership with 1 200 Nkomazi small-scale growers in the form of TSGRO – a company that provides farming and business support services to small-scale 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.

### 2017 Achievements

- **A new Bulk Water Supply (BWS) paid service has been provided to 630 SSGs and seven cooperatives with 456 members, on 5 400 hectares during 2017.** Its primary purpose is to repair, maintain, service and protect irrigation infrastructure on an ongoing basis. Despite the severe drought, SSGs average yield in 2017 did not decline from the previous year because irrigation system reliability was improved and small-scale growers were able to pump their water allocations.
- **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 ratoon management and budgeting.
- **A full farm management paid-for service is being provided to 63 SSGs on 1 350 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, compliance and responsible corporate citizenship by SSG-owned entities.
- SSGs are assisted to overcome their weak individual bargaining power and access **better prices for fertiliser and chemicals by using RCL FOODS' buying power.**
- **Safety, Health, Environment and Quality (SHEQ) standards have been introduced** into the sector.

## Land Reform

In 2014 our Sugar business unit was appointed as a mentor by the Department of Rural Development and Land Reform to assist with a number of land reform projects in Nkomazi and Pongola. The funding phase of the Recapitalisation and Development Programme (RADP) ended in 2016. Our Sugar business unit is now focused on providing mentorship support to the farmers established during this period.

As a development partner we remain committed to building stronger relationships with both government and land reform beneficiaries, with our aim being to grow the number of farmers involved in the programme and increase procurement spend over the coming years.

### 2017 Achievements

- Nearly **750 hectares** of irrigated cane land was rehabilitated.
- **Over 72 000 tons of sugarcane produced and delivered** to our mills resulting in improved farm income and livelihoods.

## 40% of Our Chicken Supplied by Contract Growers

Our Consumer division supports 44 chicken contract growers who rear chickens on our behalf using their own farms and facilities. The division supplies day-old chicks, feed, technical support including veterinary services and the transfer of skills, while the growers are managed and mentored against RCL FOODS' standards and operating practices.



Agricultural training provided to SSGs - Nkomazi



### 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 Komati) 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 opportunity to improve the quality of life of those not directly dependent on our operations.

Because of the complexity of the challenges identified in each community, 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.

In keeping with our strategy of facilitating impactful change through partnerships, we have established and launched our “DO MORE FOUNDATION”, a separate non-profit organisation that will enable us to attract even greater support from potential stakeholders, so that together we can #DoMore. The foundation will undertake all our CSI initiatives.

#### 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 Farmer Support Programme in the Nkomazi area where our Malalane and Komati mills are situated. 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.

#### 2017 Achievements

- **10 cooperatives and 310 individual growers** have been **recruited** into the programme to date, and a total of 186 vegetable farmers have been trained.
- **A total of 335 hectares** have been **planted with vegetables** during the season, with the majority being delivered to formal markets. This has resulted in the **creation of 86 jobs**.
- **Revolving credit of over R220 000** has been disbursed to farmers to assist with farming inputs.
- A **vegetable seedling nursery** has been **developed** to begin selling seedlings to the local community. When in full production, the nursery will have the **capacity to produce 1,7 million seedlings**. This will assist in boosting food security in Nkomazi.



Smallholder Vegetable Grower - Nkomazi



## DoMore4Hammarisdale

To help alleviate food and economic insecurity in the community around our KwaZulu-Natal Chicken plants, we helped to establish the Greater Hammarisdale Community Development Initiative in 2016. Now known as DoMore4Hammarisdale, this is a collaborative partnership between RCL FOODS, government departments, private enterprises and LIMA Rural Development Foundation (our CSI implementation partner) which focuses on the establishment of food gardens and economic linkages in five of Hammarisdale's poorest wards.

The DoMore4Hammarisdale initiative is gaining momentum, with growing participation from existing and new stakeholders and increased support from government departments.

### 2017 Achievements

- **Assisted 50 newly-established homestead gardens** and two communal gardens to be more sustainable
  - 50 water tanks provided to growers by the Department of Water Affairs;
  - Planting implements and equipment supplied to growers by the Department of Agriculture;
  - Fencing material to protect the communal gardens was donated by a private company; and
  - Training provided to 15 small-scale growers on organic farming methods.
- **17 early childhood development sites**, reaching **1 400 young children**, received food gardens to supplement their daily feeding programmes.
- **44 vulnerable families assisted with food**
  - 25 destitute families identified by the Department of Social Development received food parcels and blankets from RCL FOODS; and
  - 19 needy families now receive bi-monthly food donations through assistance we provided in registering a local community support centre with FoodForward SA.
- **25 small vegetable growers connected with formal markets for their 100% organic produce** – including large corporates and a local retailer. Read more in the case study alongside.
- **Economic linkages created for 116 community members**
  - Assisted 11 families to obtain government social security services such as birth certificates, identity documents and social grants;
  - 10 internships facilitated with the provincial departments of Economic Development, Tourism and Environmental Affairs, Education and Arts and Culture – as well as South African Police Services, eThekweni Municipality, Elangeni College, Midlands Hospital and St Anne's Hospital;
  - 31 unemployed individuals obtained driver training sponsored by local driving schools and a skills development provider; and
  - 20 local youth received computer training sponsored by Durban Youth Computer Village.
- **Supported employees affected by the chicken restructure**
  - R1 million was provided by the RCL FOODS Consumer division to assist in re-training the affected employees to help them find alternative employment or start their own businesses;
  - 344 out of 391 retrenched employees registered their training interests with LIMA, our DoMore4Hammarisdale implementation partner, as part of the economic linkages programme; and
  - Training with accredited providers will be completed by October 2017. Areas covered include driving, forklift and reach truck operation, handyman skills, baking, sewing, firefighting, first aid, fashion design, computers and office administration.

### CASE STUDY:

## Do Good Market

The Do Good Market was established in November 2016 to provide Hammarisdale growers with a formal commercial outlet for their 100% organic produce. Freshly-picked, attractively packed vegetables are transported weekly to "The Corner Shop" at our National Office in Westville, where they are eagerly purchased by RCL FOODS staff and the public.

This has since led to our cafeteria service provider, EatFresh contracting the growers to provide fresh produce to them for use at two staff cafeterias that they run. A total of just over 6,5 tons of vegetables have been grown and sold through the Do Good Market since its inception in November 2016, resulting in a turnover of nearly R60 000 at June 2017. Considering that these gardeners previously sold their produce just to survive, this boost to their income is hugely significant.

The Do Good Market has also had a positive impact on growers' morale and self-confidence. "This is the first time we have made this much money from selling vegetables and we are excited to see our produce being packed and sold in a store", one grower said. The project has also demonstrated the willingness of customers to support local communities – something which DoMore4Hammarisdale speaks to.





## Worcester Early Literacy and Numeracy Programme

The community of Worcester, where our Chicken and Speciality 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.

### 2017 Achievements

- A monthly workshop is conducted for **35 teachers from community-based ECD centres and 10 home visitors from FCW**, using WordWorks' "Every Word Counts" early literacy and numeracy programme.
- **Educational material (alphabet posters) were provided to ECD practitioners and FCW home visitors** at the "Every Word Counts" workshop, as well as to the Department of Social Development team, to distribute to ECD centres in Worcester. The educational material was printed and donated by Barrows using offcuts from their point-of-sale printing.
- **We have extended our sponsorship of the #LovePlayTalk radio programme (part of the "Leave No Young Child Behind" initiative in Nkomazi) to Valley FM in Worcester.** A guest speaker deals with a different topic each week to help parents give their children the best possible start in life. This is now supported with a monthly article in the local community newspaper.



Children at ECD Centre - Hammarsdale



Children at ECD Centre - Hammarsdale



# MORE OFTEN SUSTAINING RESOURCES

As a major food producer with a multi-tiered and geographically dispersed supply chain, our environmental footprint extends from raw material production to the end users of our products. With our survival dependent on shared, scarce natural resources and limited land, and further impacted by climate change, there is an urgent need for us to see and do things differently by consuming less energy and water, minimising our waste and creating more value from our inputs and the waste we generate.



Waste-To-Value Plant - Worcester

## More Energy Self-Sufficient Operations

OUR AMBITION IS TO BECOME  
**AN ENERGY SELF-SUFFICIENT BUSINESS**



### **WORCESTER WASTE-TO-VALUE PLANT (W2V)**

Turns waste water into electricity  
and is the largest of its kind in  
Africa



### **926 673 kWh**

Renewable energy  
generated over 3 months  
by turning waste water  
into value - 35% of  
the total electricity  
requirement of the  
Worcester site



### **200 000 kWh PER YEAR**

Produced by our 271 solar  
panels at our National Office  
- sufficient energy to power  
all the lights in the building

## 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"



### **20%**

Reduction in water requirements in our Sugar business unit through  
the implementation of water-smart initiatives

## More Waste-Free Operations

OUR AMBITION IS TO BECOME A **WASTE-FREE BUSINESS** THAT  
CONTINUALLY SEEKS NEW WAYS TO TURN WASTE INTO VALUE



**A-RATED IN THE 2016 CARBON  
DISCLOSURE PROJECT**

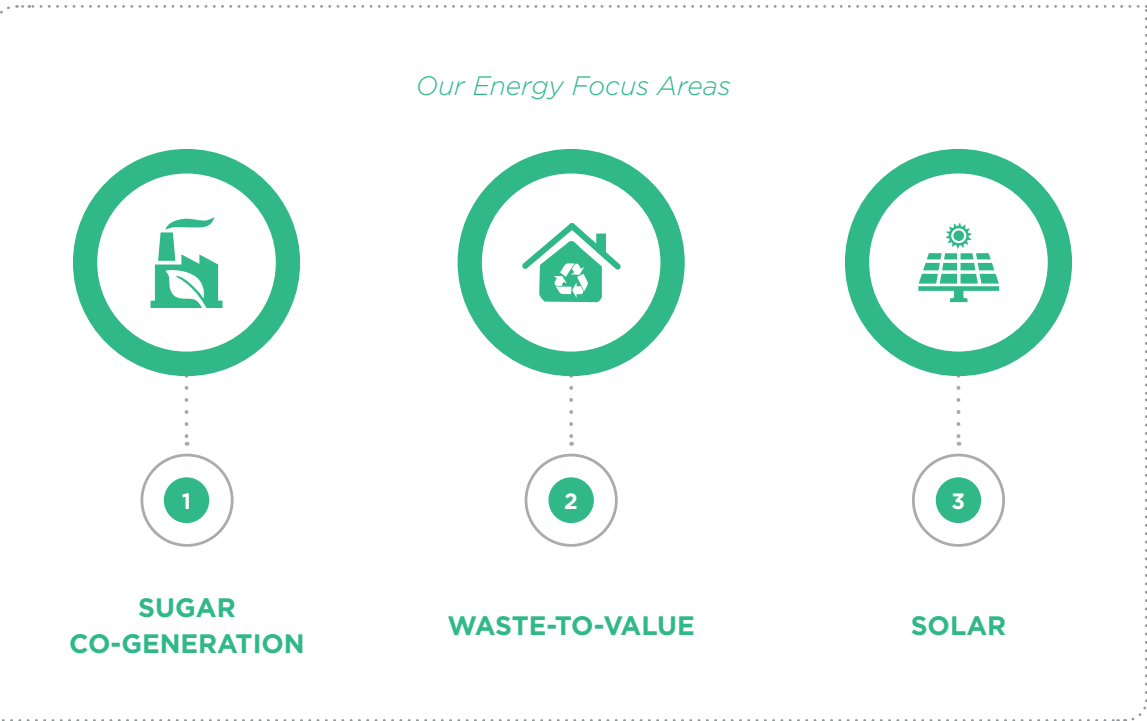


1 MORE ENERGY SELF-SUFFICIENT OPERATIONS  
Our ambition is to become an energy self-sufficient business.

With energy self-sufficiency and price certainty as objectives, we have identified real, quantifiable opportunities that are reflected in our Energy Roadmap. Our three-step phased 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:



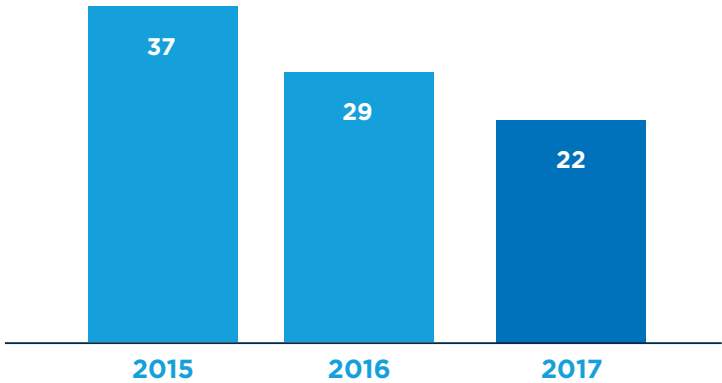
Focus Area 1 – Our Sugar Co-Generation of Electricity

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.

Over the last three years we have generated and exported over 88,7 gigawatt hours (GWh) of electricity to Eskom. Our electricity generation decreased in the past two years because of a reduction in cane supply as a result of the severe drought. Since our Animal Feed business unit relies on bagasse to supply their Molatek customers, our use of supplementary fuel has also increased.

In April 2017 Eskom decided not to renew the Power Purchase Agreements with our Sugar & Milling division. This led to the mills not exporting excess electricity to Eskom, but only focusing on generation of electricity for their own consumption. The process to supply other RCL FOODS operations from our own surplus generation is in progress, pending approval.

*Electricity generated and exported (GWh) through burning of bagasse (Renewable Resources)*



Focus Area 2 – The Worcester Waste-to-Value Plant (W2V)

Our Worcester poultry processing site has taken steps to reduce its impact on the environment by joining forces with a local waste-to-value specialist, the TriGen Group. The large-scale poultry waste-to-energy project was constructed and commissioned in 2017, the largest of its kind in Africa.

The W2V 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 in which micro-organisms break down the biodegradable material in the water and produce methane-rich biogas. With this gas enough electricity and heat is generated to run our adjacent Speciality factory and parts of the Chicken processing plant (35% of the total electricity requirement of the Worcester site).

2017 Achievements

- Start-up testing results have indicated electricity generation is at 35% versus the 30% target with production of 926 673 kWh. (Three months since start-up)
- 2 185 kilolitres of effluent is treated per day, containing about 30 tons of waste organics.
- The treated water is more than 90% cleaner than the untreated effluent and can be reused in parts of the operation that do not require potable water.
- Effluent treatment chemicals reduced to below 10% of historic usage.

The team from the TriGen Group, together with our engineers, are now looking to optimise the system and maximise the utilisation of cleaned water from the W2V plant. Complementing technologies are being investigated and we are targeting significant water re-use opportunities.



### Focus Area 3 - Solar (Rooftop Solar)

We have completed our first rooftop solar project at our National Office and have progressed well with our nationwide assessment of sites that have high potential for embedded generation in the form of solar.

#### 2017 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 provides us with 11% of the building's total energy requirement.
  - We produce over 200 000 kWh per year, which is more than enough energy to power all the lights in the building.
  - Our carbon footprint reduces by 128 tons per annum of CO<sub>2</sub> equivalent.



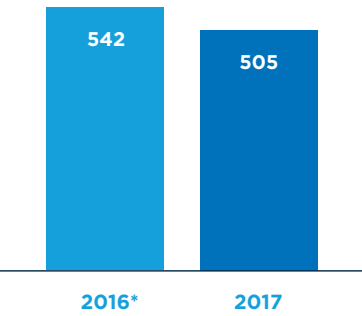
Solar Panels - National Office Westville

### Our 2017 Energy Consumption

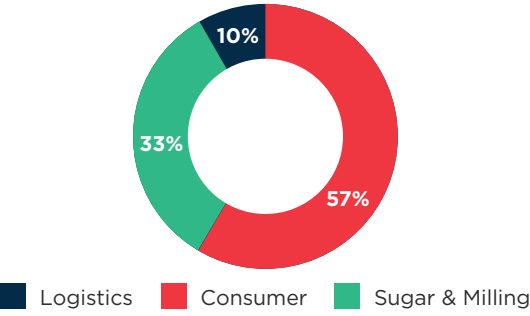
#### Our Electricity Consumption

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 reduction and optimisation initiatives. A 12% reduction in our electricity consumption was mainly driven by decreased production in the Sugar & Milling division as a result of the drought and by the implementation of the new Chicken business model in the Consumer division.

Group Consumption (GWh)



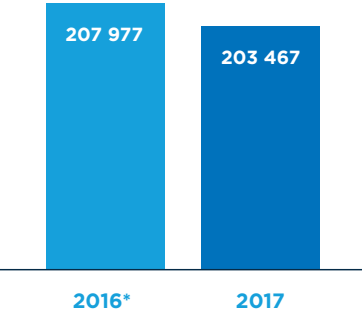
Consumption by Division (GWh)



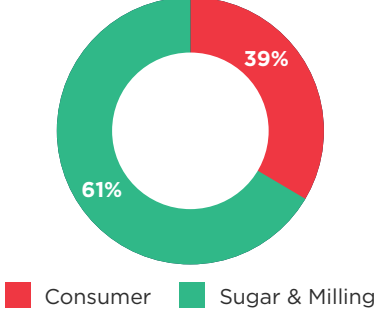
#### Our Coal Consumption

Coal is used for steam generation at our poultry farms, processing plants, feed 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. Coal consumption increased in the Sugar & Milling division due to lower availability of bagasse due to the drought, while there was a slight increase in the Consumer division. Overall consumption reduced by 2% year-on-year.

Group Consumption (Tons)



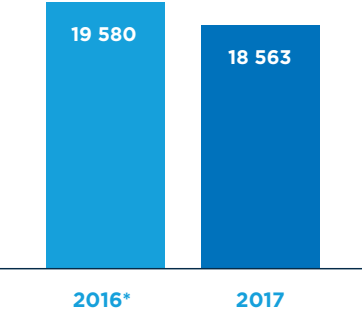
Consumption by Division (Tons)



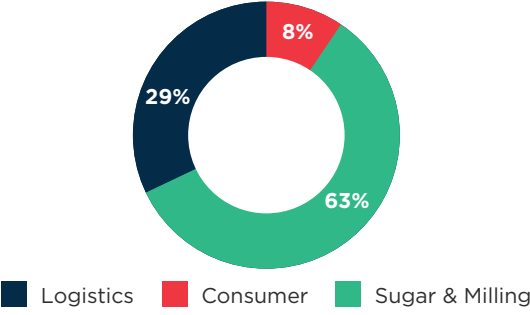
#### Our Diesel Consumption

Our consumption of diesel dropped by 20% 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.

Group Consumption (kl)



Consumption by Division (kl)



\* 2016 restated due to consolidation calculation correction



CASE STUDY:  
Saving Coal in Malalane

Bagasse has to be de-watered before it can be used as a raw material for animal feed or to create renewable energy. Removing this water requires energy in the form of coal – which means that if less water is present after milling, we can reduce our coal use. A project was recently implemented at our Malalane sugar mill to reduce bagasse moisture by 3%, with a corresponding coal saving of 4 635 tons per annum. The project involves re-designing the existing five roller de-watering mill system and commissioning a four roller system. This will reduce the moisture content of the bagasse leaving the de-watering mill, with less energy being required to vaporise the moisture from it once in the boiler.



RESULTS TO DATE

- After only two-and-a-half months in operation, the bagasse moisture content was 52,8% compared to 55,4% at the same time in 2016.
- Based on the improved calorific value of the bagasse and the corresponding expected improvement in boiler efficiency, the theoretical saving in coal was 1 015 tons which equates to a saving of over R1,2 million, with an expected annual savings of R6,2 million.

OTHER ANTICIPATED BENEFITS:

- Improvement in ease of maintenance;
- Reduction in maintenance cost;
- Less complex operations;
- Easier to set up and adjust mill settings; and
- A tax rebate under the section 12L scheme of between R5 million and R7 million.

CASE STUDY:  
Vector Optimises Diesel Use

Our Logistics division has implemented a diesel optimisation project to reduce diesel consumption in a number of areas.

The project includes:

- Improving fuel efficiency by introducing specialised body panels on trucks to create better aerodynamics; and
- Ensuring that truck refrigeration units are consistently run on electricity when the truck is being loaded, rather than by the truck engine.



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 cleanliness of our facilities. We also recognise the balance between protecting product quality for the sake of the consumer and conserving a natural resource that we share with the communities in which we operate. For this reason, water management, conservation and optimisation have been focus areas across our divisions.

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. As the global demand for water increases, international water resource authorities forecast that water withdrawal will exceed water renewals by 2030. With this in mind, we are committed to re-thinking our relationship with water.

Water Savings and Reuse Initiatives

Water Reuse in Chicken

In the Chicken business unit we are investigating ways of significantly reducing our overall water consumption by recycling water for non-food contact applications. Water recycling and reuse are essential if our processing plants are to reduce their reliance on municipal supply. The more water that can be reused, the less water will be drawn from the municipality and the greater the cost saving per month will be.

At our Rustenburg processing plant, we have implemented numerous water recycling projects using safe, good quality water that would have been disposed of into the municipal effluent treatment works. Previously these processes used potable water, now they exclusively use recycled water resulting in a 1,5% reduction in potable water consumption.

- Live bird crate washing – 380 kilolitres saved per day
- Module washing – 200 kilolitres saved per day
- Feather transport water – 1 360 kilolitres saved per day

At our Worcester processing plant, we are exploring water purification technologies as an add-on to our recently completed Waste-to-Value project, allowing us to reuse even more water on site.

Water Savings in Sugar

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 aims to effect a 30% reduction in water use. The business unit continues to participate in water use management and is actively involved in various catchment-wide initiatives.

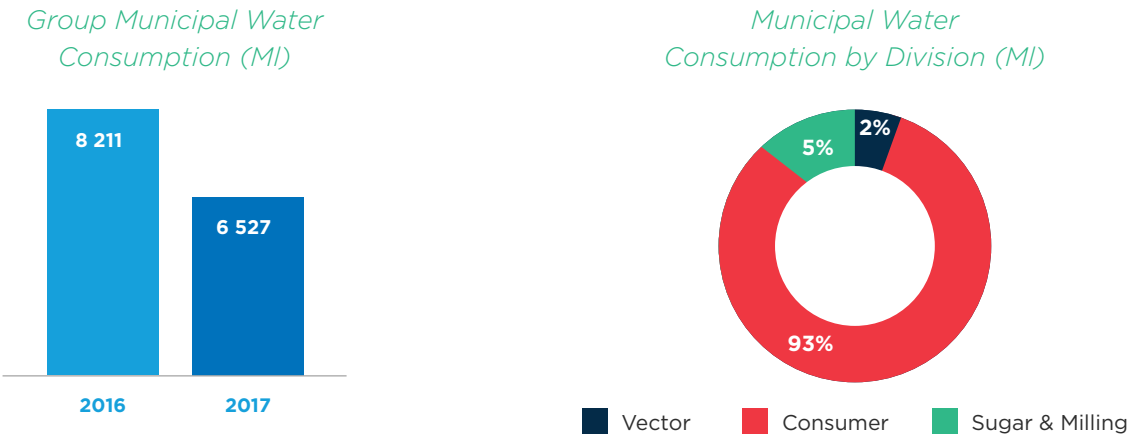
The mills remain water positive and there is active involvement in Irrigation Boards and Catchment/River Management Forums to ensure that water use throughout the catchment is effectively measured and managed, both for farming operations and for all downstream water users.

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.



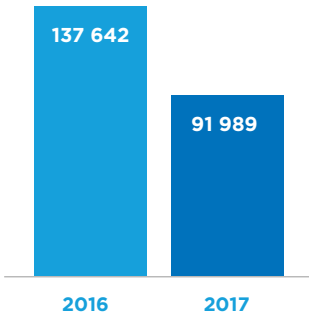
Our 2017 Water Consumption

The Consumer division's water consumption reduced by 22% due to a reduction in poultry volumes, driving a total water reduction of 21% at a Group level.



Water allocations in various areas were severely rationed due to the drought that was experienced. On the Komati River, RCL FOODS and JV farms received on average only 54% of the full annual allocation, while on the Crocodile River system, RCL FOODS and JV farms received only 53% of the full annual allocation.

Group Borehole, Dam and River Water Abstracted 2017 (Ml)



The drought is not yet over and in the period April 2017 to March 2018, the growers on the Komati River system are on a 20% allocation rationing. A similar level of restriction is implemented for growers on the Crocodile River system. In this context we are minimising the use of water allocations within crop water requirements as far as possible in order to conserve our remaining allocations.

Within our sugar milling operations we have focused on improving water utilisation, and a scoping study was done to identify opportunities in this regard at our sugar mills. Water use at the mills dropped to 18 726 million kilolitres mainly due to the effect of the drought which led to shorter crushing seasons and less cane to crush.

CASE STUDY:  
Drought-Proofing the Sugar Business

Drought-proofing our sugarcane supply is a key focus area. Key initiatives include replacing inefficient irrigation systems with mostly subsurface drip irrigation over a three-year period, and scheduling irrigation carefully to apply the right volume at the right time.

SUBSURFACE DRIP IRRIGATION

Subsurface drip irrigation is the irrigation of crops through plastic tubes that are buried below the soil surface, delivering water and nutrients directly to the root of the plant. Compared to the traditional dragline irrigation method (an overhead sprinkler system with an efficiency of only 65%), subsurface drip is 95% efficient – allowing for a 30% reduction in water use. The three year irrigation replacement, which has been in effect for a year already, aims to replace 40% of our current less efficient irrigation systems with subsurface drip, where soil type permits. Over the past year, 1 585 hectares of mostly draglines were replaced (out of a planned 4 800 hectares in three years).

Benefits include:

- A projected 12% reduction in total water use, making us less vulnerable in future drought events.
- In normal years, subsurface drip would deliver a 15% yield improvement over draglines and the capital expenditure to replace the dragline would be repaid within three years.
- Operational costs are much lower due to reduced energy and labour requirements.

FOCUSED IRRIGATION SCHEDULING

As part of a drive to ensure that the right volume of irrigation is applied at the right time, probes were installed over the whole cane operations area to monitor soil water availability. This will assist in more efficient irrigation scheduling which will:

- Reduce water use;
- Reduce leaching of nutrients (improving water quality returned back to the river system); and
- Ensure better growth of the cane.

These probes will play an essential role in achieving our planned 30% water use reduction via subsurface drip.





### 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 new company in our current form, we are developing our understanding of the potential opportunities and exploring business models that will maximise waste-to-value prospects. Through the year we have ensured compliance in key waste areas as highlighted below.

#### Our 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 Packaging Approach

Packaging is used to preserve, protect, contain, transport, 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 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.

#### Our Emissions to Air Management

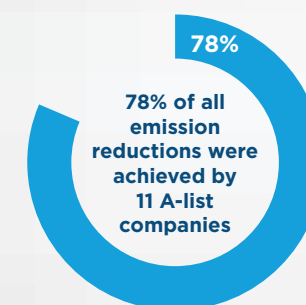
We recognise our responsibilities in terms of the Air Quality Act, No 39 of 2004 (the Act), and as such, ensure that our coal-fired boilers, boiler stacks and other related equipment are well maintained and routinely inspected. Inspections conducted during the 2017 financial year indicated no contraventions of the Act.

*An Environmental Air Quality management procedure is in place throughout the 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.

## CDP AWARD

During the year we were recognised by National Business Initiative (NBI) as one of 10 South African companies making a difference to climate change. We achieved an “A” rating in the Global Carbon Disclosure Project in 2016 – after receiving a “B” rating in both 2014 and 2015. The Carbon Disclosure Project encourages the top companies in each country to calculate their direct and indirect carbon emissions and come up with plans to lower them.



#### UNIVERSAL PERFORMANCE

Despite the strong performance indicators and the South African company presence on the A-list, all South African businesses need to find ways to continually innovate and increase the scope and the impact of their emission reduction activities.

■ A-list companies  
■ % of remaining sample

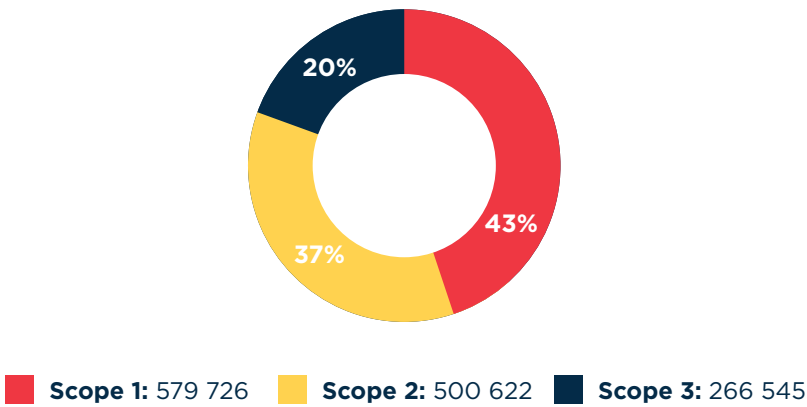


# OUR CARBON DISCLOSURE REVIEW

Our 2017 Carbon Disclosure review was conducted internally and verified by an external assurance specialist. This constitutes our third carbon footprint review and should be compared against the previous Carbon Footprint calculations from 2015 and 2016. All reports have been prepared using the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard methodology.

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. Divisions are tasked to measure Scope 1 and 2 emissions. Selected Scope 3 emissions are measured by the Consumer, Sugar & Milling and Logistics divisions.

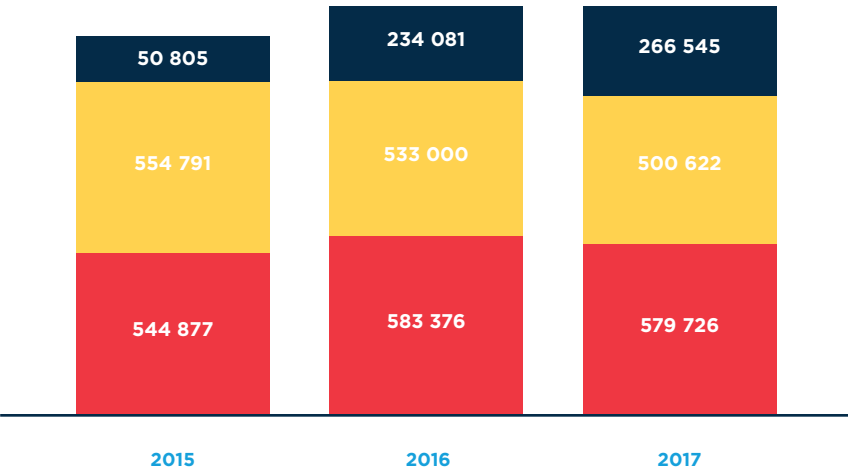
Emissions by Scope in Tons of CO<sub>2</sub>e



## 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 have set 2015 as our base-year for the carbon footprint calculations. The base-year was chosen as this is the first full year where data was available for all our divisions under ONE RCL FOODS. The increase in emissions can be attributed to an increase in measurement scope.

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, 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. It is also available to the public.

## 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.



*Smallholder Vegetable Grower - Nkomazi*



# OUR PERFORMANCE

## PERFORMANCE INDICATORS



## ECONOMIC, ENVIRONMENTAL AND SOCIAL INDICATOR STATEMENT

		June 2017	June* 2016
<b>ECONOMIC PERFORMANCE INDICATORS (R million)</b>			
Impact on suppliers:			
Total paid to suppliers		18 916	19 411
Major sources of suppliers:			
- Transport		1 687	1 562
- Total contract growers		2 165	2 178
- BEE contract growers		619	432
- Electricity		614	725
Impact on employees:			
Total payroll and benefits		4 185	3 817
Impact on providers of capital:			
Total interest paid to funders		366,1	363,8
Total dividends paid to ordinary shareholders		217,1	320,0
Reserves		305,2	(142,1)
Impact on public sector:			
Tax (excluding VAT)		125,6	(83,0)
Impact on community:			
Social responsibility expenditure		12,8	10,0
<b>ENVIRONMENTAL PERFORMANCE INDICATOR</b>			
Water consumption	Mℓ	6 527	8 211
Energy consumption:			
- electricity (Eskom)	GWh	505	541#
- electricity (own generation)	GWh	138	166
- coal	tons	203 468	207 977#
- liquid petroleum gas	kℓ	3 141	3 596
- diesel	kℓ	18 653	19 580#
Recycled waste products:			
- cardboard waste	tons	462	556
- plastic waste	tons	194	584
- scrap metal and timber	tons	121	221
- treated water discharged to municipality	kℓ	2 033 560	2 758 000
- treated water as a percentage of total water consumption	%	31	36
Levies for non-compliance*	R'000	642	Nil
<b>SOCIAL PERFORMANCE INDICATORS</b>			
Full-time employees		20 111	21 072
Net full-time employment (decrease)/increase		(961)	593
Bargaining unit employees	%	74	76
Training expenditure	Rm	40	38
Disabling incident frequency rate:			
- Consumer		1,01	1,16
- Sugar & Milling		1,71	0,58
- Logistics		1,86	1,32
Number of working days lost through strike action^		Nil	4

\* Restated for the change in IAS 16 and IAS 41 related to the treatment of bearer plants.

# Restated due to revised calculation methodology from 2017.

+ Relates to water discharge quality.

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



## OUR VALUE ADDED STATEMENT

	%	June 2017	%	June 2016
<b>ECONOMIC PERFORMANCE INDICATORS (R million)</b>				
Revenue		24 950 655		25 025 159
Paid suppliers		18 915 521		19 411 331
Value added by operations		6 035 134		5 613 828
Dividend received		93 522		68 595
Finance income		40 999		38 361
<b>Total value added</b>		<b>6 169 655</b>		<b>5 746 618</b>
<b>Applied as follows:</b>				
To pay employees				
Salaries, wages and benefit	67.8%	4 184 550	66.8%	3 841 166
To pay providers of capital	9.5%	583 227	11.9%	685 285
Interest paid	5.9%	366 080	6.3%	363 831
Dividend paid	3.5%	217 147	5.6%	320 091
Tax expense/(income)	2.0%	125 552	-1.4%	(82 986)
Re-invested in the business	20.7%	1 276 326	6.3%	363 831
Depreciation, amortisation and impairment	15.7%	971 125	5.6%	320 091
Retained (loss)/earnings	4.9%	305 201	-2.5%	(142 069)
<b>TOTAL</b>	<b>100.0%</b>	<b>6 169 655</b>	<b>100.0%</b>	<b>5 746 618</b>

## OUR TRAINING SPEND

	A	C	I	W*	June 2017	June 2016
<b>TRAINING INDICATOR</b>						
Training Budget					R 40 777 900	R 38 209 339
Training Spend					R 40 358 940	R 28 761 440
Total Hours of Training	205 846	106 350	15 538	37 852	365 585	366 498
Ave. hours of training per employee	18,97	32,11	20,13	19,03	21,97	20,87
No. of employees trained	10 659	3 312	772	1 894	16 637	17 565
No. of employees on Learnerships	195	70	17	22	304	19
No. of employees on Apprenticeships	79	4	4	13	100	95
No. of Learners on AET - ACI breakdown	47	0	0	0	47	97
SETA stats - Grants received						
- Mandatory Grants					R 5 371 851	R 3 172 354
- Discretionary Grants					R 6 948 679	R 5 031 608

\*African, Coloured, Indian, White



# APPENDICES

## PARTICIPATION IN INDUSTRY BODIES

RCL FOODS has active representation on and/or interaction with the following key industry bodies.

### **Animal Feed Manufacturers Association - (“AFMA”)**

The Animal Feed Manufacturers Association (AFMA) of South Africa is the official industry representative body of the formal animal feed manufacturing industry. AFMA positions and aligns itself to the benefit of its members through liaison and cooperation with various directly affected groupings, i.e. government departments; regulatory decision makers; parastatals; forums; related associations and value chain partners.

### **Consumer Goods Council of South Africa - (“CGCSA”)**

The CGCSA, established in 2002, is an organisation that represents the entire consumer goods industry and lists all products with GFSI. The CGCSA facilitates engagement between stakeholders (such as government) and the industry.

### **Institute of Packaging South Africa - (“IPSA”)**

IPSA is a non-profit organisation dedicated to the development of the art and science of packaging in South Africa. It represents the interests of its members in this country. IPSA is a full member of the World Packaging Organisation (“WPO”).

### **Packaging Council of South Africa - (“IPSA”)**

This voluntary industry body has members in three broad categories – converters, who are the revenue generators in the industry; associates or raw material suppliers; and affiliates, being customers and major recyclers. PACSA represents views of its members on national issues with particular focus on environmental matters.

### **South African Sugar Association - (“SASA”)**

SASA promotes sound and sustainable environmental practices within the industry in line with national legislation and international requirements. This is achieved through knowledge transfer, environmental research, development of best management practices and collaboration with organisations such as the World Wide Fund for Nature.

### **South African Veterinary Council - (“SAVC”)**

The South African Veterinary Council is the regulatory body for the veterinary and para-veterinary professions in South Africa and has a statutory duty to determine scientific and ethical standards of professional conduct and education.

### **World Veterinary Poultry Association**

All our veterinarians are members of the association. In 2012, the South African branch won the bid to host the world congress in Cape Town in 2015.

### **South African Chamber of Baking - (“SACB”)**

The SACB is an industry organisation which promotes the baking industry as a whole and represents the industry on various initiatives, including engaging with government departments. The training committee promotes the healthy sustainability of qualified bakers in South Africa.

### **National Chamber of Milling - (“NCM”)**

The NCM is an industry body which promotes the interests of the milling industry. The NCM is represented on numerous other industry organisations such as the Wheat Forum, the Winter Cereal Trust and the South African Grain Laboratories.



OUR FOOD SAFETY AND FOOD QUALITY PRACTICES

International Standards Organisation (ISO) principles are embedded in the integrated management systems across the supply chain to ensure customer satisfaction, to build customer trust, to reap commercial benefits and to drive sustainability in a changing environment. We have implemented the following ISO Management Systems.

Business Unit	Site	Certification Body	ISO 22000	FSSC 22000	ISO 17025	ISO 14001	OHSAS 18001	ISO 9001
Logistics	Thekwini	SABS	•			•	•	
Logistics	Roodepoort PSD	SABS	•			•	•	
Logistics	Roodepoort VCS	SABS	•					
Logistics	Peninsula	SABS	•			•	•	
Logistics	George	SABS	•					
Logistics	Nelspruit	SABS	•					
Logistics	East London	SABS	•					
Logistics	Polokwane	SABS	•					
Logistics	Bloemfontein	SABS	•					
Logistics	Midrand	SABS	•			•	•	
Logistics	Windhoek	SABS	•					
Logistics	Newcastle	SABS	•					
Logistics	Coega	SABS	•					
Baking	Pretoria West	DQS		•				
Baking	Benoni	DQS	•					
Baking	Bushbuckridge	DQS	•					
Baking	Polokwane	DQS	•					
Baking	Tzaneen	DQS	•					
Baking	Nelspruit	DQS	•					
Baking	Rustenburg	DQS	•					
Milling	Pretoria West	SABS		•				
Sugar	Malalane	SABS		•				•
Sugar	Komati	SABS						
Sugar	Pongola	SABS		•				•
Animal Feed - Molotek	Malalane	Isoqar						•
Animal Feed - Epol	Pretoria West	SABS	•			•	•	•
Animal Feed - Epol	Rustenburg	SABS	•			•	•	•
Animal Feed - Epol	Pietermaritzburg	SABS	•			•	•	•
Animal Feed - Epol	Worcester	SABS	•			•	•	•
Animal Feed - Epol	Berlin	SABS	•			•	•	•
Agriculture	Western Cape	SABS	•		•	•	•	
Agriculture	KZN	SABS	•		•	#	•	
Agriculture	Northern Region	SABS	•		•	•	•	

Business Unit	Site	Certification Body	ISO 22000	FSSC 22000	ISO 17025	ISO 14001	OHSAS 18001	ISO 9001
Processing	Hammarsdale P2	SABS		•		•	•	
Processing	Rustenburg	SABS		•		•	•	
Processing	Hammarsdale P1	SABS		•		•	•	
Processing	Worcester	SABS		•		•	•	
Processing	Wolwehoek	SABS		•		•	•	
Processing	Bush Valley	SABS		•		•	•	
Grocery (Human Food)	Randfontein	SABS		•		#	#	
Grocery (Pet Food)	Randfontein	SABS		•		#	#	
Grocery (Human Food)	Molteno	SABS		•		#	#	
Speciality	Centurion	LRQA/SABS		•		#	#	
Speciality	Bronkhorstspuit	LRQA/SABS		•		#	#	
Speciality	Spartan	LRQA/SABS		•		#	#	
Speciality	Worcester	LRQA/SABS		#		#	#	
Pie	Krugersdorp	SABS	•			#	#	
Beverage	Pretoria West	SABS	•			#	#	

• Certified      # Plans in place to obtain certification      ■ Audit not applicable to the business unit

FOOD SAFETY SYSTEM CERTIFICATION (FSSC) MANAGEMENT SYSTEM

The FSSC management system certifies companies in the food supply chain that process or manufacture:

- perishable animal products - such as pet food;
- perishable vegetable products; and
- products with long shelf life at ambient temperature and most products related to the food industry.



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