



# 2019



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

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FOR THE YEAR ENDED  
JUNE 2019

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## ABOUT THE REPORT

# SCOPE AND BOUNDARY

## REPORTING APPROACH

This report forms part of our annual suite of reports and covers the 12-month period from July 2018 to June 2019. The information reported covers all activities of RCL FOODS and our three divisions, Consumer, Sugar and Milling and Logistics for the stated periods which are considered relevant to its stakeholders.

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

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

The report is intended to be read in conjunction with the 2019 Integrated Annual Report as a compendium of our strategy and performance.

## ENSURING ACCURACY AND CREDIBILITY OF OUR RESULTS

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

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

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

## USABILITY FEATURES



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



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



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



Directs readers to our Sustainable Business Framework with more details



# OUR BUSINESS AT A GLANCE

## OUR BUSINESS PROFILE

RCL FOODS is a leading South African food manufacturer, producing a wide range of branded and private label food products which we distribute through our own route-to-market supply chain specialist, Vector. With R11 billion in market capitalisation and over 21 000 employees, we are one of the top 100 companies listed on the JSE in terms of market capitalisation.

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

### OUR PASSION

#### MORE FOOD TO MORE PEOPLE, MORE OFTEN

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

### OUR AMBITION

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

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



### OUR STRATEGIC THRUSTS

#### Our Passion and Ambition are enabled by six strategic thrusts:

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

### OUR VALUES

#### Four powerful values drive the way we do business:

- Respect for people
- Uncompromising integrity
- Seeing and doing things differently
- Act responsibly

### OUR WAY

#### Inspired by Our Passion and Our Values:

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

- MORE IMPACT
- MORE OPEN
- MORE CURIOUS
- MORE BRAVE
- MORE SPEED
- MORE YOU

## OUR STRUCTURE

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



OVER **230** OPERATIONS  
ACROSS **SOUTH AFRICA**  
AND **AFRICA**  
(including joint ventures)

Our Structure from page 8  
CFO Report from page 56



MORE THAN  
**21 000**  
EMPLOYEES



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



WITH MORE THAN **30** OF  
**SOUTH AFRICA'S**  
MUCH-LOVED BRANDS

Our Brands from page 10





# OUR BUSINESS AT A GLANCE

## OUR KEY STAKEHOLDERS



Ethekwini Municipality & DAFF representatives at a seedling nursery in HAMMERSDALE, established by the DO MORE FOUNDATION

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

Our stakeholder engagement framework places strong emphasis on cultivating positive relationships, and where possible we follow a partnership approach to drive business solutions jointly. In this context, we strive to ensure constructive and cooperative engagements characterised by openness and transparency; mutual respect; regular, structured interaction that is supportive and responsive; and a focus on outcomes linked to business-critical aspects and national priorities. RCL FOODS’ stakeholder universe includes a broad range of stakeholders with an interest in our business, products, activities and initiatives, and also on whom our business has an impact. While we consider the entire universe of stakeholders in our engagement planning, we focus our reporting on key stakeholders. The table below provides a brief overview of these key stakeholders and the value we create for them.


Read more about Our Stakeholders in our Abridged Integrated Annual Report available at [www.rclfoods.com/financial-results-and-investor-presentations-2019](http://www.rclfoods.com/financial-results-and-investor-presentations-2019)

STAKEHOLDER	HOW WE CREATE VALUE
<b>Communities</b>	<p>We strive to uplift the communities around our operations by creating meaningful value through:</p> <ul style="list-style-type: none"> <li>Investing in social and economic development initiatives that positively impact their lives</li> <li>Actively empowering them to be self-sustaining and contributing to our value chain</li> </ul>
<b>Consumers</b>	<p>We strive to create value for our consumers through building brand trust by:</p> <ul style="list-style-type: none"> <li>Providing a growing portfolio of leading grocery brands that meet their needs</li> <li>Providing our consumers with safe, high-quality food products supported by international quality and food safety standards in all our facilities</li> <li>Continuing to provide a broad range of affordably priced, staple food products and competitively priced household brands</li> <li>Embedding International Standards Organisation (ISO) principles into our integrated management systems across the supply chain</li> <li>Complying with relevant regulatory requirements</li> </ul>
<b>Customers</b>	<p>We strive to meet the needs of our customers by partnering with them to meet their business objectives and provide them with growth opportunities</p>
<b>Employees</b>	<p>We are committed to engaging the hearts and minds of our 21 000+ people by creating value through:</p> <ul style="list-style-type: none"> <li>Employment and growth opportunities</li> <li>Investing in training to build a high-performance culture</li> <li>Ensuring employee health and safety in the workplace</li> <li>Actively driving transparent, open and meaningful engagement with employee representative forums</li> <li>Investing in effective communication channels to connect with our people wherever they are</li> </ul>
<b>Government</b>	<p>We are committed to supporting government in achieving the National Development Goals and other governance needs by:</p> <ul style="list-style-type: none"> <li>Contributing to the fiscal revenue</li> <li>Supporting the transformation agenda</li> <li>Operating our business ethically and ensuring good governance practices</li> <li>Advancing government’s social and economic development agenda through CSI initiatives and economic partnerships in impoverished communities where we operate</li> </ul>
<b>Investors</b>	<p>We strive to provide our investors with value through:</p> <ul style="list-style-type: none"> <li>Consistent financial returns in the form of dividends and share price growth</li> <li>Effective management of our financial resources and appropriate capital allocation decisions</li> </ul>
<b>Media</b>	<p>We see the media as a partner in relaying relevant information to our broader stakeholder community</p>
<b>Suppliers</b>	<p>We strive to create value for our suppliers by promoting enterprise development through the purchase of goods and services from B-BBEE accredited suppliers</p>



## OUR BUSINESS AT A GLANCE

# OUR OPERATING CONTEXT AND TRENDS

Our operating context is shaped by various long-term trends that present opportunities, risks, and sometimes both, for the way we generate long-term value for all our stakeholders. Below we highlight the major long-term trends directly affecting the food industry and RCL FOODS as we strive to provide “More Food to More People, More Often”. For the key macroeconomic factors impacting our business during the current reporting period, please refer to the Chief Financial Officer’s report from page 56. 



### GLOBAL IMBALANCE IN FOOD PRODUCTION

Despite the world producing enough food to feed its people, there is a global imbalance in food production which threatens many nations’ food security. This is due to varying levels of agricultural production and associated technology, differences in economic strength, and governments’ varying levels of involvement in their national food supply chains. These imbalances are exacerbated when global surpluses enter unprotected local markets like South Africa’s. The dumping of surplus chicken and sugar in the local market in recent years, owing to inadequate industry protection through tariffs and other means, poses a threat not only to the viability of these unprotected industries but to the country’s long-term food security. In response, RCL FOODS is engaging with government directly and through industry associations to secure industry protection from dumped chicken and sugar imports. We are also supporting the FairPlay movement in their efforts to co-ordinate engagement amongst appropriate industry bodies and stakeholders to find a sustainable solution.



### FOOD SAFETY, MALNUTRITION AND INCREASING REGULATORY INTERVENTION

Although South Africa is food secure at a national level, the country carries a double burden of malnutrition: more than half the population experiences hunger or is at risk of it, leading to 27% of children being stunted<sup>1</sup>, while a growing number are over-nourished, leading to obesity in 68% of women and 31% of men<sup>2</sup>. Both extremes are linked to an increase in non-communicable diseases which drain the healthcare system and impede socio-economic development. Malnutrition, chronic disease prevention and enhanced food safety have become key government concerns, as evidenced by the introduction of the Health Promotion Levy, new brining regulations, limitations on salt and sugar in food, increased food labelling requirements and enhanced food safety regulations. It is our responsibility to keep abreast of these developments, engage with regulators, provide thought leadership where appropriate, and ensure compliance while managing the impacts on our business. As our population grows and the demand for food increases, we will ensure that we continue to provide a balanced basket of safe, high-quality food that meets consumers’ needs while complying with all regulations.

<sup>1</sup> South African National Health and Nutrition Examination Survey (SANHANES-1), 2014

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



### CHANGING CONSUMER AND CUSTOMER BEHAVIOUR

#### Demand for convenience foods

As consumers become more time-poor, there is a growing demand for ready-made, added-value and pre-prepared convenience meals and snacks – a trend that retail and foodservice customers are capitalising on through their offerings. With increasing urbanisation, more people have access to convenience foods through formal retail channels. Embracing this opportunity to add value to our consumers’ lives, we are leveraging technology and our pipeline of innovation to accelerate growth in our added-value categories.

#### Health-conscious consumer

Especially in more affluent markets, consumers are becoming more health-conscious and are demanding solutions to accommodate their diverse lifestyles and changing dietary trends, such as sugar-free, gluten-free, plant-based foods and superfoods, amongst others. Our product offering and innovation pipeline are continuously evolving to take cognisance of these changing preferences.

#### Connected and digitally savvy consumer

Consumers are spending more time online and on mobile channels, driving a growing trend towards online purchasing and digital marketing. Online interactions provide compelling insights that companies can use to respond to emerging trends. As a business, we embrace these trends and develop new channels and direct engagement with consumers to protect and grow our brands.

#### Evolving retail landscape

Retail price wars to gain market share are a strong feature of the current, highly competitive South African market. The emergence of private labels is another prevailing trend, as cost-conscious consumers pick price over best-loved brands, and retailers look to grow quality private label offerings as a point of differentiation. This has led to low food inflation and even deflation in many categories, putting pressure on branded food manufacturers’ volumes and margins. As a producer of both branded and private label products, we are working to grow our categories by continuing to invest in product innovation, differentiating our branded products to highlight added value for money, and developing fit-for-purpose high quality private label products for our retail and wholesale customers.



### GROWING PRESSURE ON FOOD SYSTEMS

With the global population expected to reach 9,2 billion by 2050, more people will need to be fed with fewer resources. Increased food production is already impacting the environment, causing biodiversity loss, deforestation, desertification, soil degradation, water scarcity and declining water quality, all of which exacerbate climate change and food insecurity. Amidst expectations that companies should measure their performance against the triple bottom line of economy, society and environment, consumers are increasingly showing a preference for products that are responsibly sourced and companies that contribute meaningfully to society. Through our Sustainable Business Drive, we are working towards a more sustainable food system by finding ways to nourish people, enrich communities and sustain resources while we grow and develop as a company.

# VALUE WE CREATE



## FOR OUR COMMUNITIES

**307 partners** from the public, private and NGO sector working to #DoMore for the young children, youth and resource-poor communities of South Africa

**5,3 million meals donated** in 2019

**1,8 million tons of sugarcane** delivered through partnerships with our communities



## FOR OUR CONSUMERS

Our brands are well entrenched with our consumers, many of them holding market leading positions over the 12 months to June 2019



## FOR OUR EMPLOYEES

We're passionate about training, developing and growing our people  
**R44,4 million** spent on training over **10 000 people**

**590 employees** are currently registered on **SETA-accredited apprenticeships** or learnerships

**149 graduates** have entered our Management Trainee Programme since its launch



## FOR OUR ENVIRONMENT

**16% increase** in the amount of renewable energy created

**4% decrease** in the amount of municipal water used

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



## FOR OUR GOVERNMENT

We paid **R133,2 million** in income tax and **R558,6 million** in VAT in 2019



## FOR OUR SHAREHOLDERS/DEBT-PROVIDERS

We paid **R348,6 million** in dividends in 2019

We paid **R305,9 million** in interest in 2019







# TOGETHER WE CAN #DoMore

Two years ago, we launched our own non-profit organisation, the DO MORE FOUNDATION, to enable a broader group of stakeholders to get involved in our key CSI initiatives. The Foundation is built on three pillars – DO MORE for Young Children, DO MORE to Ease Hunger and DO MORE to Support Youth. In addition, we support projects for the care of animals.

The DO MORE FOUNDATION is an integral part of our Sustainable Business Framework, helping drive community-based initiatives in two of its three key thrusts: Nourishing People and Enriching Communities. Guided by its core belief that “together we can #DoMore”, the DO MORE FOUNDATION has built strong public-private partnerships that are bringing about real change in the impoverished communities we support.



## #DoMore FOR YOUNG CHILDREN

Focuses on ensuring that young children in impoverished communities have access to adequate nutrition and other key early childhood development (ECD) services, in line with the National Integrated Early Childhood Development Policy. The Foundation's projects are tailored to meet ECD needs in two poverty-stricken areas where RCL FOODS is the biggest employer: Nkomazi (Mpumalanga) and Worcester (Western Cape). RCL FOODS leads nutritional provision in each of these and, through the Foundation, acts as a catalyst in establishing and developing multi-stakeholder partnerships to address key developmental areas impacting young children.

**Leave No Young Child Behind:** is an integrated ECD initiative that was implemented in two of Nkomazi's poorest wards to collaboratively meet young children's basic rights and needs in five key areas: food & nutrition, health, early learning, parenting, and infrastructure & services.

**DoMoreLearning:** is an initiative where previously used point-of-sale material is made into ECD cognitive material such as posters, puzzles, snap cards and flashcards, then distributed to young children from resource-poor communities. These help children learn the foundational skills for literacy, maths, science and technology through play.

**Worcester - a place where young children flourish:** is a transformative vision that the Foundation is attempting to establish in the Worcester community, using a “whole-of-society” approach to drive systemic change. The Foundation recently secured private sector assistance to help re-register ECD centres, and helped establish a monthly forum for those involved in the development of young children.

**Snack Provision to ECD centres and playgroups:** Provides young children in impoverished communities with a healthy daily snack of Monati porridge and YUM YUM peanut butter, helping reduce their chances of physical and cognitive stunting. This initiative benefits over 9 700 children across South Africa.



## #DoMore TO EASE HUNGER

Promotes food security in socially and economically challenged communities by focusing on food provision through community-based food gardens, healthy snack provision to young children at ECD centres, and donations of RCL FOODS products. The Foundation has catalysed the formation of collaborative partnerships with government, the private sector and Lima Rural Development Foundation to make these initiatives a reality for impoverished communities.

**#DoMore4Hammarisdale:** was formed to help address food and economic insecurity in Hammarisdale by establishing food gardens and linking individuals to various economic opportunities. This project caters directly to the needs of the hungry while also increasing household income and standards of living.

**Abalimi Phambili:** is a joint programme with The Jobs Fund that improves small scale vegetable farmers' access to formal markets, provides training, develops agro-processing opportunities and offers affordable credit. This helps relieve hunger and generate more household income in the Nkomazi area, making communities more self-sufficient.

**More Meals Counter:** tracks the donation of RCL FOODS products through FoodForward SA and other partners.



## #DoMore TO SUPPORT YOUTH

Empowers the youth of South Africa through job creation, training and skills development so that they break the cycle of poverty.

**#DoMore4Hammarisdale Economic Linkages Project:** collates a database of unemployed youth in Hammarisdale and connects them to economic opportunities including job placements, internships and training, and social grants.

**DO MORE FOUNDATION Sewing Initiative:** was set up in Hammarisdale, in collaboration with local business partners, to provide unemployed youth with the skills they need to run their own sewing projects and become self-sufficient.

**Hammarisdale Street Business School:** addresses rising poverty levels among youth by recruiting young entrepreneurs who use local resources to create businesses, and upskilling them through personalised business coaching.

**Star Schools Programme:** provides supplementary teaching in Maths, English and Science to grade 10, 11 and 12 learners in the Nkomazi and Pongola areas, helping improve their performance and increase their future study/employment opportunities.

**Selati Cup:** is an annual soccer tournament which was started 13 years ago to stimulate sport and social development in the Nkomazi area. The tournament has grown in size and popularity, attracting talent scouts and inspiring youngsters to pursue their dreams.



## #DoMore FOR THE CARE OF ANIMALS

Strives to make an impact on food provision for animals, and indirectly the communities they come from, by working with accredited animal welfare organisations. The DO MORE FOUNDATION has partnered with the Gabriella Faickney Charitable Trust in order to support a wide variety of animal interest projects across the country. These include:

Animal Anti-Cruelty League  
in Hammarisdale

Funda Nenja in  
Pietermaritzburg

Greyhound Welfare  
SA in Gauteng

People's Dispensary for  
Sick Animals in Soweto

Durban-based organisations  
Project Dog

KZN Valley Dogs

Inanda Dog Project

Feral Cat Rescue Trust

The Foundation supports these through monthly donations of dog and cat food products through RCL FOODS, providing over 45 tons of pet food annually.

## OUR SUSTAINABLE BUSINESS DRIVE

# MESSAGE FROM THE CEO



Four years ago we asked what we needed to “see” and “do” differently in order to secure the future of our business and its stakeholders in a rapidly changing world. Envisioning a positive future in which people are nourished, communities are enriched and resources are sustained while we continue to grow and develop as a business, we launched our Sustainable Business Drive. With environmental, economic and social crises making headlines with ever increasing regularity, I am convinced that we were indeed “seeing” right when we formulated this strategic response. Looking back on our achievements so far, it is clear that we are also “doing” things right, even if we still have a way to go to deliver on our ambitious targets.

### MORE FOOD – NOURISHING PEOPLE

The key nutritional challenges our country faces include high levels of undernutrition and childhood stunting, an increase in overweight and obesity, and a corresponding rise in communicable diseases. We want to be part of the solution and have begun engaging with experts and other stakeholders to better understand the problem and how we can support the national nutrition agenda while catering to consumers’ changing needs. We have been taking preliminary steps to strengthen the nutritional profile of our basket by introducing products like Number One Moringa and Yogoboost, lowering sodium in our Sunbake products and reducing added sugars in our

beverages, in line with current health regulations. Equally important is our continued participation in and defence of the local chicken industry in order to provide South Africans with affordable and high-quality protein.

Identifying malnutrition in young children as a particular challenge in social and economic development, we chose early childhood development (ECD) as a key focus area for our CSI work in the nutrition space. Through our DO MORE FOUNDATION we have been providing a daily healthy snack of Monati porridge and YumYum peanut butter to over 9 700 children from the Foundation’s “Leave No Young Child Behind” initiative in Nkomazi and from SmartStart playgroups across the country.

### MORE PEOPLE – ENRICHING COMMUNITIES

Our 21 000+ employees are the lifeblood of RCL FOODS. Over the last four years we have not only integrated them into ONE RCL FOODS, but we have been working to develop a compelling RCL FOODS culture with engaged and high-performing people. Last year we invested R44,4 million in training over 10 000 employees, and we continue to actively develop our talent pipeline and grow leaders through a host of initiatives including our RCL FOODS Leadership Development Programme, our Management Trainee Programme, our Emerging Leaders Programme, and our new e-learning platform, LinkedIn Learning. We are also providing new development opportunities to black youth through our Siyabhaka Baking Academy and our participation in the national Youth Employment Service (YES) programme.

Looking outwards, we have used a community partnership model to empower grower communities to support themselves while contributing to our leading value chain. Our small-scale cane farmers’ cane production increased by 27% in 2019 in partnership with Akwandze and TSGRO, our community joint ventures (JVs), while our large-scale sugar JVs provided over a million tons of cane to our mills and received R36 million in lease income along with direct employment and enterprise development. In addition to the direct employment we offer in some of South Africa’s most remote rural areas, the economic partnerships we have with grower communities and our procurement of goods and services in these areas mean that we play a critical direct and indirect role in the economic survival of rural communities. We are also impacting significantly on the social development of vulnerable communities,

both rural and semi-rural, through our DO MORE FOUNDATION. In 2019 the Foundation was responsible for the donation of 5,3 million meals while continuing to grow successful multi-stakeholder initiatives through its impressive network of partners. #DoMore4Hammarsdale in KwaZulu-Natal is one of these, and has been shown to have significantly improved the community’s food and economic security according to its first-ever Social Return on Investment study.

### MORE OFTEN – SUSTAINING RESOURCES

Acknowledging the need to reduce our environmental impact, we calculated our group-wide carbon footprint for the first time in 2015 and saw it as both a challenge and opportunity. We set stretching targets for Energy, Water and Waste and have already been recognised by the global Carbon Disclosure Project as a leader in carbon mitigation. To reduce our dependence on Eskom and lower our carbon footprint, we partnered with Green Create to build our first waste-to-value plant in Worcester in 2017, which generates enough renewable energy from post-processing chicken waste to power 30% of our total site. This plant was the first of its kind and scale in Africa, leading the way for other corporates and even municipalities to set up similar waste beneficiation projects. We are looking forward to becoming even more energy self-sufficient once we complete our second waste-to-value plant in Rustenburg, which will provide 65% and 50% of the energy and water requirements respectively for our chicken processing site and animal feed mill.

On the water front, we have achieved company-wide savings through a number of projects, including our transition to more efficient irrigation systems in Sugar which have reduced water use by 20% and our award-winning drought-proofing initiative which halved fresh water use at our Cape Town Logistics operation. We are also making steady progress in our waste reduction plans, converting 92% of our total waste to fertiliser or energy, and disposing of only 6% of our waste via landfill. We continue to look for new ways to divert waste from landfills and derive value from it, in line with circular economy principles.

### LOOKING BACK, LOOKING FORWARD

Considering the headwinds we have faced as part of our operating context in recent years, we have come a long way in a relatively short time. Partnerships have been key; achieving sustainability is by nature a collaborative challenge. The positive difference we have made has benefited not only our human and physical environment but our business too by positioning us

as a socially responsible corporate citizen, helping us support transformation in our business and beyond, and positioning us to find new ways to grow and produce food more sustainably.

In closing, you will notice that “new disruptive models” underpins our Sustainable Business Framework. One future-proofing initiative that I am particularly excited about is The Hatchery, a new joint venture between RCL FOODS, Remgro and FoodSafe Fund Managers that aims to ‘fund the future of food’ by investing in disruptive new businesses across the entire Southern African food value chain, from production right through to distribution and waste management. This will enable us to shape a positive and sustainable future for food in South Africa, while maintaining our competitive advantage in a fast-changing food landscape.

As we approach the end of our fifth year as one RCL FOODS, our commitment to providing More Food to More People, More Often has never been stronger. By progressively absorbing our sustainability mission into the core of what we do, we will keep doing MORE to create a secure future.

M Dally

Chief Executive Officer

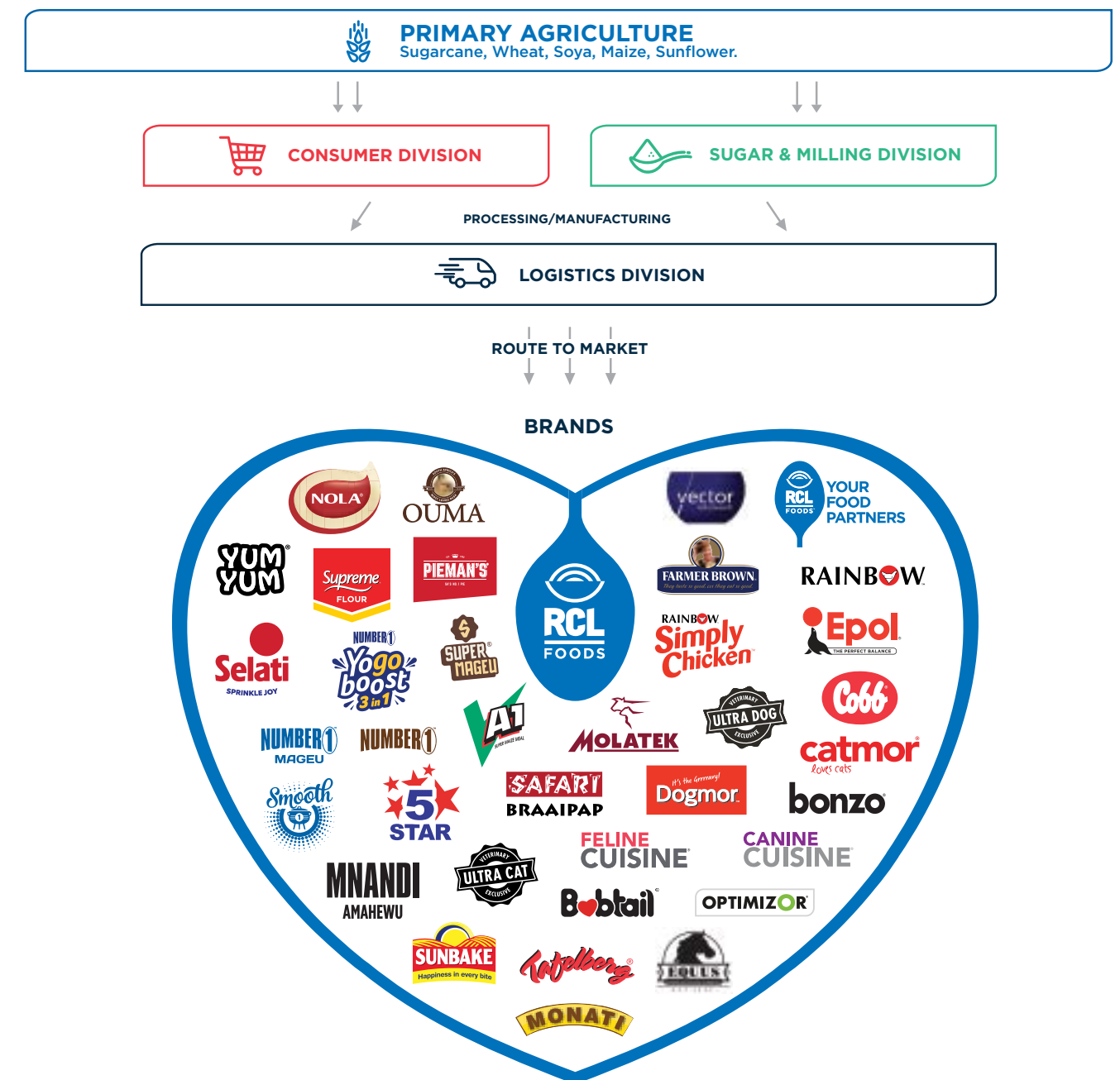


# OUR SUSTAINABLE BUSINESS DRIVE OUR APPROACH TO SUSTAINABILITY



Precision farming in our Malalane sugarcane fields

As the manufacturer of a large basket of products spanning multiple product categories, we are responsible for a complex value chain that stretches from the production of raw materials to the consumption of our products, and includes the communities around our operations. The size and diversity of our footprint means that we have to manage a wide variety of issues on an ongoing basis, both within our business and across our supply chain and resource base. In doing so, we are guided by our Sustainable Business Framework which captures our response to the key issues facing our business with a view to creating a secure future for RCL FOODS and its people.



## Our Governance of Sustainability

The Board of RCL FOODS has overall responsibility for the sustainable development of RCL FOODS. A director is responsible for championing our Sustainable Business Drive, while the Risk and Social & Ethics committees assist the Board with monitoring all aspects of sustainability, including the business' health and safety, economic, environmental and social impacts. These committees' oversight of our various sustainability initiatives enables risks and opportunities to be identified in a proactive and integrated way, in line with the provisions of the Risk Charter.



# OUR SUSTAINABLE BUSINESS DRIVE

## OUR SUSTAINABLE BUSINESS FRAMEWORK

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

### ① MORE FOOD

#### NOURISHING PEOPLE

More nutritionally creative solutions

#### 1.1 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.

#### 1.2 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.

#### 1.3 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.

### ② MORE PEOPLE

#### ENRICHING COMMUNITIES

More socially creative solutions

#### 2.1 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 21 000+ people.

##### Ambition

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

#### 2.2 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.

#### 2.3 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.

### ③ MORE OFTEN

#### SUSTAINING RESOURCES

More environmentally creative solutions

#### 3.1 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.

#### 3.2 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.

#### 3.3 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

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



Food security project in Hammarisdale



# MORE FOOD NOURISHING PEOPLE



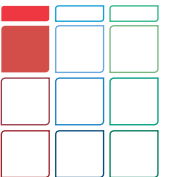
A child enjoying breakfast at an ECD centre in Hammarsdale.

South Africa is a society in transition, with rapid urbanisation and a growing middle class creating a demand for food that is affordable, convenient and acceptable to people's evolving tastes and dietary preferences. At the same time malnutrition is on the rise as diets become more energy-dense and nutrient-poor. As our population grows and as human and environmental health comes under increasing pressure from our changing food system, we face a complex challenge: how to feed more people, more often, and in a more sustainable way.

As one of South Africa's leading food producers, with a basket of over 30 much-loved food brands ranging from staples to top-end speciality products, we are present in most South African households and have a unique opportunity to nourish people according to their needs.

## 1.1 MORE NUTRITIOUS PRODUCTS

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



While South Africa is considered food secure at a national level, more than half our population experiences hunger or is at risk of experiencing hunger<sup>3</sup>, leading to undernutrition which is of greatest concern in the development of young children. At the same time, we have the highest level of obesity in Sub-Saharan Africa, with 68% of women and 31% of men being overweight or obese<sup>4</sup>. Both undernutrition and overnutrition are linked to a growing incidence of non-communicable diseases.

We supply a broad basket of products, from staples to value added products, and seek to meet the changing needs of our consumers. Our growing portfolio of brands, including Yum Yum Peanut Butter, Monati pure-grain Sorghum and Rainbow Chicken, has recently been expanded with new products under the Number One brand - Moringa and Yogoboost. We have also reduced sodium in all our Sunbake and Supreme products (bread, buns rolls, premixes) and reformulated our chilled processed meats and freezer-to-fryer products with lowered sodium. Reducing 'hidden sugars' is another area we are currently investigating.

<sup>3</sup> South African National Health and Nutrition Examination Survey (SANHANES-1), 2014

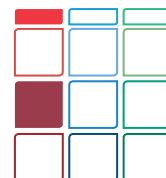
<sup>4</sup> Stats SA. South Africa Demographic and Health Survey, 2016





## 1.2 MORE NUTRITIONAL THOUGHT LEADERSHIP

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



Providing sufficient, safe, nutritious and sustainably grown food is a key developmental challenge for South Africa. Not only are appropriate and timeous policies necessary to drive and support real change, but multiple stakeholders need to be involved in guiding policies to ensure they meet the right needs in the right way.

As the International Food Policy Research Institute maintains, “Good food policy makes farmers more productive, promotes better access to markets and protects poor people during crises. It ensures food is safe, nutritious and is produced sustainably. It helps create jobs, leads to economic growth and trade agreements that reduce hunger and poverty.” As a leading food producer with interests across the food value chain, we believe we can contribute to positively shaping the future of food in South Africa by working with like-minded partners to shape thinking and action around food security and malnutrition.

Through collaboration with government and other stakeholders we have been contributing to key policy implementation areas such as land reform, food safety enhancements and early childhood development. We are also engaging with government to influence policy around protection of the local chicken and sugar industries.

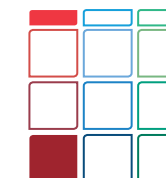
Our ongoing engagements with academics and leading organisations in the nutrition thought leadership space, such as Southern Africa Food Lab at Stellenbosch University and the Worldwide Trust For Nature, are currently helping us understand the South African food landscape better and to identify ways in which we can provide strong corporate leadership to address nutrition challenges in the food system.



Children in an ECD centre in Hammarsdale

## 1.3 MORE BASIC NUTRITION FOR CHILDREN

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



With 90% of brain growth taking place before the age of five, early childhood is the most important phase of human development. In South Africa, an unacceptable 27% of young children in South Africa are stunted due to inadequate nutrition<sup>5</sup>. Their development is further affected by poor access to early learning stimulation, health and social services. This has serious implications for their health and economic potential as adults, perpetuating the cycle of poverty.

We have therefore chosen to focus on nutrition promotion as part of a wider Early Childhood Development (ECD) approach to reduce physical and cognitive stunting. Being a leading South African food producer, we are providing nutrition to vulnerable children as well as facilitating the development of multi-stakeholder partnerships in various other essential childhood services.

### Leave No Young Child Behind

Leave No Young Child Behind is a comprehensive, collaborative initiative to improve early childhood development in the community around our Malalane sugar mill. It targets five key areas – food and nutrition, health, early learning, parenting, infrastructure and services for children – to break the cycle of poverty in the two poorest wards of the Nkomazi municipality.

The Leave No Young Child Behind initiative endeavours to implement the National Integrated ECD Policy which envisages universal access for every young South African child to a comprehensive package of quality services by 2030. The DO MORE FOUNDATION currently co-leads this agenda together with the provincial Department of Social Development, while facilitating collaborative partnerships between government, NGOs, corporates and other stakeholders.

### 2019 Achievements

- **459 children in 27 playgroups received a healthy daily snack** of Monati porridge and Yum Yum peanut butter.
- **ECD centres benefited from a range of quality enhancements through various partnerships and a R400 000 grant from the Sugar Industry Trust Fund for Education (SITFE).**
  - As a result of infrastructure upgrades, 80% of ECD centres are now conditionally or fully registered with the Department of Social Development and most are receiving a subsidy.
  - 142 ECD practitioners received training through a partnership with the departments of Social Development, Education and Health.
  - Teachers at 24 ECD centres in Nkomazi received accredited skills training and capacity building towards recognised national qualifications in ECD.
  - A variety of age-appropriate teaching and learning materials and equipment, was provided to facilitate quality early learning programmes.
  - Principals received training in ECD centre governance and management.
  - ECD staff received training and resources.
  - A follow-up assessment by an independent researcher showed a 140% improvement in ECD programme quality over an 18-month period.

<sup>5</sup> Stats SA. South Africa Demographic and Health Survey, 2016



## 2019 Achievements (continued)

### • Parenting support was provided to parents and expectant mothers

- A weekly ECD radio programme is broadcast on Nkomazi FM to educate pregnant mothers and caregivers of young children, supported by monthly articles in the local community newspaper.
- Booking procedures for pregnant women at clinics were improved to include more efficient reporting of visits and recordings of pregnancies and births.
- Department of Health Ward-Based Outreach Teams (WBOTs) and Community Health Workers (CHW) are routinely monitoring the health of pregnant women and children under five in communities.
- 45 members of the government's Community Works Programme have been trained to facilitate a national parenting programme for families with young children.

- **A Resource Directory and integrated referral system has been developed** to help families access the required services for their young children, such as vital documents, government grants, health services and child protection.



#nourishingpeople

### Case Study:

### Early learning investment pays off in Nkomazi

In key poverty nodes like wards 16 and 19 of rural Nkomazi, we believe that the best way to break the poverty cycle is by investing in early childhood development. By enabling children to receive the basic services they need to develop optimally, we can help them to learn better and ultimately become more socially and economically empowered. This is also the thinking behind South Africa's National Integrated Early Childhood Development (ECD) policy, which we are working to bring to life through the Leave No Young Child Behind initiative.

Encompassing numerous service areas, this integrated ECD initiative is founded on a strong network of public-private partnerships catalysed by our DO MORE FOUNDATION. This multi-partner model has enabled the Foundation, and the various stakeholders involved, to achieve far more for children in Nkomazi than they would have had they acted alone.

Improvements in early learning are a key element of the Leave No Young Child Behind initiative and also an indicator of its success so far. Through various partnerships, 24 ECD centres in Nkomazi have already been assisted in various ways, from provision of learning materials and educator training to assistance with registration with the Department of Social Development. The latter is particularly important as it indicates that a school is of an acceptable quality level and enables it to gain a government subsidy to fund its activities.

The impact of these efforts is starting to show. A recent comparative study of ECD programme quality in the area found that this had improved by 140% in just 18 months. What's more, three of the ECD centres we support – Thembumelusi Educare, Thuthuka Educare and Emkhunini Educare – received awards of excellence in the recent 2019 Government National ECD Awards. Recognising centres that are meeting the norms and standards stipulated in the National Integrated ECD Policy, it was significant that Thembumelusi and Thuthuka won awards in the Best Practitioner category while Emkhunini won Best ECD Centre in the District. Collectively, these three centres alone are taking care of the developmental needs of 249 children in the Nkomazi area.

Thanks to the Leave No Young Child Behind initiative, nearly 4 000 children in Nkomazi are accessing opportunities for a brighter future, either through enrolment in ECD centres or playgroups, or through a home visiting programme by community health workers which includes early stimulation and parent support. In this way the impact of the initiative extends beyond the children to the entire community, giving people a chance to #DoMore for themselves and their future.



Nkomazi FM radio station operating in a DO MORE FOUNDATION building



# MORE PEOPLE ENRICHING COMMUNITIES

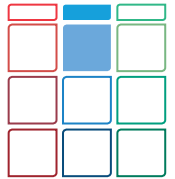


Youth part of Enterprise Development Programme in Hammarsdale

Through our direct employment of over 21 000 people and our partnerships with numerous contract growers and a host of secondary businesses, we impact the lives of millions of South Africans within and beyond the areas where we operate. Given the reality of rising unemployment in South Africa and our desire to create a sustainable future for our company and its people, we are actively working to enrich our communities by promoting sustainable, inclusive economic growth and creating a meaningful and rewarding work environment for our employees.

## 2.1 MORE INSPIRED EMPLOYEES

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



Achieving our growth ambitions and delivering on our Passion, depends on creating a unique organisation and culture where work is safe, fun, meaningful and enriching. To do this, we are working to develop our people, build authentic leaders and create an enabling environment for us to do and be MORE. Our four key focus areas are:


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

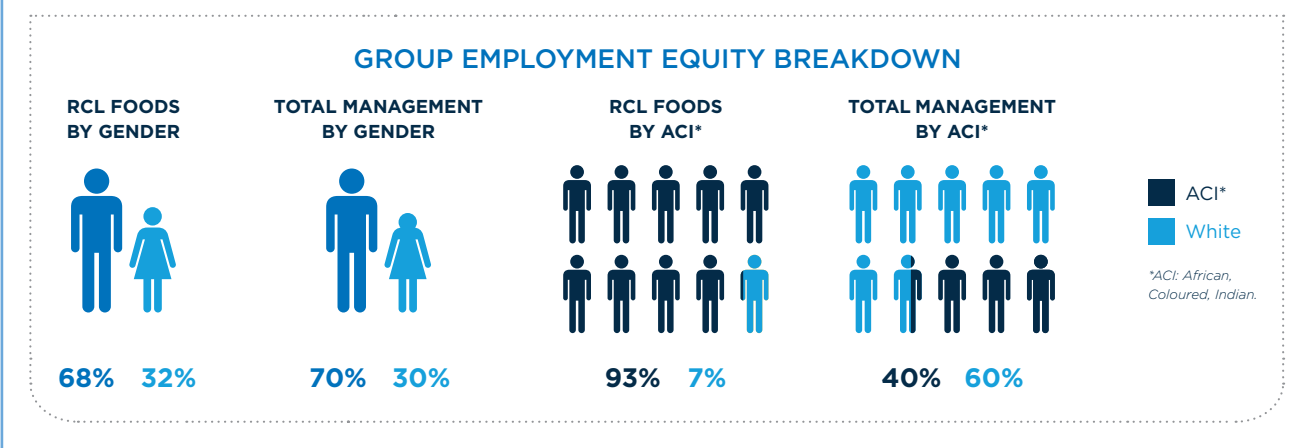
### Focus Area 1: Culture and Diversity

We continue to work towards creating a diverse and inclusive workforce that reflects the society in which we operate. Guided by the principles of employment equity, we are concentrating on creating a strong talent pipeline by targeting graduates, building our in-house recruitment capabilities and increasing our social media presence. Our recruitment strategy, which incorporates principles from the employment and gender equality guidelines, focuses on building a diverse organisation; appointing the right leaders; and developing and retaining diverse talent in the right roles.

Our five-year Employment Equity Plan seeks to address all barriers in promoting equal and fair opportunities in the workplace, and has contributed towards solid progress against our 2020 targets. As our current 5-year plan draws to a close, we will embark on setting stretching new diversity targets for 2025.

### 2019 Achievements

- We continued to progress our diversity strategy in line with our 2020 Employment Equity Plan.
  - African, Coloured and Indian (ACI) management increased from 38% to 40%.
  - We continued to empower women through training and development.  Some examples to our commitment in this regard can be found on page 27.





## 2019 Achievements (continued)

- **We launched the Basadi Bereka (Women at Work) project in the Consumer Division.**

- This is an in-house initiative to identify and address barriers to the development of women in the workplace, with a view to creating a more conducive environment for their retention and advancement.
- The focus is currently on accelerating development of key female talent within our chicken processing operation.

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

We believe that B-BBEE is part of the broader transformation imperative in our country. Our transformation policy is guided by a continuous focus on growing a healthy and sustainable business that creates value for all our stakeholders while contributing to nation-building.

In September 2018 we completed our latest B-BBEE verification in terms of the Broad-Based Black Economic Empowerment Act. This was done in accordance with the new Agricultural Sector BEE Codes of Good Practice and focused on the 2018 financial year (1 July 2017 to 30 June 2018). The results were that:

- **RCL FOODS achieved a Level 4 B-BBEE score for the 12 months ended June 2018, while our Sugar business unit maintained their Level 2 score for a fourth consecutive year.**

- **RCL FOODS' Ownership pillar gained an additional 8.45 points compared to the previous year.**

Given that RCL FOODS is 77,7% owned by Remgro, our Ownership score is largely determined by black ownership at a Remgro level. The flow through principle of the Remgro ownership means that RCL FOODS' Ownership score benefited from positive changes in ownership at Remgro level. Based on this:

- RCL FOODS' black ownership improved from 17,5% last year to 23%
- Black woman ownership within RCL FOODS increased from 7% to 12%
- Designated groups also increased from nil to 6%

The RCL FOODS Employee Share Ownership scheme was also recognised as part of Ownership, as in the prior year.

- **RCL FOODS achieved full scores for the Enterprise Development, Supplier Development and Socio-Economic Development elements of the scorecard.**

- Many of our programmes aim specifically at uplifting the youth in the communities where we operate and giving them access to the economy. [Read more on page 36.](#)
- In our Sugar & Milling division, we supported small-scale cane growers in the Nkomazi region with finance and other skills required to sustain their businesses. Our sugar joint ventures also continued to empower and support local land reform beneficiary communities.
- In our Consumer division, our Enterprise and Supplier Development support has assisted smaller emergent chicken growers to improve their business performance through incubation and other support programmes.
- RCL FOODS' broad commitment to development goes beyond compliance with the B-BBEE scorecard. We have developed a Comprehensive Rural Development Programme (CRDP) strategy in terms of our relationship with government and neighbouring communities, which provides a strong alignment with our Corporate Social Investment (CSI) approach.

- **Our spend towards Supplier development in Sugar and Chicken exceeded 3% of RCL FOODS' net profit after tax (NPAT).**

- Preferential Procurement is our biggest area of concern from a BEE perspective, mainly due to the impact of the new codes on the BEE ratings of many of our suppliers. We are however investing in projects to ensure our suppliers are fully empowered and supported by applicable supplier development programmes where appropriate.

- Our robust procurement strategy ensures that our suppliers' BEE rating is carefully monitored, in keeping with the new BEE codes. This includes evaluating their black ownership and black women ownership percentages. Where appropriate, preference is also given to Emerging Micro Enterprises (EMEs) and Qualifying Small Enterprises (QSEs) in line with the economic transformation imperative of the BEE codes.

- **We continue to develop skills and build a pipeline of talent in designated groups through a range of programmes.** [Read more on pages 28 – 29.](#)



#enrichingcommunities

### Case Study:

### Making a way for women at work

We see building a diverse and inclusive culture as an essential success factor in delivering on our Passion and Ambition at RCL FOODS. This includes enabling more women to access and succeed in our workplace through both recruiting and developing more women – or what we call a 'Get More' and 'Grow More' approach.

On the 'Get More' side, we have implemented a recruitment drive which prioritises hiring and placing female candidates in line with our employment equity targets.

'Grow More' is about empowering women at all levels of the business so that they can make a positive, confident contribution and embrace opportunities for growth.

### Doing MORE to recruit women

Seven years ago we launched our Management Trainee Programme to help us build a talent pipeline of potential future leaders in our business. We have recruited 149 bright young graduates onto the programme so far, of which 54% have been female. Of the 23 that have been promoted to management level, 78% have been female. Over the last financial year, women have made up 32% of new staff joining the business, of which the majority were in the A and B band level. At the Professionally Qualified & Experienced Specialists and Mid-management level, a significant 45% of our hires have been females, which shows that we are starting to broaden women's representation in the higher levels of the business too.

### Developing and empowering women, the RCL FOODS way

We have had great success in bringing about a more gender diverse leadership team in our chicken agricultural operation. Through the Women in Agriculture initiative, which aims to create an environment conducive to attracting, empowering and retaining women in the sector, the proportion of women in senior leadership has more than doubled in the last four years. All our female Agric managers have now participated in the programme, which has created a solid 'network' of women leaders who meet regularly to support and mentor each other.

Other ground-breaking programmes focused on female development and training are our Management Trainee Programme (which has produced five home-grown female engineers, with another six in the pipeline), our Women with Drive programme (which trained 10 unemployed women from KZN to become professional drivers last year), our Female Artisan Development Programme in the Sugar & Milling and Consumer divisions, and our Apprenticeship Programme (which is currently training 19 women in various engineering disciplines).

Other key development programmes are also playing a role in empowering women. To date 50% of participants in our Supervisory Fundamentals Programme have been female, while 24 women have gone through our new Millbake Academy. Finally, a total of 138 women leaders have attended our RCL FOODS Leadership Development Programme which we introduced four years ago in partnership with the Gordon Institute of Business Science (GIBS).

## Focus Area 2: Develop Leaders and Grow Talent

In order to build a high-performance culture with satisfied employees, we work to attract and retain the right talent in the right places, while creating a diverse workforce and an enabling environment for individual growth. Leadership development and talent management programmes are key in creating a skilled, innovative, and values-based organisation in line with the RCL FOODS way.

Our industry-leading learning and development strategies, our focus on individual development, our commitment to the National Development Strategy, and our investment in industry through our SETA-accredited programmes ensure that employees are recognised and prepared for the future.

### 2019 Achievements

- **R44,4 million was invested in training over 10 000 employees.** Over 90% of trainees were African, Coloured or Indian.
- **590 employees are currently registered on SETA-accredited apprenticeships and learnerships.**
- **31 managers and two management trainees** from our chicken agricultural operations attended our second RCL FOODS Consumer Agricultural Technical School.
- **We joined the first wave of companies supporting the Youth Employment Service (YES) Programme.**
  - YES is a business-led collaboration with government and business aimed at creating employment for the country's youth, of which 56% are currently unemployed. This is achieved through the placement of unemployed black youth into new, 12-month, work experience training opportunities.
  - Just over 330 newly-created 12-month fixed term contract positions were advertised and filled by 30 June 2019. At the end of the 12-month programme, RCL FOODS aims to absorb at least 5% of participants into our permanent workforce.
- **We continued to implement the RCL FOODS Leadership Development Programme** in collaboration with the Gordon Institute of Business Science (GIBS), to establish and build high-potential leaders in pursuit of our business ambition. Almost 400 leaders have now completed the programme.
- **We continued to roll out our new transitional managers programme** to accelerate the development of emerging leaders earmarked for future leadership roles.
  - 15 participants have already graduated from the 9-month RCL FOODS Emerging Leaders Programme (run in conjunction with the Nelson Mandela University) and a further 18 are currently enrolled.
- **We have designed an Executive Mentoring Programme** to offer accelerated, relationship-based development for executives earmarked for critical succession roles.
- **We continued to implement our Supervisory Fundamentals Programme (SFP),** which builds leadership capability by focusing on personal effectiveness, effective communication and relationship management.
- **We launched the Supreme Siyabhaka Baking Academy with 12 aspiring young ACI bakers.**
  - In line with our Baking growth strategy, the Academy will develop these school leavers over 18 months of theory and in-bakery training into a new breed of highly employable young baking professionals.
- **We have embarked on a 'Sugar Processing NQF 2' learnership through our accredited Sugar Excellence Learning Academy.**
  - This internally designed and developed SAQA-accredited programme aims to train a total of 50 permanent mill operators.

### 2019 Achievements (continued)

- **Our sugar business unit has initiated a learnership programme towards a National Certificate in Business Administration NQF 3 for 21 black disabled employees.**
  - This is in line with the BEE Codes of Good Practice which set a benchmark of 2% of the workforce comprising people living with disabilities. Our new Disabled Learnership Programme will give us an opportunity to actively include people living with disabilities in our workforce.
- **89 students from local universities received in-service training.**
- **149 students have entered RCL FOODS through our Management Trainee Programme to date.**
  - Launched 7 years ago, this programme is a key part of our talent acquisition strategy. It focuses on fast-tracking the development of future leaders and meeting RCL FOODS' transformation targets through structured development plans.
  - 23 management trainees across the business have been promoted to manager level to date.
  - 78% of these new managers are employment equity candidates and 74% are African, Coloured or Indian.
- Recognising the importance of recruitment in driving progress towards our employment equity targets, we were **honoured to be recognised as the Best Talent Acquisition Team in the inaugural LinkedIn South Africa Talent Awards.**



Siyabhaka Baking Academy students



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

In order to create a work environment that is conducive to productivity, participation and organisational stability, we actively drive best management practices in all our operations. As part of this, we acknowledge our employees' right to freedom of association.

The various bargaining units in our business now represent 75% of our workforce. The recognised trade unions negotiate salaries and conditions of employment through them as per established recognition agreements. To ensure proper communication and engagement with our social partners in these unions, we have created national, regional and site-based employee representative forums. We have signed multi-year wage agreements with unions across most of our business units, helping to keep employee industrial action to a minimum.

To ensure equitable and fair working conditions, we have clear disciplinary and grievance policies and procedures which we communicate to all our employees through the induction process, through training and through ongoing communication of our standard policies and procedures via the RCL FOODS intranet and other channels.

#### 2019 Achievements

As part of our employee engagement strategy, we launched a **mobile communications platform called "Let's Talk"**. This allows for authentic relationship building through active two-way engagement with our employees, from shop floor to executive management. It also allows direct conversations with our employees as consumers, creating opportunities for instant feedback and keeping employees informed of specials, new product launches, sampling, gift coupons and other initiatives.

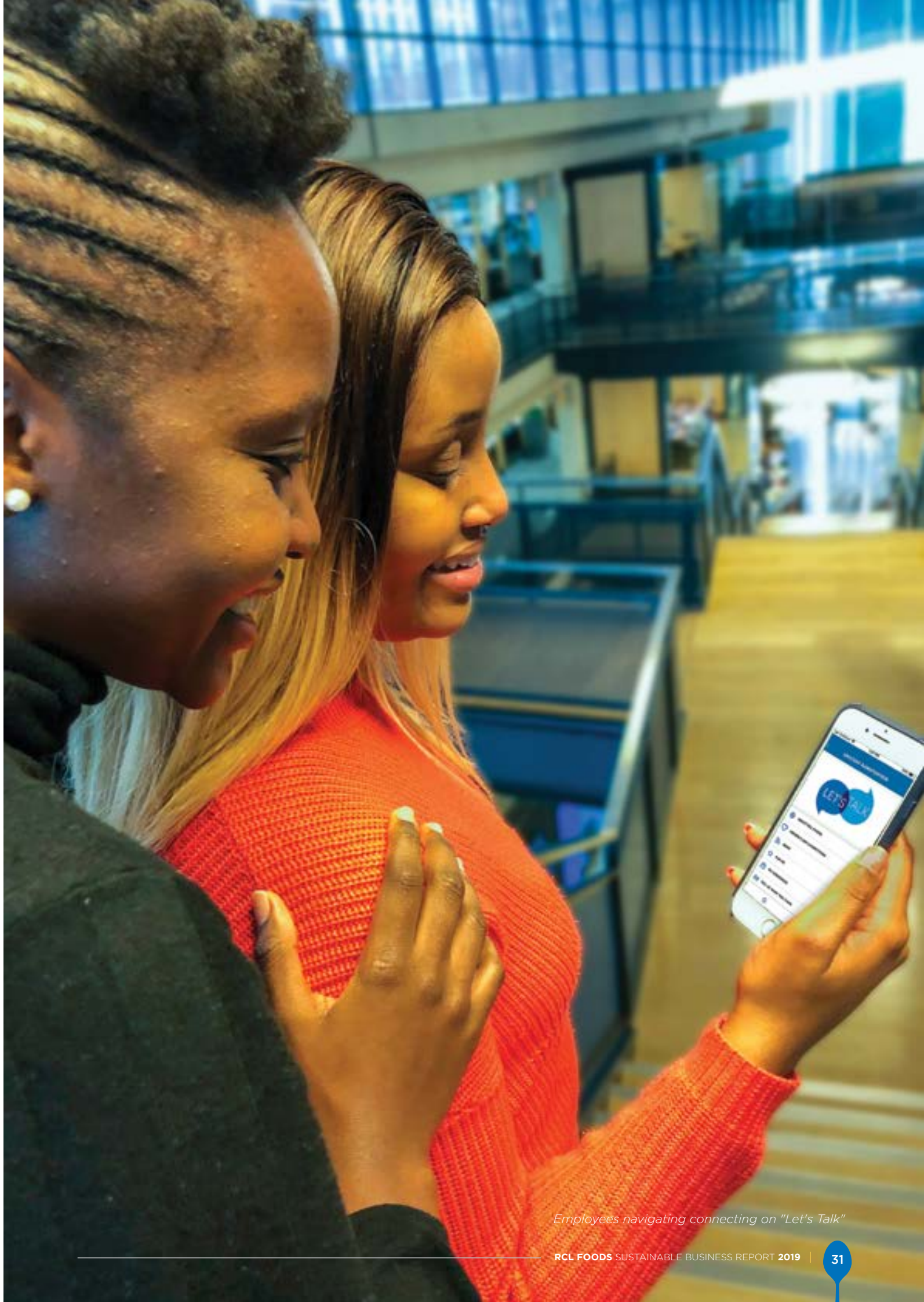
### Focus Area 4: Employee Health, Safety and Wellness

Our employees are a critical asset to our business. We are committed to promoting their health, safety and wellness through a range of programmes and support initiatives. Being a relatively newly-integrated business, we are still in the process of developing a consolidated strategy for employee health, safety and wellness across the company, incorporating both occupational and primary healthcare.

Our occupational healthcare is guided by legislation to ensure that our employees are monitored, their exposure to risk is kept to a minimum, and a safe and healthy workforce environment is maintained. We provide a core occupational healthcare service on our main operating sites, and regularly service our smaller and outlying sites via mobile clinics.

As a large manufacturing company we understand the importance of primary healthcare and emergency care as essential support services. To assist our employees to access reliable primary healthcare at an affordable rate, we have made a low-cost medical aid plan and health benefits available to shop floor employees.

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.



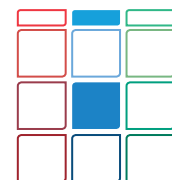
Employees navigating connecting on "Let's Talk"



## 2.2 MORE ECONOMICALLY DEVELOPED COMMUNITIES

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

Small-scale sugarcane growers and community joint ventures are an essential part of our supply chain, and long-term partnerships are key to our long-term business sustainability. Through sustainable farming programmes and interconnected business models we aim to empower our communities to improve their agricultural practices, enhance their competitiveness and better their livelihoods, thereby contributing to the value we create.



### Sugar Joint Ventures (JV)

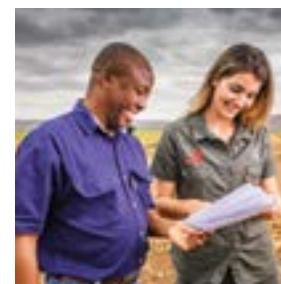
Between 2007 and 2012 we sold the majority of our Nkomazi agricultural operations in settlement of land claims in the region. After establishing partnership agreements with the claimant communities, one of which is profiled below, we established three joint venture (JV) companies which lease back the agricultural land assets at market rates. This has resulted in a win-win relationship: the communities receive income from the high-potential agricultural assets they own, along with study and enterprise development opportunities through RCL FOODS and the JV companies – while we benefit from a sustainable cane supply to our Nkomazi (Malalane and Komati) mills.

#### 2019 Achievements

- JV companies continued to implement the drought recovery strategy, resulting in **delivery of more than 1 million tons of cane from over 9 000 hectares of irrigated land.**
- **194 land reform beneficiaries benefited** through direct employment.
- **29 companies were awarded contracts totalling R95 million in procurement spend**, as part of RCL FOODS' enterprise development efforts. These companies are owned by beneficiaries from our three JV partner communities.
- **R36 million in lease payments** was received by partnering land reform beneficiaries. This was R3 million lower than 2018 due to lower recoverable value (RV) prices, driven by high levels of imports and the impact of the health promotion levy (“sugar tax”).
- **6 qualifying students were identified and received bursaries** to study in the fields of Agriculture, Engineering and Finance.
- **Community development projects totalling nearly R1 million** were implemented in JV communities.



Walter Sibiya and Seunkie Maseko from Libuyile farming services, discussing their irrigation maintenance strategies on the sugarcane



#economicdevelopment

#### Case Study:

### A win-win partnership for land reform beneficiaries and RCL FOODS

In 2012 our sugar business was involved in a land claim settlement with the Matsamo Community Property Association (MCPA) in the Malalane area. Around 16% of our sugar intake at the Malalane mill came from the area under claim. To help the land reform beneficiaries to extract maximum benefit from their assets while ensuring a sustainable cane supply to our mill, we partnered with the MCPA

to establish a 50/50 joint venture company called Sivunosefu. The company leases the farmland from the MCPA, which means that over 6 000 people benefit through rental income from the land, enterprise development, employment, bursaries and other skills transfer initiatives.

The secret to the successful partnership has been open communication and mutual trust. Through dialogue, the parties have learned to see things from each other's perspective, and to make decisions based on long-term sustainability. “We believe this is a great model and a good example of working together to benefit the local economy, create jobs and actually be a part of something bigger. In the past it was the community versus the business sector, now it is community in partnerships with business. The whole discussion has changed. We do things together,” said Dawie van Rooy, Agricultural Director: Sugar.

Since Sivunosefu's inception, the benefits to the Matsamo community have been enormous, resulting in R40 million in lease payments, R116 million in procurement spend and corporate social investment of R665 000.

### Small-scale Growers (SSGs)

Nearly 1 200 small-scale growers (SSGs) occupy the communal areas of Nkomazi, farming approximately 9 500 hectares of irrigated cane on farms averaging around eight hectares in size. Together, they provide approximately 16% of cane supplied to our Nkomazi mills. To maintain our Nkomazi cane supply and protect the livelihoods of SSGs and their families, we are committed to ensuring the long-term sustainability of their farming enterprises. We do this through two joint venture services companies, Akwandze Agricultural Finance and TSGRO, which we operate in partnership with the SSGs to provide them with affordable financial and farming support.

#### 2019 Achievements

- **SSGs generated approximately R340 million in turnover through the supply of approximately 646 000 tons of cane** to our two sugar mills in Nkomazi. This was an increase of 136 000 tons (27%) compared to the previous year – proof that our partnerships are delivering MORE.

### Development Finance – Akwandze Agriculture Finance (AAF)

Akwandze Agricultural Finance (AAF) is a joint venture between RCL FOODS' sugar business unit and Nkomazi small-scale sugarcane growers that provides these farmers with access to unsecured credit at reduced interest rates. AAF was established in 2006 with R20 million capital, of which R10 million was contributed by the growers and the sugar business unit in an equal partnership, and R10 million was donated by the South African Sugar Association (SASA). The company managed to leverage a number of different funds to support land reform and small-scale farmers, resulting in a current AAF loanbook of R350 million that underpins the production of two million tons of cane (approximately 14% of the industry's cane volume). Small-scale growers, BEE JVs and commercial growers currently make up 28%, 54% and 18% respectively of the current loanbook by value.



## 2019 Achievements

- **More than R177 million was reinvested** by 1 200 SSGs into their own operations through retention savings and new loans.
- **R140 million** was loaned to six BEE JV companies.
- **AAF has invested over R2,4 billion into SSGs and BEE JV companies** in the form of loans and savings since its inception.
- **AAF continued implementing a four-year blended funding project** in partnership with The Jobs Fund. This aims to increase smallholders' sugarcane area by 1 270 hectares through a combination of new expansions and the redevelopment of dormant fields, creating 975 farm jobs. So far AAF has redeveloped 421 hectares and created 177 full-time permanent jobs and 118 short-term jobs. The Rainbow Farming Cooperative is a current beneficiary of this funding.

## Farming and Business Support Services – (TSGRO)

In 2014, our sugar business unit partnered with the 1 200 Nkomazi SSGs to establish TSGRO – a company that provides farming and business support services to small growers to enable them to overcome key challenges. Its main aim is to maximise production and returns to the growers, thereby ensuring long-term sustainability. In addition to improving farm productivity, TSGRO also sets up enterprise development opportunities for small-scale growers to become contractors.

## 2019 Achievements

- **630 SSGs and seven cooperatives with 456 members accessed TSGRO's Bulk Water Supply (BWS)** service, a paid service that repairs, maintains, services and protects irrigation infrastructure on an ongoing basis.
  - In 2019, 6 401 hectares of land were maintained by the BWS service.
  - BWS has played a critical role in stabilising SSG irrigation and driving the increase in production from 509 861 tons of cane in 2018 (74 tons per hectare average yield) to 646 000 tons in 2019 (83 tons per hectare).
- **All 1 200 SSGs benefited from an ongoing free extension service** that includes sugarcane agronomy, better management practices, and planning tools for management and budgeting.
- **315 farmers utilised TSGRO's basic accounting and bookkeeping services** to ensure good governance.
- **45 SSGs opted to utilise TSGRO's complete farm management service.**

## Long-Term Land Reform Partnerships

In addition to our joint ventures with land claimant communities on private land, and our partnerships with SSGs on communal land, we have developed long-standing partnerships with 12 land reform beneficiaries farming both private and communally-owned land. These partnerships were originally established in 2012 when the Department of Rural Development and Land Reform (DRDLR) appointed our sugar business unit to mentor 12 land reform beneficiaries in Nkomazi and Pongola for a five-year period, as part of the Recapitalisation and Development Programme (RADP). Under our mentorship, the farmers' business plans were approved and R65 million was released by the DRDLR to fund the rehabilitation of infrastructure and plant sugarcane on farms that had not been economically active for some time. Eleven of the projects have been concluded and only one recapitalisation project is still in process using RADP funding.

Although our contracted mentorship has come to an end, our sugar business unit continues to provide mentorship support to all 12 farmers who continue to supply cane to our mills. In addition to cane growing, certain of these farmers have diversified their farming operations to other crops and some have also started off-farm business ventures.

Through the above mentorship partnership with the DRDLR and growers, over 1 000 hectares of sugarcane have been planted and more than 430 hectares of irrigation infrastructure have been rehabilitated to date, benefiting nearly 160 land reform beneficiaries in Pongola and Nkomazi. Leveraging our sugar business' existing partnership with the Land Bank, we were able to facilitate the restructuring of these growers' existing Land Bank debts from R17 million to just over R3 million. Rainbow Farming Cooperative (see case study below) is one example of a success story arising from the long-term mentorship partnership with our sugar business unit.

Growing cane output and increasing our procurement spend are key aspects of sustainable land reform in our sugar milling areas. We will keep building strong relationships with government and land reform beneficiaries to ensure this happens.

## 2019 Achievements

- **Over 119 000 tons of sugarcane** were supplied by the twelve farms to our Nkomazi and Pongola mills.
- **50 hectares of irrigated sugarcane land were rehabilitated** on the last remaining RADP project, driving increased cane supply.



#enrichingcommunities

### Case Study:

### Mentoring a new crop of agricultural entrepreneurs

Rainbow Farming Cooperative is a government-owned sugarcane farm in Mpumalanga that is run by six enterprising farmers. Four of them are women and five are living with disabilities. Before organising themselves into a cooperative, this determined group approached the Department of Rural Development and Land Reform (DRDLR) for land access to make their farming dream come true.

After several consultations with the DRDLR and other role players, and having met the stipulated requirements, their application for a farm was successful.

Initially there was no business activity on the farm. In recent years the cooperative has been able to redevelop it by means of grant funding of just over R2 million from the DRDLR as part of the national Recapitalisation and Development Programme (RADP). The RADP requires farmers to appoint a strategic partner or mentor to implement their recapitalisation programmes, and the cooperative duly chose RCL FOODS as their mentor.

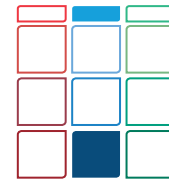
With RCL FOODS' help, the cooperative developed a business plan for the RADP funding and subsequently 23 hectares of sugarcane have been revitalised, with irrigation infrastructure in place. Since re-establishing the farm, the members have managed to develop their farming skills and business acumen. With a stable income, they have also been able to upgrade their wheelchairs and buy a suitable vehicle to enable them to carry out their on- and off-farm activities.

Today the cooperative employs three people on a permanent basis and approximately 20 seasonally, delivering over 1 500 tons of sugarcane to our Malalane mill annually. Through the farmers' dedication and the RADP investment, they have not only been able to redevelop the farm and re-establish business activities, but are expanding their farming operations further. The members recently took a decision to expand their sugarcane operations by 14 hectares, facilitated by a loan from Akwandze Agricultural Finance (AAF) in partnership with The Jobs Fund.



## 2.3 MORE SOCIALLY DEVELOPED COMMUNITIES

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



We have operations in some of the most socially and economically challenged communities in South Africa: Hammarsdale in KwaZulu-Natal, Malalane in the Nkomazi district of Mpumalanga, and Worcester in the Western Cape. Each faces a high level of unemployment, rising poverty levels and a host of related social problems. As a major employer in these areas we have an opportunity to stimulate social development that can help restore human dignity, empower marginalised communities to undertake their own development, and ultimately break the cycle of poverty.

Recognising that we cannot achieve sustainable change on our own, we partner with a wide range of stakeholders – government departments, municipalities, NGOs, NPOs, corporates and local businesses – to drive relevant and holistic solutions. Using our organisational expertise and business acumen, we act as a catalyst to strengthen current forums, support existing projects and drive collaborative new projects. This is executed via our DO MORE FOUNDATION.

### #DoMore4Hammarsdale

We helped establish the Greater Hammarsdale Integrated Community Development Initiative in 2016 to help alleviate food and economic insecurity in the community around our KwaZulu-Natal chicken plants. This collaborative partnership between our DO MORE FOUNDATION, government departments, the private sector and the Lima Rural Development Foundation was later rebranded as #DoMore4Hammarsdale to encourage maximum buy-in from the community, RCL FOODS employees and other business partners.

#DoMore4Hammarsdale focuses on two areas – Food Gardens and Economic Linkages – to increase food and economic security for vulnerable members of the community. The initiative has gained incredible momentum in the past three years, with growing participation from existing and new stakeholders and increased support from government departments. This is in line with our strategy to establish independent, self-sustaining community-based solutions, allowing us to move on to other areas of need.

### 2019 Achievements

- **Sustainability was facilitated at 21 communal gardens.**
  - **Technical agricultural advice and business management training** were provided to local small-scale farmers. Many communal gardens were registered as primary agricultural cooperatives through the Companies and Intellectual Property Commission (CIPC).
  - **A local corporate donated R137 000** which was used to fence gardens.
  - **In total, communal gardeners generated R785 700 from vegetable sales** to a range of customers including restaurants, Spar, the local community and the DO GOOD MARKET at RCL FOODS' national office in Westville. This benefited **161 plot holders and 966 indirect beneficiaries**.
  - **The Hammarsdale Big Growers Association** was established with farmers as part of our exit strategy. A service-level agreement between the DO MORE FOUNDATION and eThekweni Municipality Business Support Unit allowed representatives of this association to receive five days of intensive training in business management and mentorship support, which will continue until February 2021.
- **A seedling holding nursery was established to improve vegetable production.**
  - Lima, Sunshine Seedlings and Sixoshindlala Agricultural Cooperative entered a partnership agreement to set up the nursery to enable local growers to access scientifically certified seedlings.
  - **The farmers received R53 000 from the sale of seedlings** to local communal gardeners and the general public.

### 2019 Achievements (continued)

- **A mini pack house was established to improve the quality and freshness of vegetables prior to market.** A second unaccredited pack house was set up and completed by August 2019.
- **11 existing and 6 new food gardens at ECD centres** were supported by a corporate partner. The ECD gardens directly supported by the DO MORE FOUNDATION, benefited **2 653 young children - a 28% increase from the prior year**.
- **A collaborative Enterprise Development initiative was spearheaded to provide training.**
  - This initiative, co-funded by Enactus South Africa, eThekweni Municipality, SEDA, PricewaterhouseCoopers (PWC) and the DO MORE FOUNDATION, involves a series of enterprise development training workshops for local farmers, women entrepreneurs and other local prospective business owners.
  - The first workshop, with grant funding of R300 000, **equipped 10 farmers from the newly established Hammarsdale Big Growers Association with practical training** to enable them to run and manage sustainable projects.
  - The second workshop **equipped 30 women entrepreneurs with business skills**, through training to the value of R250 000.
  - The third workshop, with direct funding by the DO MORE FOUNDATION of R388 000, has been **providing business training and coaching to 35 aspiring local entrepreneurs since March 2019**, using the international Street Business School (SBS) Training Programme which has been tailored for the local context.
- **A Sewing Initiative was established to empower local unemployed youth to start their own textile businesses.**
  - The DO MORE FOUNDATION established a sewing group which **funded 10 industrial sewing machines, start-up consumables and theoretical and practical training** to enable them to run their own sewing projects.
  - **Local businesses provide waste/excess fabric** for the creation of new products such as #DoMoreBags. These reusable shopping bags are sold by the DO MORE FOUNDATION.
- **Close to 100 economic opportunities were created for unemployed youth through the Youth Career Desk.** These included permanent employment, internships, learnerships and youth retail training.
- **Our recent Sustainable Return On Investment study showed that the #DoMore4Hammarsdale initiative has played a positive role** in improving the livelihoods of vulnerable and economically struggling families in Hammarsdale through its collaborative partnership approach.



A gogo who maintains the Xoshidlala ECD Food Gardens in Hammarsdale





#socialdevelopment

Case Study:

## #DOMORE4HAMMARSDALE's great social return on investment

Our DO MORE FOUNDATION commissioned its first-ever Social Return on Investment (SROI) study to measure the social impact of its collaborative #DoMore4Hammarisdale initiative in the embattled community of Hammarisdale, KwaZulu-Natal. Unlike a traditional return-on-investment study, a SROI analysis examines the holistic return generated by an investment, including 'social returns'

like hunger alleviation and access to social grants.

Looking at the initiative's first two years (from 1 July 2016 to 30 June 2018), an external team of researchers calculated all the investments that had been made by the DO MORE FOUNDATION and its partners through a combination of cash, in-kind contributions and direct training offered. This equated to a total investment amount of R6,2 million. The full report can be accessed at [www.domore.org.za](http://www.domore.org.za)

The results of the SROI analysis were even better than expected. Of #DoMore4Hammarisdale's three 'hunger alleviation' projects (gardens at ECD centres, communal gardens and homestead gardens) – the ECD gardens showed the greatest social return, at R3.36 per rand invested. In the area of economic linkages, our retraining programme for retrenched RCL FOODS chicken employees had a significant impact, yielding an estimated return of R5,50 per rand invested. The general economic linkages project for registered members of the Hammarisdale community also had a pleasing estimated return, at R3.99 for every rand invested.

The SROI analysis highlighted the fact that collaborative partnerships, which are the essence of the DO MORE FOUNDATION, can enable partners to do more for communities in need than they would be able to on their own – demonstrating the Foundation's maxim that "together we can #DoMore".

## Nkomazi Smallholder Vegetable Farmer Support Programme

To help Nkomazi's smallholder vegetable farmers to compete in the marketplace, we established the Smallholder Vegetable Farmer Support Programme (also known as Abalimi Phambili, which means "farmers forward") in partnership with Lima Rural Development Foundation. Funding for the project was secured through a 50/50 partnership with The Jobs Fund. Through this programme, farmers receive training in farming skills and gain better access to markets, services and inputs such as seed and fertiliser. By improving the quality of their products, they can access larger formal and informal markets and in turn improve their income and create jobs, while benefiting from increased food security. In an effort to create sustainable farming businesses, part of the funding is used as revolving credit funding to enable production loans to be given to qualifying farmers

### 2019 Achievements

- **57 cooperatives and 971 individual growers have been recruited** into the programme to date and 693 vegetable farmers have been trained.
- **421 hectares of land were planted with vegetables**, with most going to formal markets in the Nkomazi area including the DO GOOD MARKET.
- **12 markets were created for growers** to supply vegetables to major retail outlets in Nkomazi and Durban.
- **R3 527 000 was generated** from vegetable sales and **204 jobs were created**.

### 2019 Achievements (continued)

- **4 promotion grants** from the South African Sugar Association were given to growers with good repayment records, enabling them to upgrade their farms.
- Livestock farming was introduced in 2018, with 26 farmers farming poultry and 3 farming pigs. A total of **R1 147 000 was generated from the sale of chickens, eggs and pigs**.

## Worcester: a place where young children flourish

The community around our Worcester chicken and speciality plants is under threat from rising rates of poverty, crime and drug use. This has a negative impact on families, relationships and the healthy development of young children in the area. To help strengthen families and stimulate positive early learning, we began by sharing 'positive parenting' skills with our own employees in 2016 – something we now do for the whole community through the weekly #LovePlayTalk radio programme. Through the DO MORE FOUNDATION, we also began a monthly ECD workshop for ECD teachers and principals from the community, which we continue to run in collaboration with the Western Cape Foundation for Community Work (FCW) and our literacy partner WordWorks. Recently, the Foundation went a step further to establish the Worcester Young Child Forum, a monthly multi-stakeholder gathering that meets to collaboratively implement a vision of Worcester as "a place where young children flourish". This is part of mobilizing multiple stakeholders in a whole-of-society approach to co-creating an environment that is conducive to healthy early childhood development.

### 2019 Achievements

- **32 ECD practitioners attended the monthly ECD workshop**, and received educational material to use in their centres.
- **We sponsor a weekly #LovePlayTalk radio programme** that addresses important issues relating to parenting young children. This is supported by a monthly article in the local community newspaper.
- **The Foundation partnered with a corporate sponsor to co-host a CEO business breakfast** that inspired the private sector to embrace the vision for Worcester and create a place where young children flourish.
- **The Worcester Young Child Forum was established in February 2019** as part of a larger vision of "Worcester – A place where young children flourish!"
  - The DO MORE FOUNDATION facilitates monthly forum meetings at which 80+ ECD practitioners and experts from the private, public and non-profit sector meet to address key ECD issues.
  - Through these meetings, as well as infrastructure upgrades of ECD centres that have lost their subsidies, the Foundation is helping to ensure that young children have the necessary infrastructure and services to reach their full potential.
  - A corporate partner is working with the DO MORE FOUNDATION to assist 9 ECD centres to obtain Department of Social Development registration. This includes assistance with approval of building plans and fire certificates, as well as furniture provision. One centre has received full registration and two have been conditionally registered.






# MORE OFTEN SUSTAINING RESOURCES



With a multi-layered supply chain stretching across numerous regions and production locations, we have a large environmental footprint that extends from raw material production to the consumption of our products. Our dependence on scarce natural resources and limited land, coupled with climate change impacts and possible future food security challenges, means that to survive and thrive in the future, we need to see and do things differently now. Incorporating the principles of the circular economy, we are finding creative solutions to consume less fossil-fuel based energy and fresh water, minimise our waste to landfill, and create new value from the waste we generate.

## How we are step changing RCL FOODS' environmental impact

	 Energy	 Water	 Waste
<b>Ambition</b>	To become an energy self-sufficient business by supporting the generation of renewable resources	To become a water smart business by seeking new ways to reuse, reduce and "create" water in our operations	To become a waste-free business by minimising our waste to landfill and exploring ways to turn waste into value
<b>Target Key Performance Indicators (KPIs)</b>	50% electricity self-sufficiency by 2025  50% coal reduction by 2025	50% water reduction in chicken processing by 2025  30% reduction in irrigation water use in sugar farming operations by 2023  60% water reduction in logistics warehousing by 2025	Zero waste to landfill by 2025
<b>KPIs Achieved in 2019</b>	30% self-sufficiency achieved through sugar co-generation, waste-to-value and solar projects	7% water reduction in the Consumer division  25% savings against conventional sugar cane farming, driven by implementation of drip irrigation and green (no burn) harvesting.  Our Logistics division's water consumption per ton delivered decreased by 26% whilst overall consumption increased by 6% due to increased throughput	92% of our waste is converted into fertiliser or energy  2% of our waste is diverted from landfill into recycling streams (e.g. cardboard, plastic and metal)  6% of our waste is landfilled

\* For more detailed information please consult the relevant sections of the report

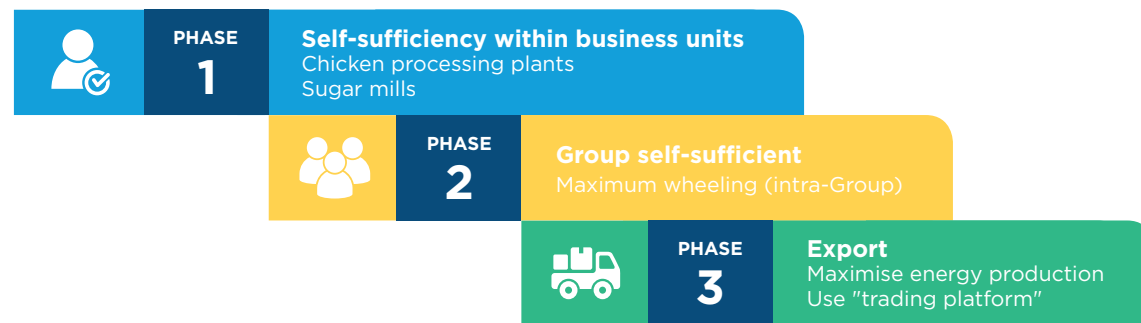
Checking soil quality in Malalane



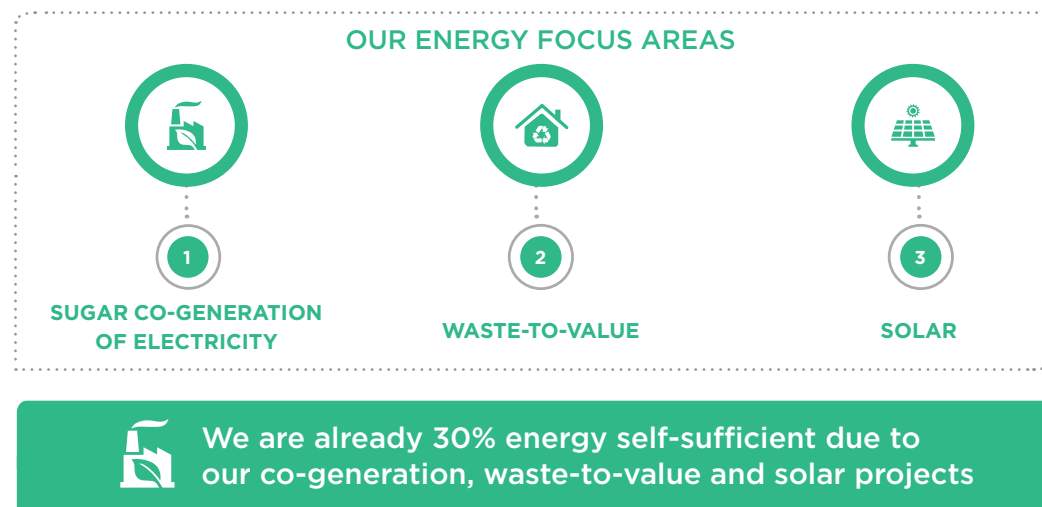
### 3.1 MORE ENERGY SELF-SUFFICIENT OPERATIONS

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

Our Energy Roadmap identifies practical, quantifiable opportunities to achieve energy self-sufficiency, ensure price certainty and secure long-term energy supply to our business. We have a three-phase approach that first targets self-sufficiency in a business unit, then extends this to the wider business and finally aims to export excess energy through a trading platform.



We have identified three focus areas that will enable us to achieve our future electricity requirement.

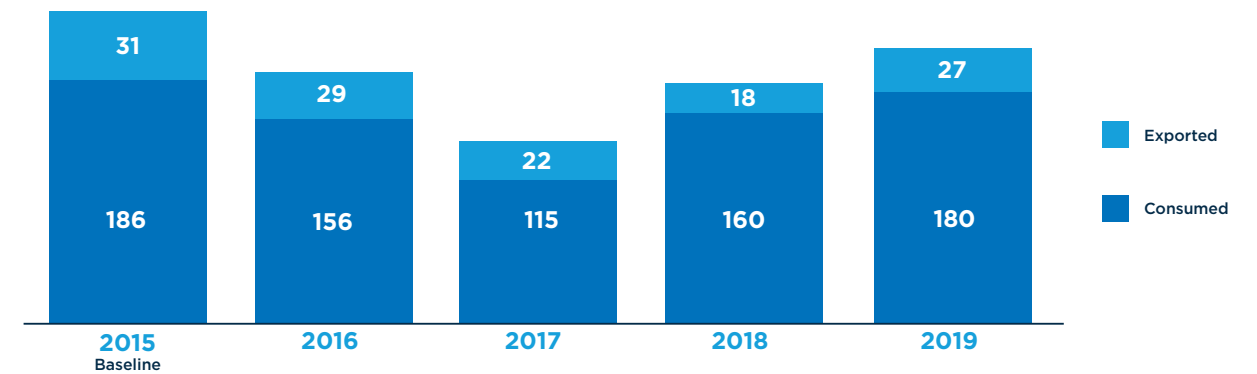


#### Focus Area 1: Sugar Co-Generation of Electricity

Bagasse, an energy-dense residual by-product of sugar production, is used to create renewable energy at our sugar mills. The electricity generated not only powers our sugar manufacturing process but is also sold externally. Co-generation began at our Komati mill in 1994 and at our Malalane mill in 2003.

Electricity co-generation increased by 16% in 2019, driven by higher cane yields following our recovery from the prolonged drought. Co-generated (renewable) electricity supplied 92% of our sugar mills' electricity requirements in 2019. We exported 27 gigawatt hours (GWh) of electricity to Eskom, an increase of 42% from the prior year due to greater availability of bagasse.

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



#### Focus Area 2: Waste-to-Value

Following the success of our Worcester Waste-to-Value (W2V) plant in producing renewable energy from poultry waste through a joint venture with Green Create, we commenced construction of a second W2V plant at our Rustenburg chicken processing and animal feed sites. The plant will utilise a combination of post-processing waste water from the chicken plant and litter from our Rustenburg poultry farms, to create energy-rich biogas, high-quality steam and reusable water.

The biogas will be used to generate enough electricity to meet 65% and 50% respectively of the energy and water requirements of our chicken plant and adjacent animal feed mill. This means that in the event of a power outage, at least half of our Rustenburg processing plant and animal feed mill can continue working, minimising disruptions in supply. The new W2V plant is also expected to deliver 100% of the animal feed mill's steam requirements and 100% of the site's non-potable water requirements, reducing water dependency across the entire site significantly.

#### 2019 Achievements

- **Construction of the Rustenburg W2V project began in October 2018**, with planned construction completion towards the first half of the 2020 Financial Year.
  - To date there has been a 99% health and safety record on site with no lost time due to injury.
  - Progress was impacted by work stoppages in early 2019, due to protest action by local community members and rogue business forums. A community engagement process was undertaken in conjunction with the Rustenburg Municipal Local Economic Development department with the aim of increasing community development and involvement.
  - To date 102 local labour appointments and 15 local contract and supplier appointments have been made, boosting the local economy and enabling skills transfer.





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

After piloting our first rooftop solar project at our National Office, we investigated additional sites for the installation of similar plants. After analysing consumption profiles, solar yields and roof design, we have approved three solar installations in the millbake business unit for the 2020 financial year.

#### 2019 Achievements

- **A 600kW rooftop solar installation at Benoni Bakery was approved.** This will provide 18% of the site's total electricity needs.
- **A 320kW rooftop solar installation was approved for Rustenburg Bakery,** supplying 25% of its energy needs.
- **A 480kW rooftop solar installation was approved for Nelspruit Bakery,** supplying 17% of its energy needs.
- **Our National Office solar power plant produced 210 730kWh of electricity,** which has provided 10% of the building's power consumption.

### Our 2019 Energy Consumption

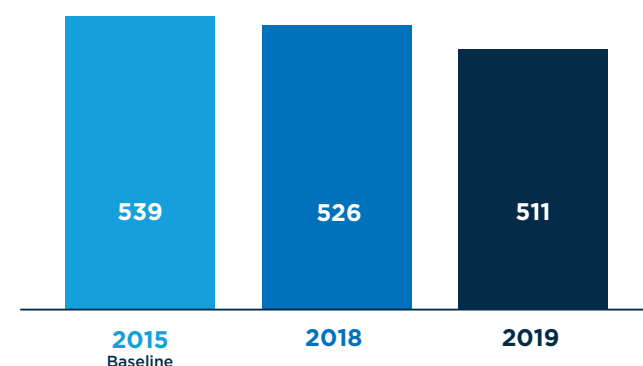
#### Our Electricity Consumption

In tandem with generating renewable energy, we are also working to reduce our energy use in our operations. Part of this involves measuring and managing our electricity usage, and implementing reduction and optimisation initiatives. In 2019 our total Eskom electricity use decreased by 3% compared to the prior year, mainly owing to increased co-generation due to greater availability of bagasse.

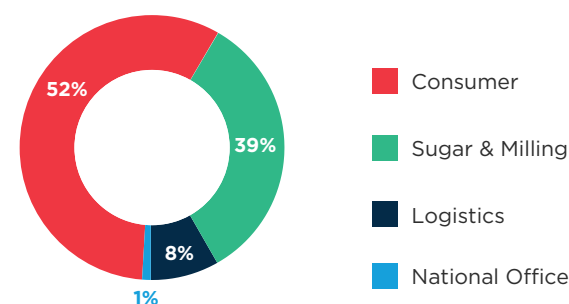
- Our Consumer division recorded a 3% decrease, mainly due to more efficient management of energy consumption.
- Our Logistics division recorded a 3% decrease, mainly due to warehouses being converted into cross-docking facilities.
- The Sugar & Milling division achieved a 2% decrease, owing to an increase in co-generation.

At our National Office in Westville, we opted to change our electricity tariff to obtain a cost saving of over R600 000 annually.

#### GROUP ELECTRICITY CONSUMPTION (GWh) VIA ESKOM



#### CONSUMPTION BY DIVISION (GWh)

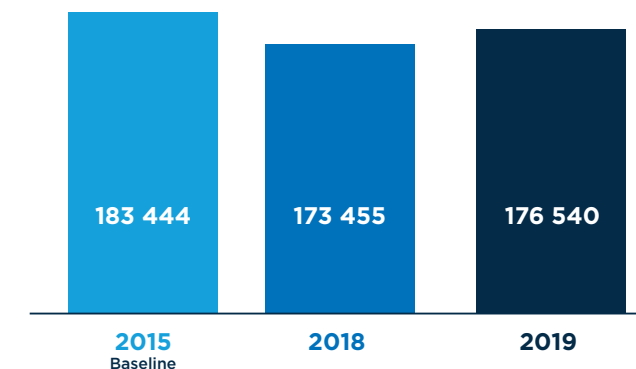


#### Our Coal Consumption

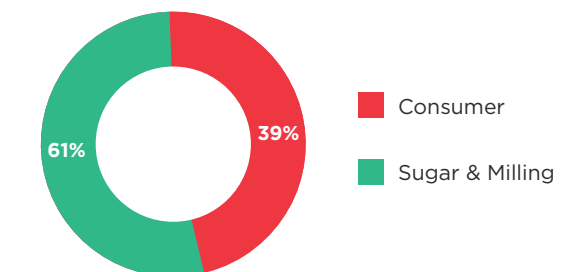
We use coal for various heating purposes at our poultry farms, grocery and beverage plants, and animal feed, flour and sugar mills. By implementing industry standard boiler management practices and annual boiler inspections we ensure that our equipment operates safely and efficiently.

Our coal consumption increased by 2% against last year, due to an increase in sugar production.

#### GROUP CONSUMPTION (TONS)



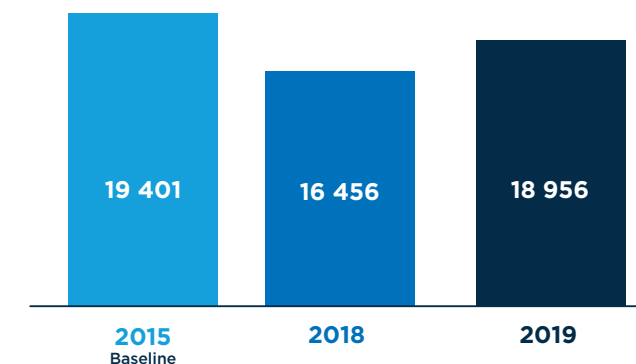
#### CONSUMPTION BY DIVISION (TONS)



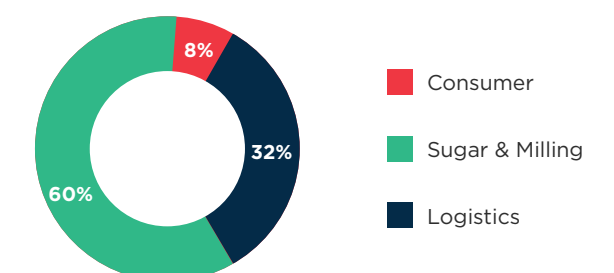
#### Our Diesel Consumption

Our diesel consumption increased by 15%, mainly due to the recovery of production volumes post the drought in the sugar business unit, an increase in tons delivered by the Logistics division and the running of generators due to load shedding.

#### GROUP CONSUMPTION (KL)



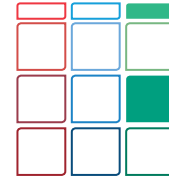
#### CONSUMPTION BY DIVISION (KL)





### 3.2 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”.



As a food company our greatest priority is to ensure food safety and the wholesomeness of our products. Water plays a critical role in maintaining the cleanliness of our facilities and quality potable water is essential for the production of the quality foods we are known for. At the same time, we recognise the need to conserve our scarce, shared natural water resources since water withdrawals are expected to exceed water renewals by 2025 in South Africa (as estimated by the World Wide Fund for Nature).

We have begun a process of re-thinking our relationship with water, focusing on water management, conservation and optimisation across our divisions. A number of water saving, reuse and education initiatives have been implemented to date to minimise our impact on scarce water resources. These include the work done by water committees, team member education and quality inspections, and the introduction and maintenance of reuse systems, reservoir systems and waste water treatment systems.

#### Water Savings and Reuse Initiatives



#sustainingresources

##### Case Study:

#### Vector's Cape Town water warriors

During the recent drought in the Western Cape, the city of Cape Town managed to avoid the feared “Day Zero” scenario and earn the title of “number one water saving city in the world” largely thanks to the efforts of consumers to drastically cut their water use. Our Logistics depot in Bellville, Cape Town, invested nearly R6 million in a range of initiatives to cut its water consumption, achieving an impressive 50% reduction – the same percentage as the City of Cape Town itself.

To commend those businesses that made an active difference and encourage the continuation of water-wise behaviour, the city held a Water Awards ceremony through its Water and Sanitation Department in November 2018. The awards are intended to motivate all organisations to achieve Water Star rating certification and to ensure that the requirements of the relevant water legislation are adhered to.

Government departments, education and health institutions and residential estates were awarded different star ratings according to their efforts to manage water sources, uses, conservation and discharge. Our Logistics team received a 4-star rating – a great achievement for our Cape Town water warriors.

#### Water Savings in our Sugar Business Unit

Our sugar business unit continued to implement a number of raw water savings and efficiency initiatives. These include converting drag line irrigation systems to drip irrigation, and other conservation initiatives, targeting a 30% reduction in water use.

#### 2019 Achievements

- **A 20% reduction in annual water use has been achieved** by replacing irrigation systems on 11 286 hectares.
- **A further 5% reduction in water loss has been achieved in mechanically harvested areas** due to a layer of brown leaf trash being left on the fields, creating a protective mulch.
- **Our sugar mills continue to be water positive** by using raw water and not municipal water for processing.
- **Our sugar business unit takes part in ongoing water use management activities** and is an active participant in Irrigation Boards and Catchment/River Management Forums to make sure that water use is effectively measured and managed throughout the catchment area.

#### Water Waste Treatment in our Consumer Division

Five waste water treatment projects have been initiated in the chicken and speciality business units of our Consumer division. Two have been completed in 2019 and the remaining 3 will be completed in the coming financial year. These projects will strengthen our ability to responsibly deal with post-processing wastewater, further minimising the risk of pollution.

- A R470 000 waste water optimisation project was completed at our Hammarsdale chicken processing plant. This involved a design upgrade and an improvement in effluent discharge quality.
- A R460 000 waste water treatment initiative was implemented at our Spartan speciality site to ensure that discharge quality was improved.
- Projects worth R4,9 million have been approved for our Wolwehoek and Rustenburg chicken processing plants which will enable process improvements that ensure effective treatment of effluent, thus reducing environmental risks.
- Phase 2 of our waste water treatment plant at our Centurion speciality site will be completed in the 2020 financial year. The aim of this project is to increase water recovery and improve water discharge quality.

#### Our 2019 Water Consumption

##### Our Municipal Water Consumption

Our municipal water consumption reduced by 4%, due to increased focus on water saving initiatives throughout the company.

- Our Consumer division's water consumption dropped 7% due to the use of smart water management tools.
- Our Logistics division's water consumption per ton delivered decreased by 26%, while overall consumption increased by 6% due to increased throughput.
- Our Sugar & Milling division reduced its municipal water consumption by 9% due to more efficient water usage.

##### Our Raw Water Consumption

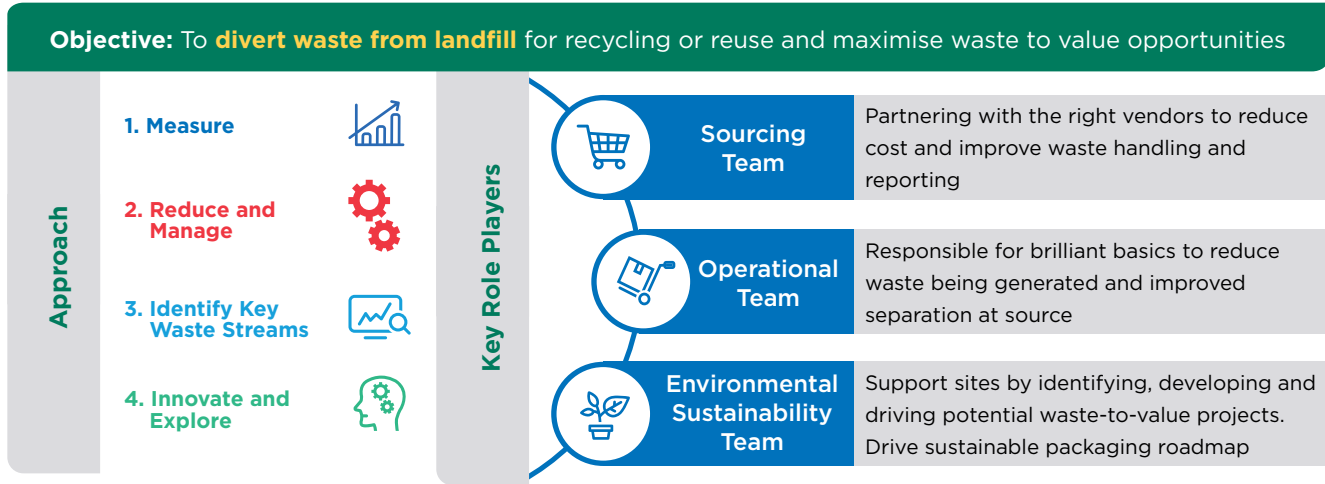
Post the drought, RCL FOODS and JV companies continued to receive on average 53% of the full annual water withdrawal allocation in the 2019 financial year. Overall raw water usage increased 7% in 2019 owing to an increase in sugar production for the year.



### 3.3 MORE WASTE-FREE OPERATIONS

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

We have made strides in growing our understanding of the potential opportunities presented by waste in all its forms. Over the last three years we have refined and implemented business models that will maximise our waste-to-value prospects at two key sites, and we continue to work towards reducing the amount of waste that is sent to landfills.





## Our Approach to Waste Management

In line with legal requirements, we ensure that all our waste is carefully managed in our operations and at licensed waste disposal facilities. In order to minimise our waste to landfill and maximise opportunities to derive value from it, we analyse all types of waste material generated and assess options for possible reuse or disposal. We apply the waste management hierarchy to ensure that we use or dispose of all waste in the most environmentally responsible way.

## Our Approach to Packaging

Packaging plays a central role in our brands and the products we produce. It is used to preserve, protect, contain and transport our products while also marketing them and informing consumers. Since product packaging may account for no more than 8% of the resources used to make a product, good quality packaging is essential to protect our products. At the same time, we are aware of the need to reduce the pre- and post-consumer environmental impact of our packaging. For this reason we strive to develop fit-for-purpose packaging that preserves our products while also maximising the use of recycled or recyclable substrates and avoiding unnecessary waste to landfill. Over time our packaging materials have been updated with the recycling codes and relevant environmental messages like “care for our environment” and “dispose of packaging responsibly”. We have also been challenging our strategic packaging suppliers to find ways of implementing the four Rs (Reduce, Reuse, Recycle, Recover) in our packaging materials.

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

## Our Approach to Environmental Air Quality

We have an established protocol in place for managing environmental air quality across our business. This ensures that the environment is safeguarded by providing reasonable measures to protect and enhance air quality and prevent air pollution and ecological degradation. Given the impact of vehicle emissions on the environment, we maintain and replace all vehicles on a regular basis to minimise both emissions and fuel wastage.

## Our Carbon Disclosure Review

We conducted our 2019 Carbon Disclosure Review internally and our results were verified by an external assurance specialist. This was our fourth carbon footprint review since our baseline assessment in 2015, which was the first full year in which data was available for all our divisions as a single company.

### How we quality assured our Carbon Footprint assessment

We reported on our review findings using the standard international methodology for Greenhouse Gas (GHG) corporate accounting and reporting, namely the World Business Council for Sustainable Development/World Resources Institute GHG Protocol for Corporate Accounting Standards. We then commissioned an independent party to perform a gap analysis of our Carbon Footprint Inventory and verify the statements we made about our GHG emissions. This verification process assessed the alignment of our procedures and methodologies to the above protocol, as well as the technical correctness of the quantification procedures/methodologies of our GHG Inventory.

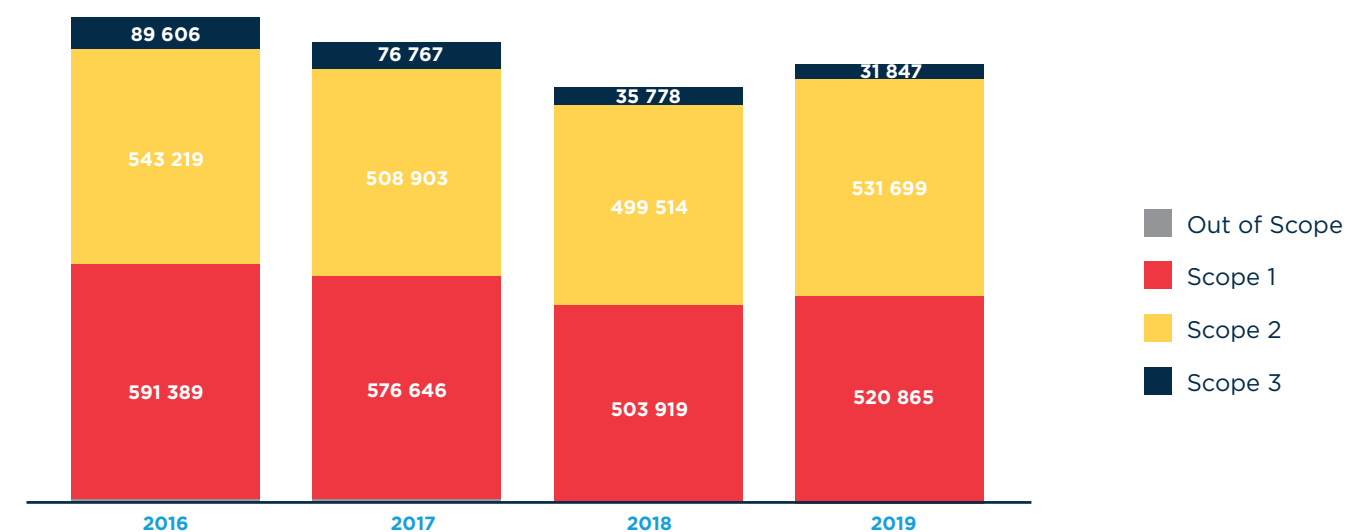
The GHG Protocol requires businesses to report on both direct emissions and indirect emissions resulting from purchased electricity. All other indirect emissions can be reported on a voluntary basis. It also makes provision for certain “outside of scope” emissions to be reported, namely non-Kyoto Protocol greenhouse gases and carbon dioxide emissions resulting from the use of biomass as a renewable energy source.

## Our Carbon Footprint Trends

Our 2019 CO<sub>2</sub>e (carbon dioxide equivalent) for scope 1, 2 and 3 emissions is 1 084 411 tons – an increase of 4% compared to last year, mainly due to increased coal and diesel consumption (Scope 1) and higher emissions by Eskom (Scope 2).

- Our Scope 1 greenhouse gas emissions (direct emissions from our operations), saw a slight increase of 3% over last year owing to increased diesel and coal consumption due to higher volumes in Logistics and Sugar & Milling.
- Our Scope 2 emissions (indirect emissions from use of purchased electricity) were 6% higher than the previous year due to an increase in Eskom's carbon emissions.
- Our Scope 3 emissions (upstream and downstream emissions in the value chain) were 11% lower than the previous year due to a decrease in business travel and accommodation.

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



#sustainingresources

### Case Study:

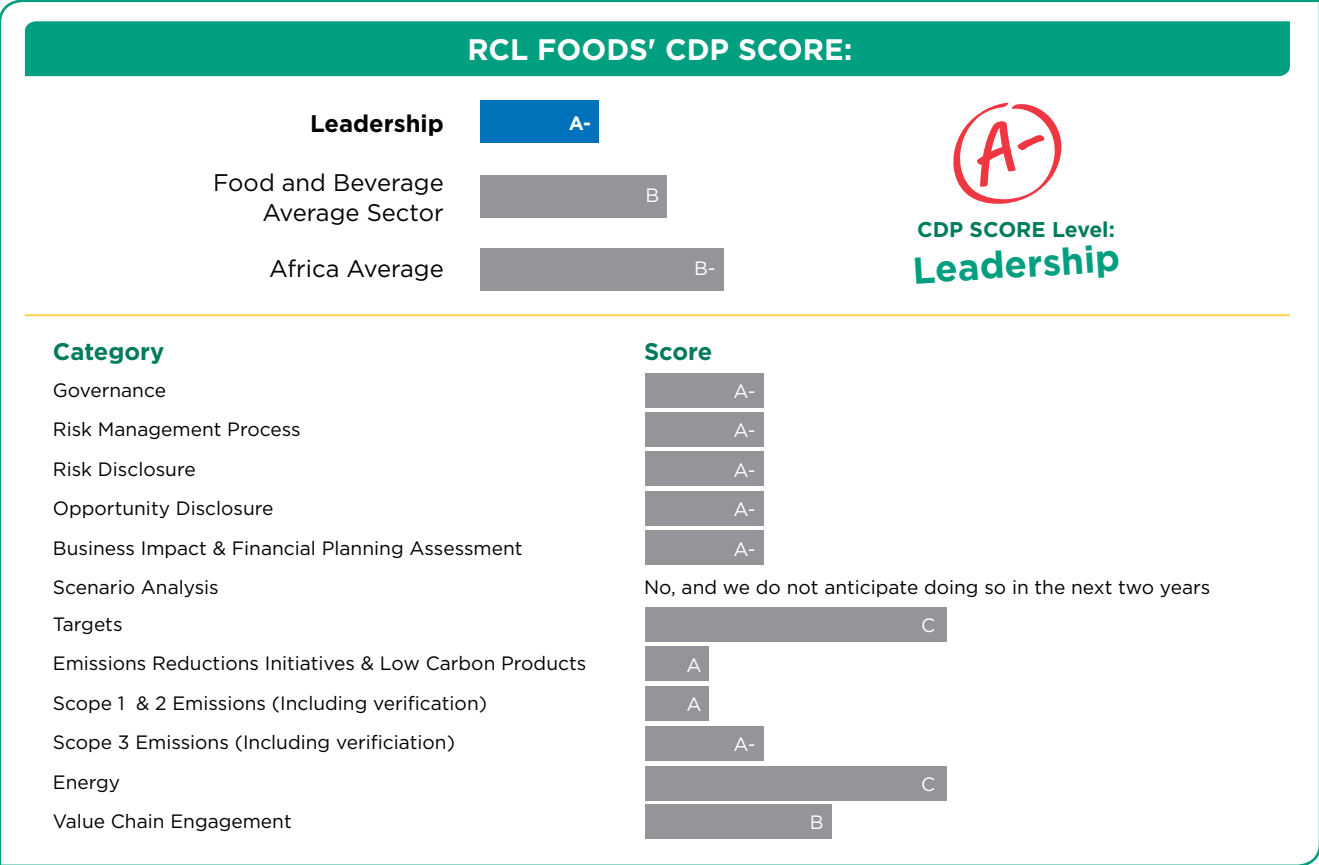
### RCL FOODS maintains its Leadership position in 2019 Carbon Disclosure Project Climate Change survey

The annual Carbon Disclosure Project (CDP) surveys the world's leading businesses in terms of their management of climate change impacts, as well as water security and forests. In the CDP 2018 Climate Change survey, RCL FOODS once again came top of the South African Food & Beverage sector, achieving an A

minus score for the second consecutive year. This places us in the Leadership performance category, ahead of both our sector and the Africa region (both B minus). This means we are taking the lead in calculating, disclosing and making plans to lower our carbon footprint.

We reported on our water security for the first time in the 2018 CDP survey. Still being in the initial stages of our water journey, we were pleased to achieve a C rating for Water Security, which was the average score for our sector. Being placed in the Awareness performance category indicates that we are aware of what we have to do and are positioned to make a greater difference going forward.



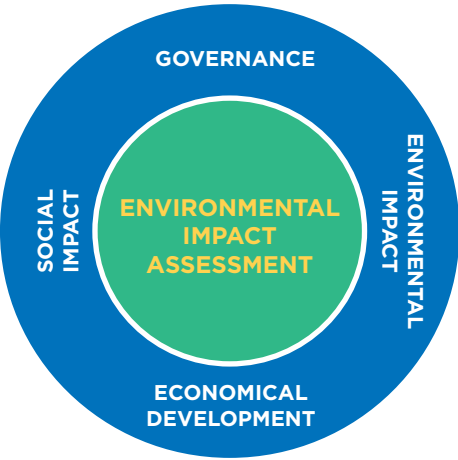


Our approach to environmental sustainability

In order to keep providing more food to more people, more often, we know we need to safeguard our environment by using natural resources effectively and limiting the negative impacts of our and our suppliers' operations. Our efforts in this regard are governed by our Group Environmental Policy which promotes shared responsibility and accountability amongst our stakeholders, including employees and suppliers. This policy applies across all operations and functions linked to our business, including situations where employees and contractors work off-site. The environmental policy is available to RCL FOODS employees on our intranet.

Environmental Impact Assessments

When considering potential facility upgrades or new investments, we carry out Environmental Impact Assessments (EIAs) where required by the Department of Agriculture, Forests and Fisheries (DAFF) and Environmental Affairs (DEA). These enable us to carefully consider the proposed investments' impact on the local environment by including comments and input from affected parties and other interested stakeholders. The construction of such projects is conducted according to an Environmental Management Plan which assists in minimising negative environmental impacts.





# OUR PERFORMANCE PERFORMANCE INDICATORS

## ECONOMIC, ENVIRONMENTAL AND SOCIAL KEY PERFORMANCE INDICATOR STATEMENT

		June 2019	June 2018
<b>ECONOMIC PERFORMANCE INDICATORS (R million)</b>			
<b>Impact on suppliers:</b>			
Total paid to suppliers		19 518	17 906
Major sources of suppliers:			
- Transport		1 765	1 618
- Total contract growers		2 312	2 115
- BEE contract growers		6 288	4 124
- Electricity		695	658
<b>Impact on employees:</b>			
Total payroll and benefits		4 677	4 402
<b>Impact on providers of capital:</b>			
Total interest paid to funders		325,2	315,1
Total dividends paid to ordinary shareholders		348,6	304,6
Retained earnings/(loss)		(443,4)	627,7
<b>Impact on public sector:</b>			
Tax (excluding VAT)		5,9	219,6
<b>Impact on community:</b>			
Social responsibility expenditure		12,3	15,4
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>			
<b>Water consumption</b>	MI	5 739	5 972
<b>Energy consumption:</b>			
- electricity (Eskom)*	GWh	511	526
- electricity (own generation)	GWh	207	178
- coal	tons	176 540	173 455
- liquid petroleum gas	kl	3 356	3 126
- diesel*	kl	18 957	16 456
<b>Recycled waste products:</b>			
- cardboard waste	tons	3 314	1 529
- plastic waste	tons	429	654
- scrap metal and timber	tons	567	319
- treated water discharged to municipality	kl	2 523 503	2 508 360
- treated water as a percentage of total water consumption	%	44	42
Levies for non-compliance	R'000	1 659	1 392
<b>SOCIAL PERFORMANCE INDICATORS</b>			
Full-time employees		21 046	20 581
Net full-time employment (decrease)/increase		465	470
Bargaining unit employees	%	75	76
Training expenditure	Rm	44,4	39,9
Disabling incident frequency rate:			
- Consumer		1,17	1,16
- Sugar & Milling		1,07	1,1
- Logistics		1,04	1,8
Number of working days lost through strike action <sup>^</sup>		2	8

\* 2018 numbers restated due to enhanced reporting availability in 2019.

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



# VALUE ADDED STATEMENT

	%	June 2019	%	June 2018
<b>ECONOMIC PERFORMANCE INDICATORS (R million)</b>				
Revenue		25 887 506		24 527 961
Paid suppliers		19 517 868		18 008 063
Value added by operations		6 369 638		6 519 898
Dividends received		50 208		62 394
Finance income		48 585		62 624
<b>Total value added</b>		<b>6 468 431</b>		<b>6 644 916</b>
<b>Applied as follows:</b>				
To pay employees				
Salaries, wages and benefit	72.3%	4 677 156	66.2%	4 402 225
To pay providers of capital	10.4%	673 811	9.3%	619 714
Interest paid	5.0%	325 201	4.7%	315 104
Dividend paid	5.4%	348 610	4.6%	304 610
Tax (excluding VAT)	0.1%	5 860	3.3%	219 589
Re-investment in the business	17.2%	1 111 604	21.1%	1 403 388
Depreciation, amortisation and impairment	24.1%	1 554 986	11.7%	775 640
Retained earnings	-3.0%	(443 382)	9.4%	627 748
<b>TOTAL</b>	<b>100.0%</b>	<b>6 468 431</b>	<b>100.0%</b>	<b>6 644 916</b>

# TRAINING SPEND STATEMENT

	A	C	I	W*	F2019	F2018
<b>TRAINING INDICATOR</b>						
Training Budget					R 43 667 506	R 39 057 669
Training Spend					R 44 398 199	R 39 945 020
Total Hours of Training	283 724	194 910	10 342	45 860	534 836	292 348
Ave. hours of training per employee	38.10	149.59	24.74	45.77	52.59	24.79
No. of employees trained	7 446	1 303	418	1 002	10 169	11 792
No. of employees on Learnerships	400	92	10	16	518	865
No. of employees on Apprenticeships	67	4	0	1	72	66
No. of Learners on Adult Education and Training	31	0	0	0	31	7
No. of Interns	88	1	0	0	89	
SETA stats - Grants received						
- Mandatory Grants					R 9 833 256	R 8 155 042
- Discretionary Grants					R 10 129 412	R 5 518 859

\*African, Coloured, Indian, White





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