



OUR SUSTAINABLE BUSINESS REPORT
FOR THE YEAR ENDED
30 JUNE 2016



ABOUT THIS REPORT

SCOPE AND BOUNDARY

REPORTING APPROACH

This report forms part of our annual suite of reports and covers the 12-month period from July 2015 to June 2016. The previous reporting period was July 2014 to June 2015. The information reported covers all activities of RCL FOODS and our three divisions, Consumer division, Sugar and Milling division and Logistics division (Vector) for the stated periods which are considered relevant to its stakeholders.

The report has drawn on the Sustainability Reporting Guidelines developed by the Global Reporting Initiative (GRI), 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.

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 abridged integrated annual report. Independent assurance will be included on the Board’s agenda for the 2017 financial year.

USABILITY FEATURES



THIS ICON SIGNIFIES THAT RELATED INFORMATION IS AVAILABLE ONLINE AT WWW.RCLFOODS.COM.



THIS ICON SIGNIFIES THAT RELATED INFORMATION IS AVAILABLE ONLINE ON THE RELEVANT FACEBOOK PAGE



DIRECTS READERS TO THE PAGE IN THE ABRIDGED INTEGRATED ANNUAL REPORT WITH MORE DETAILS.



DIRECTS READERS TO THE PAGE IN THE SUSTAINABILITY REPORT WITH MORE DETAILS.

For ease of use and referencing, all these reports have also been incorporated into an expanded integrated report, available online or in downloadable form. Shareholders are also reminded that they are entitled to a hard copy on demand. Shareholders may request a copy by contacting the Company Secretary at john.maher@rclfoods.com.

2016 SUSTAINABLE BUSINESS REPORT

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OUR BUSINESS PROFILE, APPROACH & LEADERSHIP

OUR BUSINESS PROFILE

RCL FOODS is a leading African food producer with a market capitalisation of R13,0 billion and employing more than 20 000 people in operations across South Africa. We manufacture a wide range of branded and private label food products which we distribute through our own route-to-market supply chain specialist, Vector Logistics.

In line with our Passion to provide more food to more people, more often, we have acquired a number of businesses with deep South African roots and strong brands, which have enabled us to diversify our offering and enhance our reach. Included in our portfolio are well-known South African brands such as Selati sugar, Supreme flour, Rainbow and Farmer Brown chicken, Pieman's pies, Number 1 Mageu beverage, Sunbake bread, Nola mayonnaise, Yum Yum peanut butter, Ouma rusks, Bobtail and Catmor pet food products and Epol and Molatek animal feed. We also offer a wide range of dedicated services to foodservice customers across South Africa and beyond our borders.

In line with our strategy, we have recently transformed from four separate businesses (TSB Sugar, Rainbow Chicken, Foodcorp and Vector) into "One RCL FOODS", an integrated company made up of three divisions supported by common Group functions. This structure allows for an enhanced category focus in our core businesses (chicken, sugar, grains and animal feed), whilst delivering into the rapidly growing area of added-value products (grocery, pies, baking, beverages, added-value chickens, speciality products and food solutions for the foodservice industry). Our Logistics division (Vector) is a key enabler in this enterprise, providing RCL FOODS and various third party customers with a fleet of over 400 vehicles that distribute more than 60 million cases across South and Southern Africa each year.

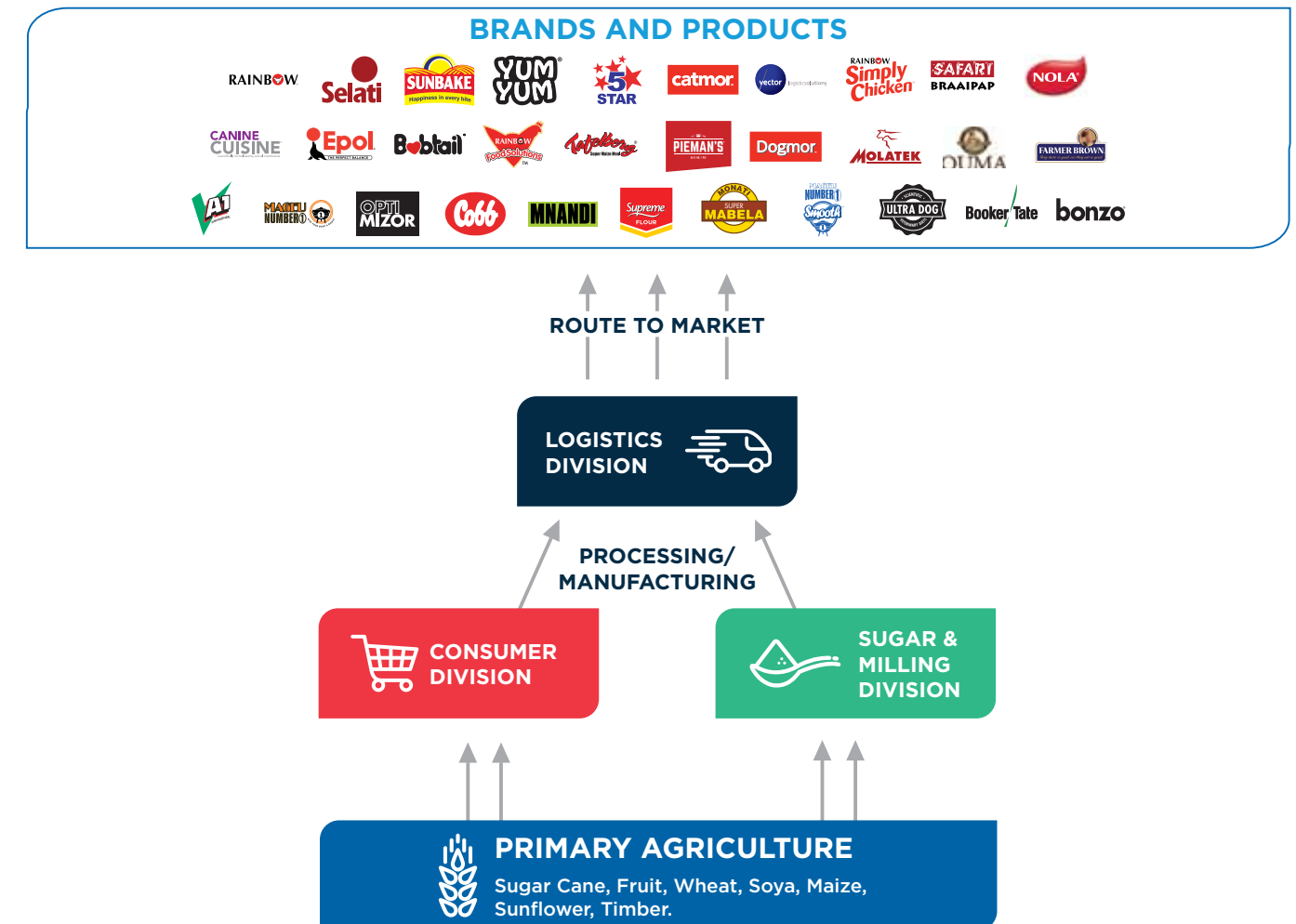
OUR APPROACH TO SUSTAINABILITY

As a national multi-product foods producer, we recognise the significant challenges associated with working within a multi-tiered and geographically dispersed supply chain. Our material impacts and environmental footprint extend across our entire value chain, which spans from raw material production to the end-users of our products and the communities in which we operate. In the same way, a wide range of social, environmental and ethical issues have an impact on our business, either directly or through our supply chain and resource base. As a result we have to manage a continually evolving set of issues in order to sustain what we do, both now and in the future.

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

These insights were then used to craft our sustainable business vision i.e. to create a secure future in which we have a competitive advantage - and develop the three pillars of our sustainable business framework.

Our sustainable business framework is aligned to our business strategy, addressing our sixth strategic thrust "Drive Sustainable Business". The three pillars of our framework reflect the three "mores" of our Passion - more food to more people, more often - in recognition of the importance of sustainability in our interlinked business, social and environmental agenda. As this report illustrates, we have made strong progress in understanding our challenges and defining our responses in some areas, while in others we are still in development phase.



OUR LEADERSHIP

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

More information on the RCL FOODS Board and governance structures is available in the corporate governance report included in the 2016 suite of reports. 

MESSAGE FROM THE CEO

OUR SUSTAINABLE BUSINESS

There are two kinds of companies: the one that doesn't see change coming, or ignores it until it's too late, and the one that sees the change and runs towards it to find new, better ways of doing business. The past is littered with the skeletons of the 'deniers', while the 'disruptors' are the ones who created the future and whose legacy lives on in our daily lives.

How does RCL FOODS ensure that, in decades to come, we are still alive and well as a company? What do we need to see and do differently in order to keep delivering on our Passion of providing more food to more people, more often?

SUSTAINABLE BUSINESS, THE RCL FOODS WAY

We are proud of our Passion to provide more food to more people, more often. We are excited about our Ambition to create a profitable business of scale by creating food brands that matter. And we are unapologetic about our aim of doubling our revenue to R50 billion by 2020 as we continuously improve our margins. We know to keep growing profitably, we need to stay relevant and lead through the change. We need to provide creative solutions to the real needs of our people, while we constantly look for new business models to meet the economic, social and environmental challenges that come our way. Doing so, we will not only secure the future for RCL FOODS but all our stakeholders.

In practical terms, this means:

- We will find new ways to produce and market products that meet social needs such as enhanced nutrition, better value and greater choice to all people;
- We will create an inspired and productive work force through new trust-based engagement models;
- We will drive economic and social development of our communities through collaborative long term partnerships; and
- We will apply alternative business models to our consumption and production patterns striving to achieve energy sufficient, water smart and waste free operations.

CREATING THE FUTURE

The RCL FOODS Sustainable Business Drive is about creating the future for RCL FOODS, South Africa and Africa - a future in which people are nourished, communities are enriched and resources are sustained while RCL FOODS continues to grow and develop as a business. It's our positive response to what we currently see as the most critical drivers of change in our business environment, so that we can keep delivering on our Passion and Ambition. As such, it will always be a work in progress. Looking back at the ground we have covered in the last financial year, which represents only the beginning of what we plan to achieve, I am confident that we are moving in the right direction.

Here's to a great future!



M Dally
Chief Executive Officer

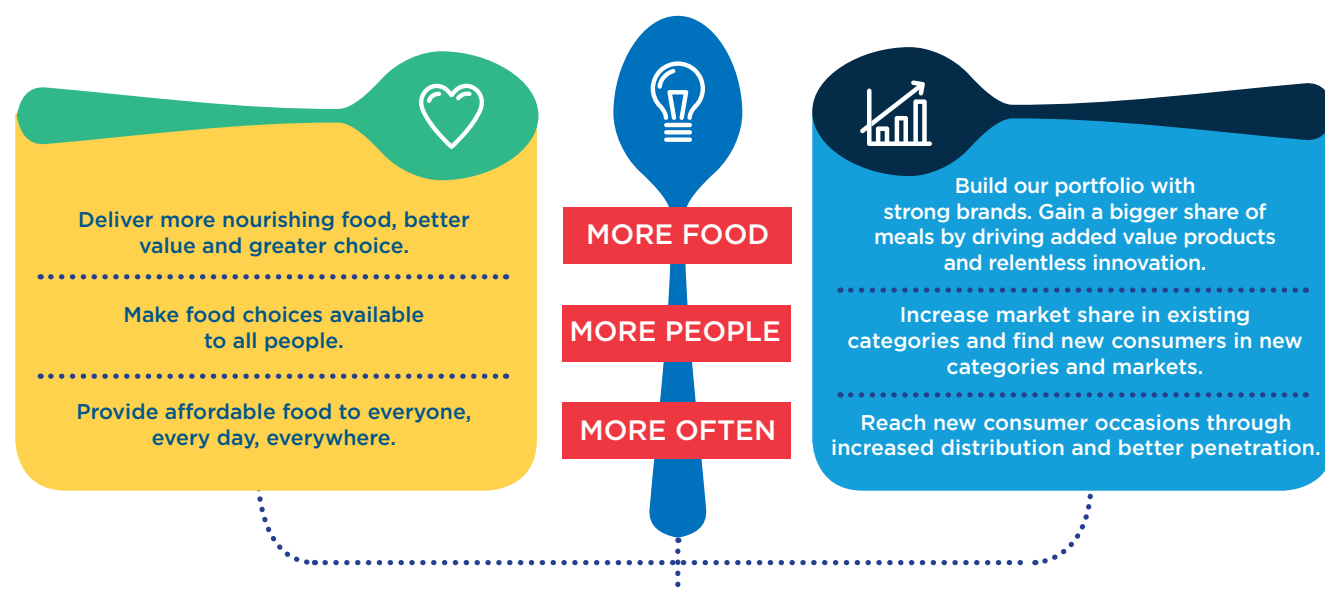


OUR PASSION

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.

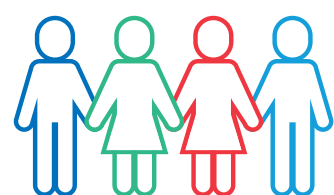


AMBITION To build a profitable business of scale by creating food brands that matter.

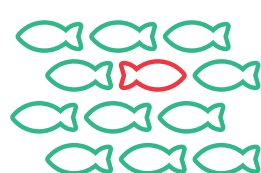
STRATEGIC THRUSTS

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

OUR VALUES



RESPECT FOR PEOPLE



SEEING AND DOING THINGS DIFFERENTLY



UNCOMPROMISING INTEGRITY



ACT RESPONSIBLY



OUR WAY

WE'RE FOR MORE

We see and do things differently

We're restless, **often maverick**
We rattle complacency's cage, upset the status quo
Not just for the sake of it
But because **we want to make an impact**
One that matters

We want to do more and be more

We want people to lead **better lives**
We want business to do **better business**
We want relationships to be more resilient ...
We want to **embrace change, nurture longevity**

It's a big ask, but we're up for it.
Because **our passion, our purpose** –
is simple and powerful:

MORE FOOD TO MORE PEOPLE MORE OFTEN

And we'll do this with **great people.**

Brave, curious, real, honest, passionate, ideas people

Who break down barriers, build new bridges
and **change the rules**

BECAUSE ANYTHING LESS, WON'T ACHIEVE MORE



MORE IMPACT

For the greatest impact, you need to face the brutal facts and clear the biggest hurdles.



MORE BRAVE

Have the courage to do the right thing. Make bold decisions. Learn from your mistakes.



MORE CURIOUS

It's curious people who have game-changing ideas. Be curious!



MORE OPEN

Be generous with knowledge, value the views of others, regardless of who they are.



MORE SPEED

Speed and simplicity go hand in hand – so be clear, stay lean, go fast.



MORE YOU

Be yourself. Be authentic. Be more you!

PS. MORE FUN!

...because it's contagious!

OUR LEADERSHIP STANDARDS

LEADING PERFORMANCE, CHANGE, PEOPLE & SELF

At the core of RCL FOODS is **authentic leadership** which is about seeing and doing things differently and displaying **judgement, drive and influence**, supported by the Standards of Leadership.

OUR SUSTAINABLE BUSINESS DRIVE

OUR SUSTAINABLE BUSINESS DRIVE is about **CREATING THE FUTURE**.

Underpinned by our passion, it sets out **OUR RESPONSE** to the most critical social and environmental challenges we face.

OUR SUSTAINABLE BUSINESS DRIVE enables us to **SECURE THE FUTURE** for our business, while establishing **COMPETITIVE ADVANTAGE** in a fast-changing world.

MORE FOOD NOURISHING PEOPLE More nutritionally creative solutions

1 MORE NUTRITIOUS PRODUCTS

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

Ambition

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

2 MORE NUTRITIONAL THOUGHT LEADERSHIP

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

Ambition

To lead the promotion of nutrition through influencing policy development.

3 MORE BASIC NUTRITION FOR CHILDREN

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

Ambition

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

MORE PEOPLE ENRICHING COMMUNITIES More socially creative solutions

1 MORE INSPIRED EMPLOYEES

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

Ambition

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

2 MORE ECONOMICALLY DEVELOPED COMMUNITIES

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

Ambition

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

3 MORE SOCIALLY DEVELOPED COMMUNITIES

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

Ambition

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

MORE OFTEN SUSTAINING RESOURCES More environmentally creative solutions

1 MORE ENERGY SUFFICIENT OPERATIONS

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

Ambition

To become an energy self-sufficient business.

2 MORE WATER SMART OPERATIONS

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

Ambition

To become a water smart business that continually seeks new ways to reduce, reuse & 'create' water.

3 MORE WASTE FREE OPERATIONS

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

Ambition

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

UNDERPINNED BY NEW DISRUPTIVE MODELS

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

NOURISHING PEOPLE



As one of South Africa's largest food producers, we reach nearly every South African household with our 20+ much loved brands, ranging from staples to top-end speciality products. This gives us a unique opportunity to meet the varying nutritional needs of our nation, providing more choice and a stronger nutritional profile within our broad portfolio of brands, while positively contributing to the national nutritional agenda.

South Africa is faced with alarming nutritional statistics - 27% of children under the age of 5 are stunted¹, 2 million people have only 1 meal a day² and at the other end of the scale, 55% of children aged 15 and above are overweight³. As a leading food producer in South Africa, we can play a key role in nourishing people according to their needs. To ensure that we make the right kind of difference in the right place, we are currently engaging with experts and other stakeholders to build our understanding of the nutritional landscape in South Africa and how we can best deliver on our objectives below.

1 MORE NUTRITIOUS PRODUCTS

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

Being a new company in our current form, we will begin this journey by growing our understanding of our brands and what they offer our consumers and what they need, and how we can bring the two together to make a real difference. Acknowledging the complex challenges of under-nutrition, obesity and the modern lifestyle, we aim to empower consumers by providing more choice, more nutritional value and more awareness about eating various food types in healthy moderation.

2 MORE NUTRITIONAL THOUGHT LEADERSHIP

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

As a major food producer that is committed to "seeing and doing things differently", we can positively influence food policy and regulation by collaborating with partners who share our values and have the right expertise. Since it is the next big step on our nutrition journey, this externally-oriented phase will commence once we are comfortable with the progress we have made by laying the necessary nutritional and conceptual foundations in phase 1 above.

3 MORE BASIC NUTRITION FOR YOUNG CHILDREN

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

Our scoping of the challenges faced by the communities around our operations has led us to identify early childhood development (ECD) as an area in which we can make a significant difference from a nutrition point of view. Scientific evidence shows that the early years are the most important phase of human development, with studies indicating that 90% of brain growth takes place before the age of 5⁴.

In South Africa, however, only 50% of children under this age were recorded by Stats SA as attending day care or educational facilities outside their homes. We believe that through effective multi-stakeholder partnerships, we could provide young children with the right nutrition, early learning stimulation, primary health care, emotional support and protection and fundamentally change the path of young people and build a more sustainable society.

Our "Leave No Young Child Behind" initiative in Malalane is a direct response to this challenge and is a promising model for future (ECD) interventions

1. UNICEF, State of World's Children, 2009.

2. Stats SA, Mid-year population estimates, 2015

3. WHO, WHO Global InfoBase (Database), 2009.

4. Save the Children. "Early Steps to School Success." <http://www.savethechildren.org/>



“LEAVE NO YOUNG CHILD BEHIND” CASE STUDY

The “Leave No Young Child Behind” initiative focuses on wards 16 and 19 in the Nkomazi area (where our Malalane mill is located) which have been identified by government as a key poverty node needing urgent intervention. Given the multi-dimensional nature of the challenge, we have spearheaded a joint initiative which aims to break the poverty cycle by providing a range of services to young children. With RCL FOODS in a facilitating role and leading the nutrition agenda, we are partnering with government departments, municipalities and NGOs to take action around five key issues: food & nutrition, health, early learning, parenting, infrastructure and services for children.

ACHIEVEMENTS TO DATE:

RCL FOODS has partnered with various stakeholders to provide training in the areas targeted by “Leave No Young Child Behind”.

- **55 clinic staff and ward-based outreach team members** trained on health promotion in under-5s.
- **30 social workers and social auxiliary** workers trained in ECD programme quality.
- **27 young people and 2 supervisors** given ECD field worker training.
- **25 participants** trained to roll out a UNICEF Parenting Programme to parents in Ward 16.

RCL FOODS has partnered with The Jobs Fund on a large **food security and household food garden project** focusing on households with pregnant mums, young children or persons with disabilities.

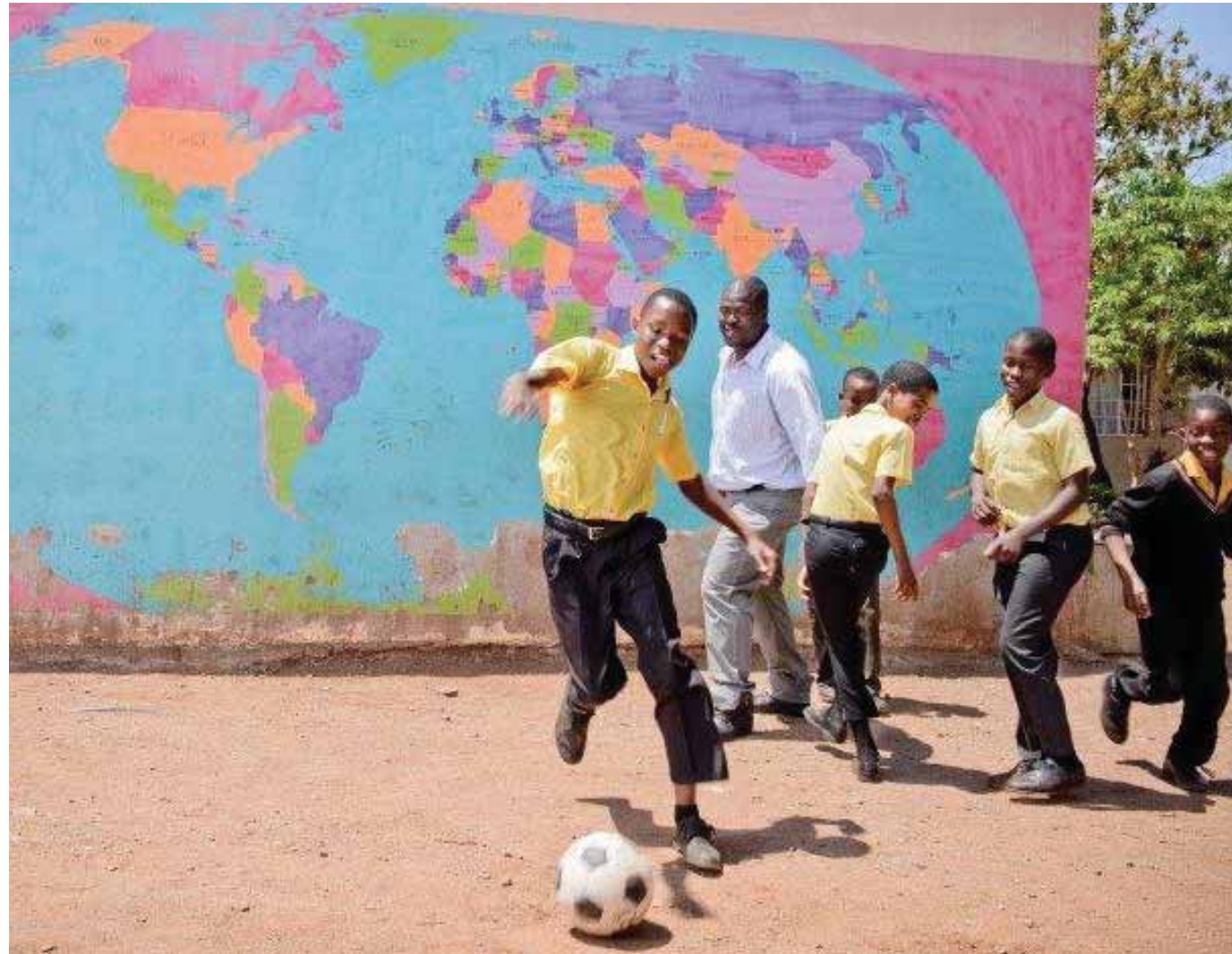
- **60 farmers** recruited into the project of which 19 have received loans.
- **50 general workers** employed
- **14 out of 28 ECD centres** qualified for support to establish food gardens, the produce of which is now being supplied back to all ECD centres.



RCL FOODS will be providing **Monati porridge** and **YumYum peanut butter** to nearly **800 children** in playgroups **each month**.



ENRICHING COMMUNITIES



As an employer of over 20 000 people and working with more than 1 250 small scale growers and numerous secondary businesses, we impact the lives of millions of South Africans in the communities in which we operate.

With almost 25% of our population unemployed⁵ and over 45% of households dependent on social grants⁶, we believe that we can play a positive role in enriching our communities by actively promoting sustainable, inclusive economic growth and creating a unique work environment where work is meaningful and enriching.

⁵ Stats SA. Mid-year Population Estimates, 2015.

⁶ Stats SA. General Household Survey, 2015.

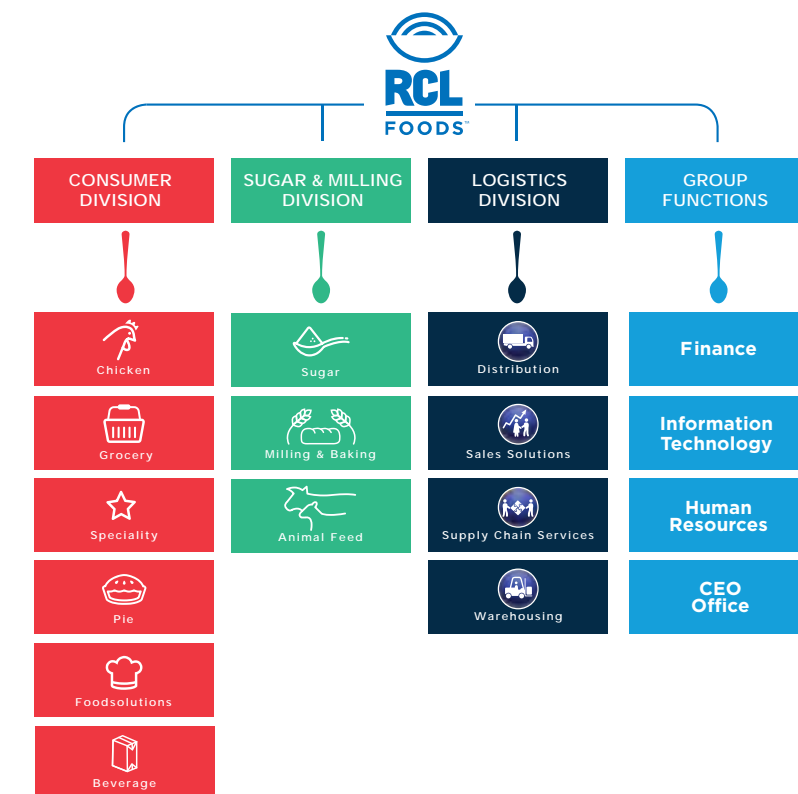
① MORE INSPIRED EMPLOYEES

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

Developing our talent, building leaders and creating the “right organisation and culture” are crucial to achieving our growth ambitions and delivering on our passion. For this reason, we are embarking on a journey to build a unique organisation and culture where work is safe, fun, meaningful and enriching in a way that unlocks the potential and creativity of our 20 000 people.

OUR TRANSFORMATION

Over the past few years we have been through a process of transformation to create “One RCL FOODS” from our four former subsidiaries. During the 2016 financial year our transformation project focused initially on the physical integration of the four businesses into a single company with three operating divisions. Steered by our Transformation Management Office (TMO), much work has also gone into creating the necessary systems and processes to enable us to function as one company and effectively drive our strategic thrusts.



Early benefits of our transformation into “One RCL FOODS” include cost and operational efficiencies:

- **R102 million** savings realised through establishment of a centralised sourcing team;
- Corporate brand and customer relationships enhanced through “One RCL FOODS” sales team; and
- **R150 million** investment in enhancing and consolidating IT systems to drive a ‘one company’ mind-set and enable growth.

ROLLING OUT OUR PASSION & OUR WAY

We believe in the power of a strong culture to align and energise our people. A major highlight of the year has been the rollout of our corporate brand across the business, as a result of which we have come a long way in aligning our people around a common Passion and identity. This has laid the foundation for communicating & building our culture, “Our Way”.



ACHIEVEMENTS TO DATE:

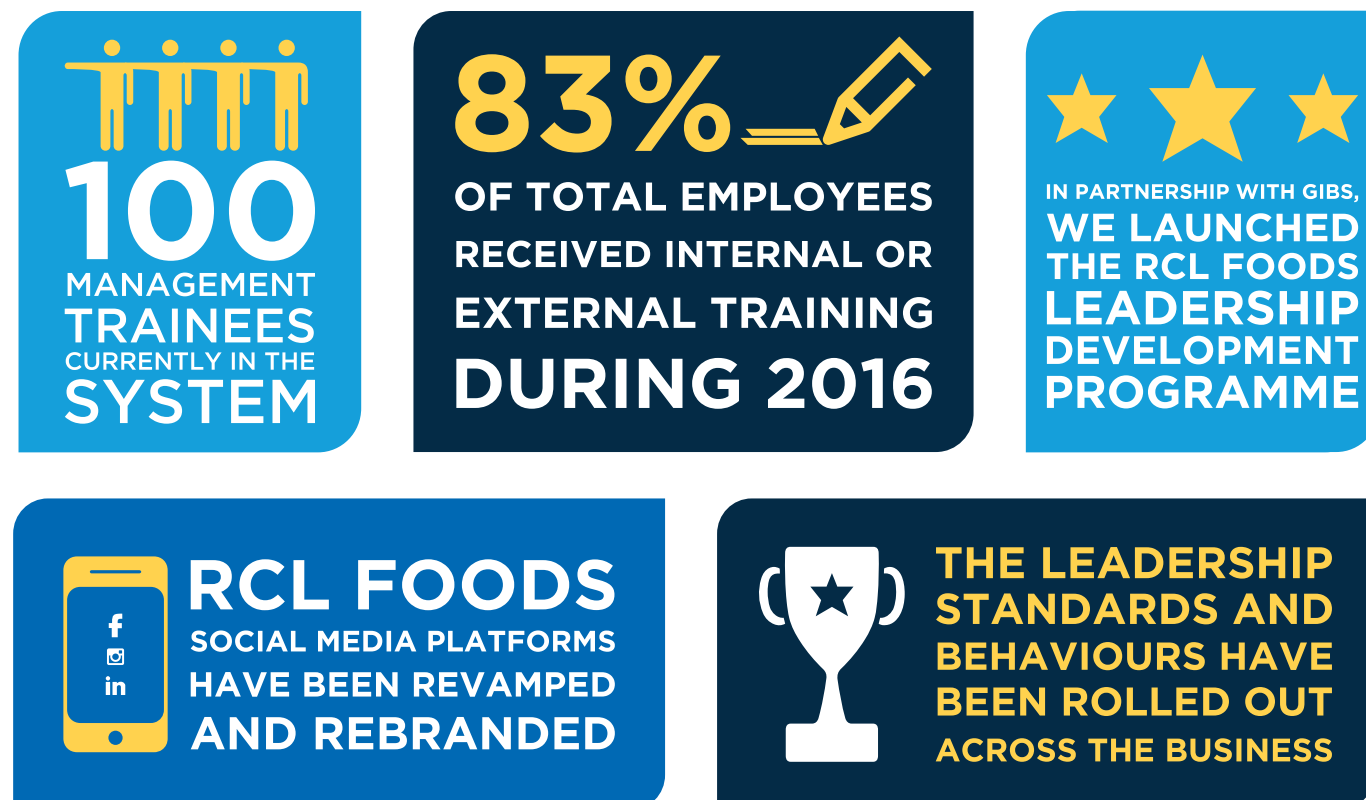
- During the last six months we have rolled out our passion and corporate brand to almost all of our **20 000 employees** across the country, **70%** of them through face-to-face events at our larger sites;
- The **positive feedback** received indicates that our values and our Passion for “more” are resonating with employees and that our new culture manifesto, “Our Way”, will be embraced in the way we think and act; and
- We also implemented the our **new Leadership Standards** to develop a common vision across management on how to create a high performance culture, inspire people to exceed expectations, encourage innovation and lead by example.



OUR EMPLOYEE DEVELOPMENT PROGRAMMES

We have implemented a range of programmes to identify and develop talent and help build a high performance culture, GIBS Leadership being one of them. Attracting and retaining talent, supported by leadership and talent management programmes, is key to transforming our organisation and building “One RCL FOODS”.

Underpinning this are individual development plans and sound succession plans which ensure that high-potential employees are recognised and prepared for the future. For detail on our resourcing, talent management and learning and development, refer to page 56.



OUR EMPLOYMENT EQUITY (EE) APPROACH

We are committed to creating an organisational culture in which all employees are able to perform to their full potential. To achieve this, we strive to eliminate employment practices and processes which may result in unfair discrimination and we also work to include people from diverse sectors of society within our employee complement.

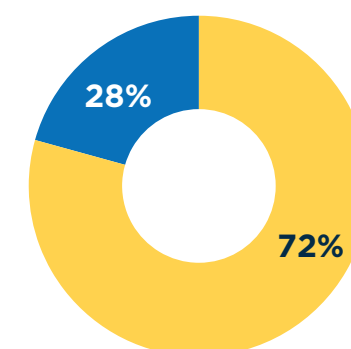
2016 HIGHLIGHTS:

- **New RCL FOODS' 5-year** plan completed and submitted to Department of Labour (DOL);
- RCL FOODS is **listed on the DOL's Public Register as compliant** with the Employment Equity Act submission requirements; and
- An RCL FOODS **EE Policy and strategic roadmap** is in the process of being defined, in collaboration with an external EE specialist.

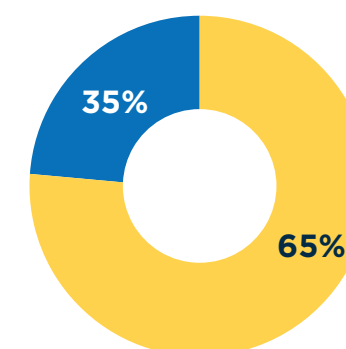
As a result of our acquisitions in the last few years, we have revisited our 5-year Employment Equity plan leading to 2020. Our employment equity targets take into account baseline data, staff attrition and recruitment and annual headcount growth.

We have taken steps to ensure that our targets and processes are aligned to the Department of Trade & Industry targets. We monitor our progress against our targets and report this to the Social and Ethics Committee. We remain focused on pursuing the transformation imperative to create a diverse and inclusive workforce that is reflective of our customer base and the society in which we operate.

TOTAL MANAGEMENT BY GENDER*

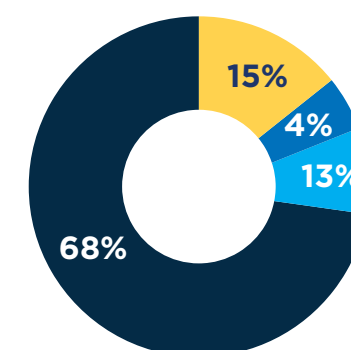


SUPERVISORY STAFF BY GENDER

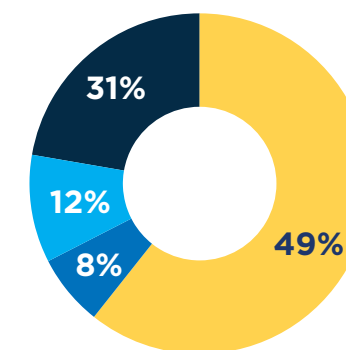


Male Female

TOTAL MANAGEMENT BY ETHNIC ORIGIN*



SUPERVISORY STAFF BY ETHNIC ORIGIN



African Coloured Indian White

*Total management is made up of top, senior and mid management. Supervisory staff includes junior management and supervisory staff

OUR BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) SCORECARD

We firmly believe that successful transformation is key to maintaining our competitive edge in sustainability practices. We therefore fully support the constructive intention to transform South African businesses through the B-BBEE codes.

We completed our B-BBEE verification process in accordance with the Department of Trade & Industry Agriculture Codes (Agricultural Sector) for the year ending 30 June 2015. RCL FOODS has maintained a Level 4 score for the next 12 months ending to 1 February 2017. Our Sugar business unit improved their score from a Level 3 to a Level 2. A verification audit was done for Akwandze Agricultural Finance which likewise achieved a Level 2 score.

BEE CATEGORY	ELEMENT	YEAR			
		2015		2014	
		Ownership	Score	Weighting	Score
DIRECT EMPOWERMENT	Ownership	20	11,73	20	11,70
	Management	10	3,81	10	3,54
HR DEVELOPMENT	Employment equity	10	5,09	10	2,77
	Skills development	20	12,94	20	13,79
INDIRECT EMPOWERMENT	Preferential procurement	20	10,91	20	13,38
	Enterprise development	10	12,00	10	10,00
	Socio-economic development	10	11,00	10	10,00
TOTAL SCORE		100	67,48	100	65,18
		LEVEL 4		LEVEL 4	
RECOGNITION STATUS		80% CONTRIBUTOR		100% CONTRIBUTOR	

Note: The Draft Amended AgriBEE Sector Codes were issued on 20 November 2015, from which date a 60-day period was given for the public to submit comments on the draft sector codes. Anticipating the outcome of public comments on these codes, they will be gazetted or repealed by the Department of Trade and Industry (DTI). In the event that the AgriBEE Sector Codes are repealed by the DTI, RCL FOODS will be compelled to follow the Amended Codes of Good Practice for the 2015/2016 reporting year.

OUR EMPLOYEE WELLNESS

We are committed to providing employee wellness programmes that ensure that our employees have access to support initiatives that focus on health and wellness, alcohol and substance abuse and HIV/AIDS.

• OCCUPATIONAL HEALTHCARE

Occupational healthcare is guided by legislation to ensure that employees are monitored, risk exposure is minimised and a healthy workforce and safe working environment is in place. We provide a core occupational healthcare service on our operating sites. Regional services are influenced by the identified risk of each division and region. This guides the different levels of service provision to ensure service delivery that is appropriate to company and employee needs.

• PRIMARY HEALTHCARE

Primary health and emergency care are absolutely essential to support employees in any large company. Primary healthcare services vary across the company and are customised by division, region and site as much as possible to meet the needs of our company and employees. We are committed to treating employees with respect, following fair and equitable employment practices and protecting employee health and safety in the workplace.



② MORE ECONOMICALLY DEVELOPED COMMUNITIES

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

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

SUGAR JOINT VENTURES (JV)

Our Sugar business unit negotiated three JV agreements with communities in the Nkomazi area in settlement of land claims between 2007 and 2012. The JV agreement provides for ownership of all the land, infrastructure and water rights to be passed on to the community and leased back by RCL FOODS at market rates. We offer support services in terms of finance, human resource and technical advice and the JV provides cane annually to the sugar mills, with the dividends shared equally by the partners.

2016 ACHIEVEMENTS:

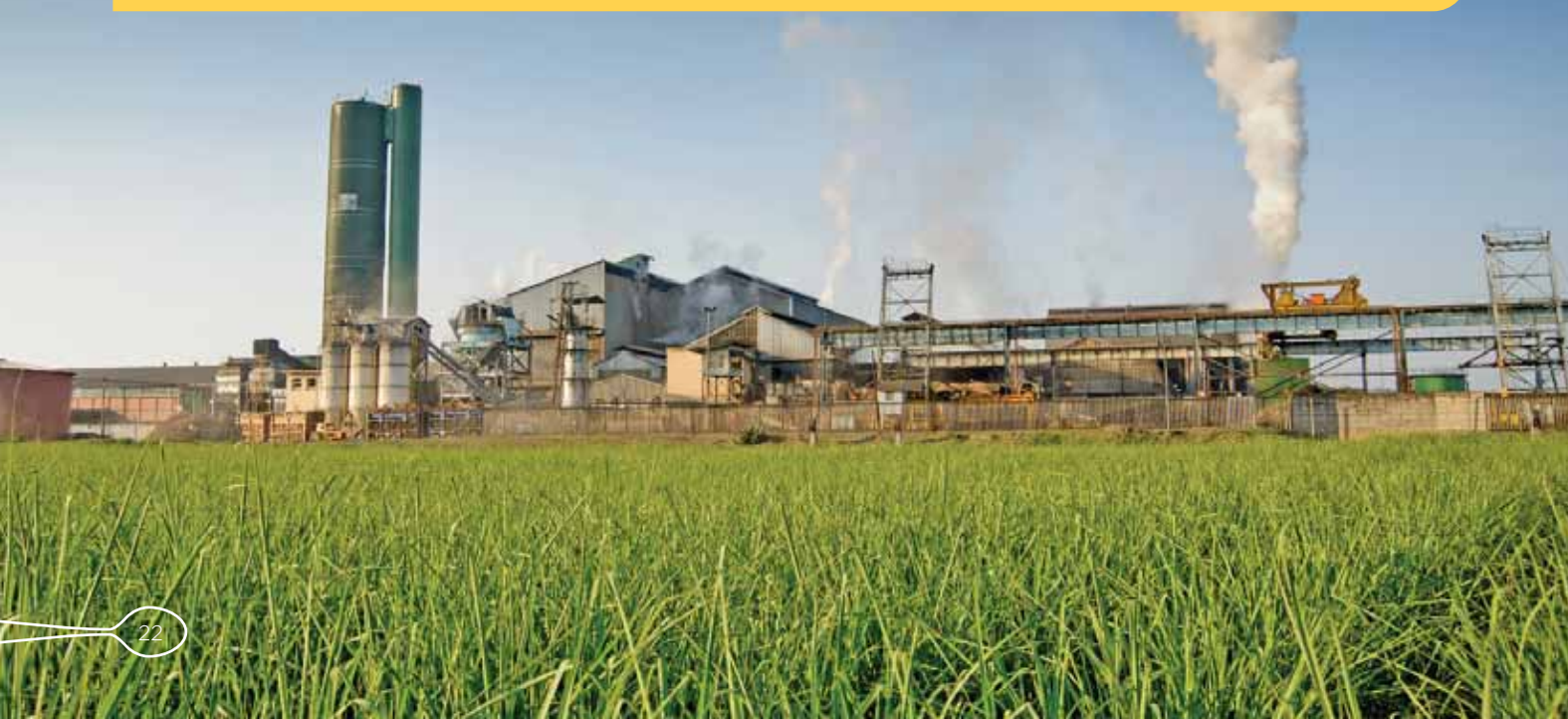
- JV companies delivered more than **800 000 tons** of cane from more than **8 500 hectares** of irrigated land;
- **195 people benefited** through direct employment;
- From an enterprise development perspective, **32 companies** were awarded contracts, to the value of **R59 million** in procurement spend; and
- **R31 million** in lease payments were made to JV community beneficiaries



SMALL SCALE GROWERS (SSG)

The communal areas of Nkomazi are home to nearly **1 200** small scale grower households farming approximately **9 500ha** of irrigated cane land. Average farm size is around 7 hectares. Though supplying approximately **468 000** tons of cane to our sugar mills in Nkomazi during the 2016 financial year, approximately R235 million in turnover was generated by small scale growers.

This represents about **13%** of cane supplied to our mills. The long-term sustainability of the small scale growers is crucial to RCL FOODS due to the significant impact that cane income has on livelihoods. Various initiatives are underway through our partnerships with SSG's to further increase cane production thereby contributing to sustainable and stable rural areas.

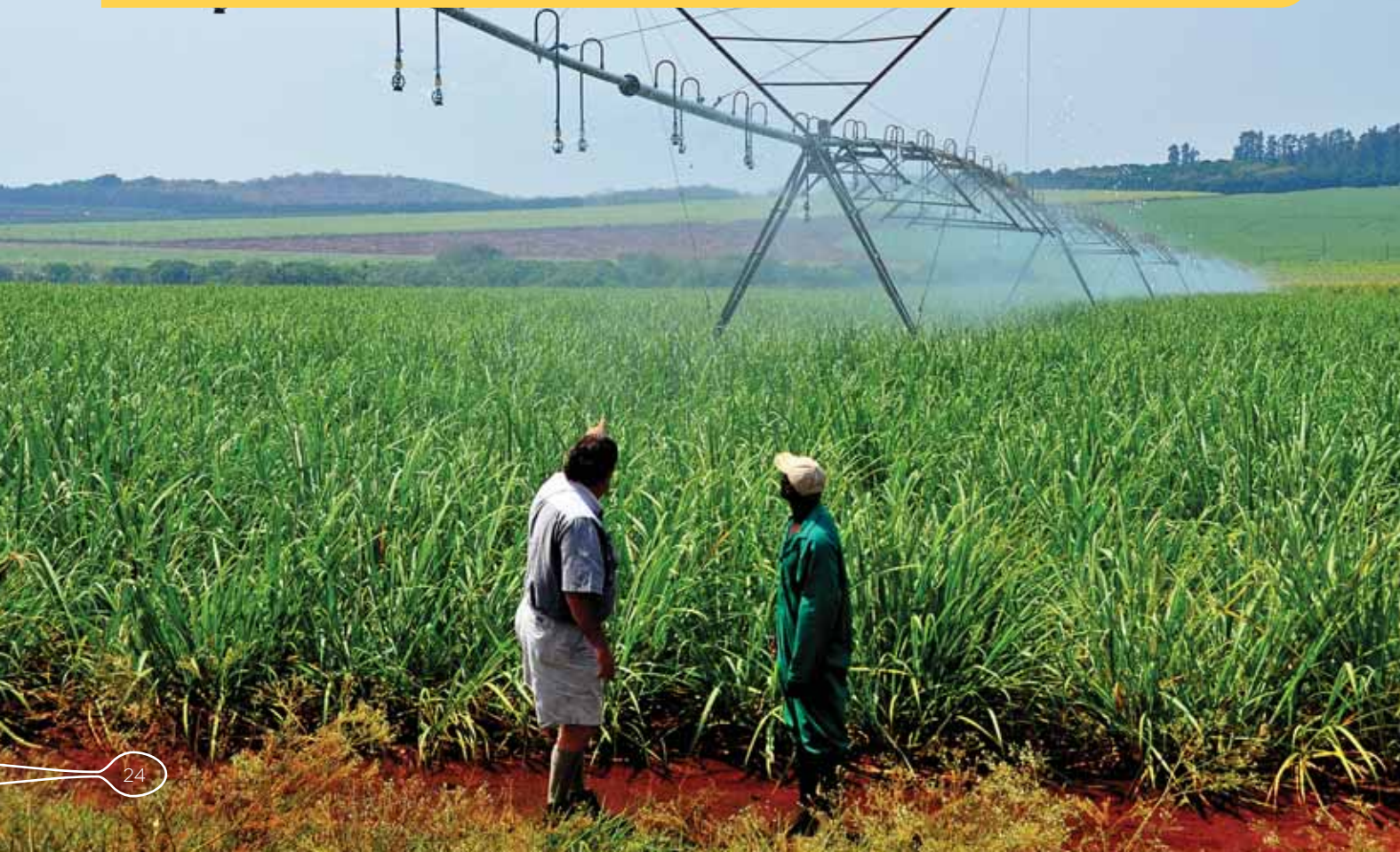


DEVELOPMENT FINANCE - AKWANDZE AGRICULTURAL FINANCE (AAF)

Development finance is provided by AAF, a joint venture between RCL FOODS Sugar business unit and Nkomazi small scale growers, giving small scale cane farmers access to unsecured credit at reduced interest rates. Akwandze was set up in 2006 with R25,0 million capital provided by growers and the Sugar business unit, along with a R10,0 million donation from the South African Sugar Association (SASA). The company has managed to leverage a number of different funds to support land reform and small scale farmers totalling R500 million. The AAF loanbook of R500 million is underpinning the production of 2 million tons of cane of which 84% is being loaned by small scale growers (22%) and BEE JV's (64%) which contributes approximately 14% of the industry's cane volume.

2016 ACHIEVEMENTS:

- **R169 million** was reinvested by **600 small scale growers** into their own operations through retention savings and new loans;
- **R118 million** was loaned to **6 Joint Venture BEE companies**; and
- AAF completed its **5 year R50m rehabilitation of irrigation infrastructure** project in 2016. This project has created approximately **1 100 permanent jobs and 1 600 short term jobs**. Better management of irrigation infrastructure also ensures better climate resilience especially in times of drought. Based on the success of this project a new application has been submitted to the Jobs Fund for additional grant funding for commencement in 2017.



FARMING AND BUSINESS SUPPORT SERVICES - TSGRO

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

2016 ACHIEVEMENTS:

- **A new Bulk Water Supply (BWS) paid service**, has been provided to **630 small scale growers** and **7 cooperatives** with **456 members on 5 500 hectares** during 2016. The primary purpose being to fix, maintain, service and protect irrigation infrastructure on an ongoing basis. Despite the severe drought, the **2016 year to date yield** for small scale growers supported by BWS has only **declined 2.1%** compared to **other small scale** grower yields which have **declined by 9.1%**;
- **An ongoing free extension service** has been provided to all **1 200 small scale growers** on 9 500 hectares covering sugarcane agronomy, better management practices for terrestrial ecosystems and planning tools for ratoon management and budgeting;
- **A full farm management paid for service** is being provided to **63 small scale growers** on **1 350 hectares**. In addition, the 60 new farm staff who have been employed are receiving real employment benefits (above minimum wages, a provident fund, protective clothing, training and access to clinic services);
- **Basic accounting and bookkeeping services provided to 315 farmers** to ensure good governance, compliance and responsible corporate citizenship by small scale grower-owned entities;
- **Assisting small scale farmers to overcome their weak individual bargaining power** and access better prices for fertiliser and chemicals by using RCL FOODS' buying power; and
- Introducing **Safety, Health and Environment and Quality (SHEQ) standards** into the sector.

40% OF CHICKEN PRODUCTION PROVIDED BY CONTRACT GROWERS

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

LAND REFORM

We are building our understanding of how we can best support farmers to obtain legal land tenure in areas that we operate. We see land reform as an opportunity to begin working more closely with government and communities, thereby contributing toward wealth creation, job opportunities and poverty alleviation within communities.

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



RECAPITALISATION & DEVELOPMENT PROGRAMME (RADP) CASE STUDY

RCL FOODS has been appointed as mentor in the Nkomazi area (Mpumalanga) and Pongola (KZN) by the Department of Rural Development and Land Reform (DRDLR) to assist with rehabilitation of farms and skills transfer to land reform beneficiaries under the RADP.

ACHIEVEMENTS TO DATE:

- During 2016 a **total of R11,3 million in RADP** funds was provided to small scale grower irrigation projects in Mpumalanga, resulting in **210 hectares of irrigation infrastructure** and cane crop being re-established, impacting **135 beneficiaries** and contributing to the sustainability of communities supplying cane to our mills.
- The rehabilitation of irrigation infrastructure has **assisted communities** to **increase their climate resilience** and beneficiaries have started growing vegetables at these projects for household consumption.
- A total of **206 temporary jobs and 9 permanent jobs** were created during this period.





SELATI - MORE THAN SUGAR

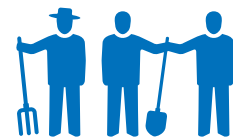
GROWING THE COMMUNITY BY GROWING SUGAR

Selati has become synonymous with being a provider, supporter, partner and mentor in the Nkomazi and Pongola communities - communities in which we operate - **ECONOMICALLY TRANSFORMING, DEVELOPING** and **POSITIVELY IMPACTING** the lives of small scale growers & small scale farmers.

OUR INITIATIVES

SMALL SCALE GROWERS (SSG'S)

RCL FOODS supports 1 200 small scale growers in the Nkomazi area that provide cane to the Sugar business unit at market price.



DEVELOPMENT FINANCE (AKWANDZE AGRICULTURAL FINANCE)

Provision of low interest unsecured loans to small scale farmers, used to operate their sugar farming operations. The cane is sold to RCL FOODS at market price.

JOINT VENTURES (JV)

RCL FOODS have partnered with three land claim beneficiary trusts to grow and harvest cane through a JV model. The JV leases land from the trusts and creates employment and enterprise development opportunities for beneficiaries



FARMING AND BUSINESS SUPPORT SERVICES (TSGRO)

TSGRO is a one-stop-shop that provides relevant support services to small-scale growers focusing on irrigation efficiency, farming productivity and enterprise development.

SMALL HOLDER VEGETABLE FARMER SUPPORT

The small scale farmer support programme develops small holder vegetable farmers, boosts food security and improves the economic quality of communities.

LAND REFORM

RCL FOODS has been appointed as mentor in the Nkomazi area (Mpumalanga) and Pongola (KZN) by the Department of Rural Development and Land Reform (DRDLR) to assist with rehabilitation of farms and skills transfer to land reform beneficiaries.

OUR PARTNERS



Small Scale Growers



2016 ACHIEVEMENTS

R59 MILLION
PROCUREMENT SPEND
AWARDED TO
32 COMMUNITY OWNED COMPANIES



R31 MILLION
LEASE PAYMENTS
MADE TO JV COMPANIES

R348m DEVELOPMENT FINANCE
LOANED / INVESTED BY SSG'S

- R169M REINVESTED BY SSG'S BACK INTO THEIR OWN OPERATIONS
- R118M LOANED TO JV AND LAND CLAIMANT BEE COMPANIES
- R61M INVESTED INTO THE REHABILITATION OF SSG IRRIGATION INFRASTRUCTURE



630 SSG'S ON 5 500 HA OF LAND RECEIVED BULK WATER SERVICES TO MAINTAIN AND PROTECT IRRIGATION INFRASTRUCTURE

R235 MILLION TURNOVER
GENERATED BY SSG'S THROUGH
CANE PRODUCED AND SUPPLIED

1 268 MILLION TONS
CANE SUPPLIED TO RCL
FOODS DURING 2016
BY SSG'S & JV'S

140 SMALL SCALE VEGETABLE FARMERS REGISTERED ON THE SMALL SCALE FARMER SUPPORT PROGRAM

1 200 SSG'S ON
9 500 HA OF LAND



BENEFITED FROM FREE EXTENSION SERVICES WHICH INCLUDED SUGAR AGRONOMY



15 SMALL SCALE VEGETABLE FARMERS
HAVE ASSURED MARKETS FOR
THEIR PRODUCE WITH VEGETABLE
PRE-PACKERS

195 JOBS
CREATED
FOR LAND CLAIM
BENEFICIARIES

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 strive to become a strong participant and development catalyst within the communities in which we operate that depend on our operations, with an emphasis on identified priority areas where we can make the most impact.

Our approach is a multi-partner, collaborative one which includes government departments, municipalities, businesses, NGOs, NPOs and similar organisations. Our role includes that of a catalyst in strengthening current forums, supporting existing projects and driving a number of new potential projects and partnerships.

Three communities in which we operate – Malalane, Hammarsadale and Worcester – have been identified in need of particular intervention. Assessments have been performed to understand their most critical needs and to devise appropriate solutions.

NKOMAZI-MALALANE SMALLHOLDER VEGETABLE FARMER SUPPORT PROGRAMME

We provide the support that smallholder vegetable farmers need to compete in the marketplace, RCL FOODS is partnering with the Lima Rural Development Foundation and the Jobs Fund to provide a Smallholder Farmer Support Programme in the Nkomazi area around our Malalane mill.

The aim of the initiative is to help smallholder vegetable farmers overcome major challenges such as limited access to services, long commutes from suppliers and markets, unaffordability of quality inputs and stiff market competition from larger commercial producers. In developing these small farmers, food security is boosted and the lives of people in the area improved.

RCL FOODS is providing **R2,5 million** in matched funding to allow technical training of farmers, distribute much-needed vegetable seedling starter packs and provide revolving credit funding to enable production loans to be given to qualifying farmers.

2016 ACHIEVEMENTS:

- **140 participants** have registered with the programme, representing a total of **86 hectares**; and
- **15 participants** have received revolving credit totalling **R150 000** and have an **assured market** for their produce with vegetable pre-packers.



GREATER HAMMARSDALE COMMUNITY DEVELOPMENT INITIATIVE

RCL FOODS is the largest employer in the Hammarsdale area of KwaZulu-Natal. To address the extreme poverty and high rate of unemployment in five wards where most of our employees reside, we spearheaded the formation of the Greater Hammarsdale Community Development Initiative. With the Lima Rural Development Foundation as its implementing agent, the two-pronged programme addresses food security through a homestead garden project and economic transformation through an innovative “economic linkages” programme. Although still in its infancy, the project has already started to reap benefits for the community since its implementation in March 2016.

2016 ACHIEVEMENTS:

- **45 homestead gardens** and **4 demonstration gardens** established;
- **50 homesteads** provided with seed packs and/or seedlings, tools and technical support;
- **270 individuals** captured on the database for training and employment referrals;
- **13 young people trained** in basic computer skills; and
- **10 learners** attended a driver learning programme.

WORCESTER POSITIVE PARENTING

The Worcester Positive Parenting Programme was implemented in February 2015, with the aim of fostering positive parenting, strengthening families, improving young children's cognitive development and building staff morale. Based on the philosophy that “families that play together stay together”, the programme was implemented with the objective of reducing child neglect in the crime and drug-affected community of Worcester.

2016 ACHIEVEMENTS:

- Interactive weekly workshop sessions attended by **160 Worcester staff**, including **40 dads**;
- Monthly workshops facilitated for approximately **40 ECD principals and teachers**;
- Over **2231 young children** in the Worcester community benefited overall;
- **73% of employees** gave the programme a **score of 10** for making a difference to them as parents; and
- **87% of employees** gave the programme a **score of 8 or higher** for making a difference to their children.

653 941

MEALS DONATED TO CHARITY ORGANISATIONS DURING THE YEAR



SUSTAINING RESOURCES

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

As a major foods producer, with a multi-tiered and geographically dispersed supply chain, our environmental footprint extends across our value chain spanning from raw material production to the end users of our products.

With our survival dependent on shared, scarce natural resources and limited land, and further impacted by climate change, there is an urgent need for us to see and do things differently by consuming less energy and water, minimising our waste and creating more value from our inputs and the waste we generate.



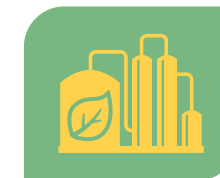
1 MORE ENERGY SUFFICIENT OPERATIONS

With energy self-sufficiency and price certainty as objectives, we have identified real, quantifiable opportunities that are reflected in our energy roadmap. Our phased approach is illustrated below.



OUR ENERGY FOCUS AREAS

The RCL FOODS "Energy Roadmap" aims to ensure price certainty and secure long-term supply of electricity to our business. We have identified sugar co-generation, waste to value creation and solar as three main areas of focus to enable us to achieve our future electricity requirement.



SUGAR CO-GEN

PROGRESS PROVIDED ON PAGE 35



WASTE TO VALUE

CASE STUDY PROVIDED ON PAGE 39



SOLAR

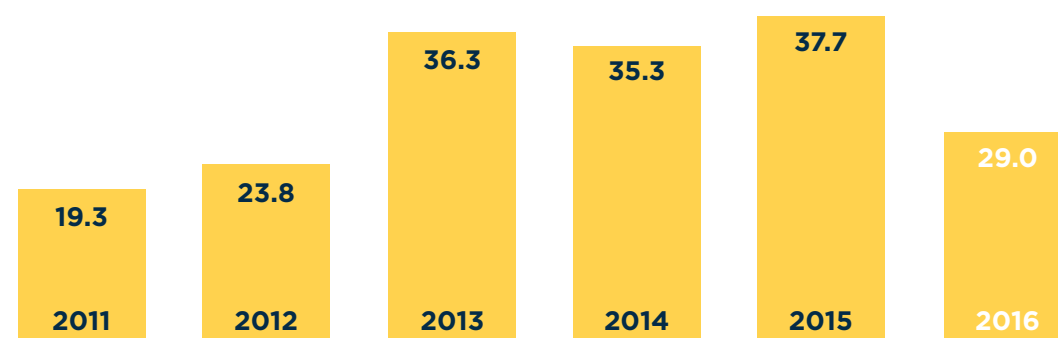
SOLAR STRATEGY CURRENTLY UNDER REVIEW

SUGAR CO-GENERATION OF ELECTRICITY

Bagasse - a residual by-product of sugar production - is used to generate electricity which not only powers the sugar manufacturing process at our sugar mills but is sold externally. Our Sugar business unit has been generating and supplying power since 1994 from the Komati Mill and since 2003 from the Malalane Mill.

In addition to the **136,5 million KWh generated** and used internally, we **exported 29,0 GWh** of electricity **to Eskom in 2016** and also **signed a power purchase agreement with Amatola Green Power (PowerX) to wheel electricity from Malalane to Nelson Mandela Bay Municipality** - its first renewable energy customer other than Eskom.

ELECTRICITY GENERATED AND EXPORTED (GWH) THROUGH BURNING OF BAGASSE (RENEWABLE RESOURCES)

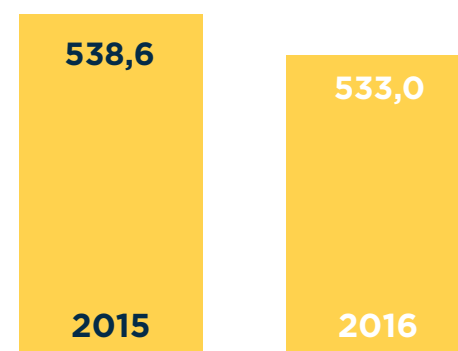


Due to the severe drought experienced, our electricity generation decreased by 19,3% from the prior year.

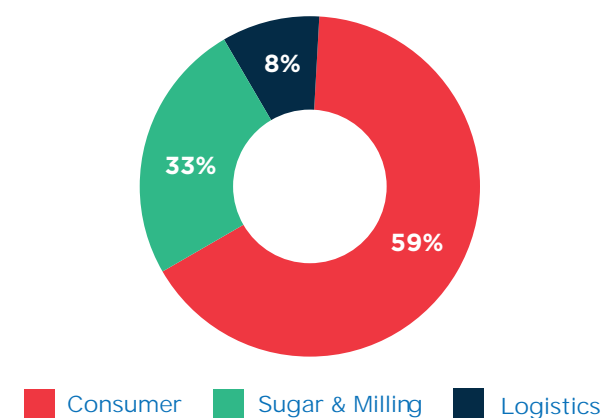
RCL FOODS ELECTRICITY CONSUMPTION 2016

In addition to our ambition to generate additional renewable energy, our focus remains on the brilliant basics of efficiency and optimisation at operational level. Over the past few years we have given consistent attention to electricity measurement and management, and to the implementation of initiatives to reduce or optimise consumption throughout the business.

GROUP ELECTRICITY CONSUMPTION 2016 (GWh)

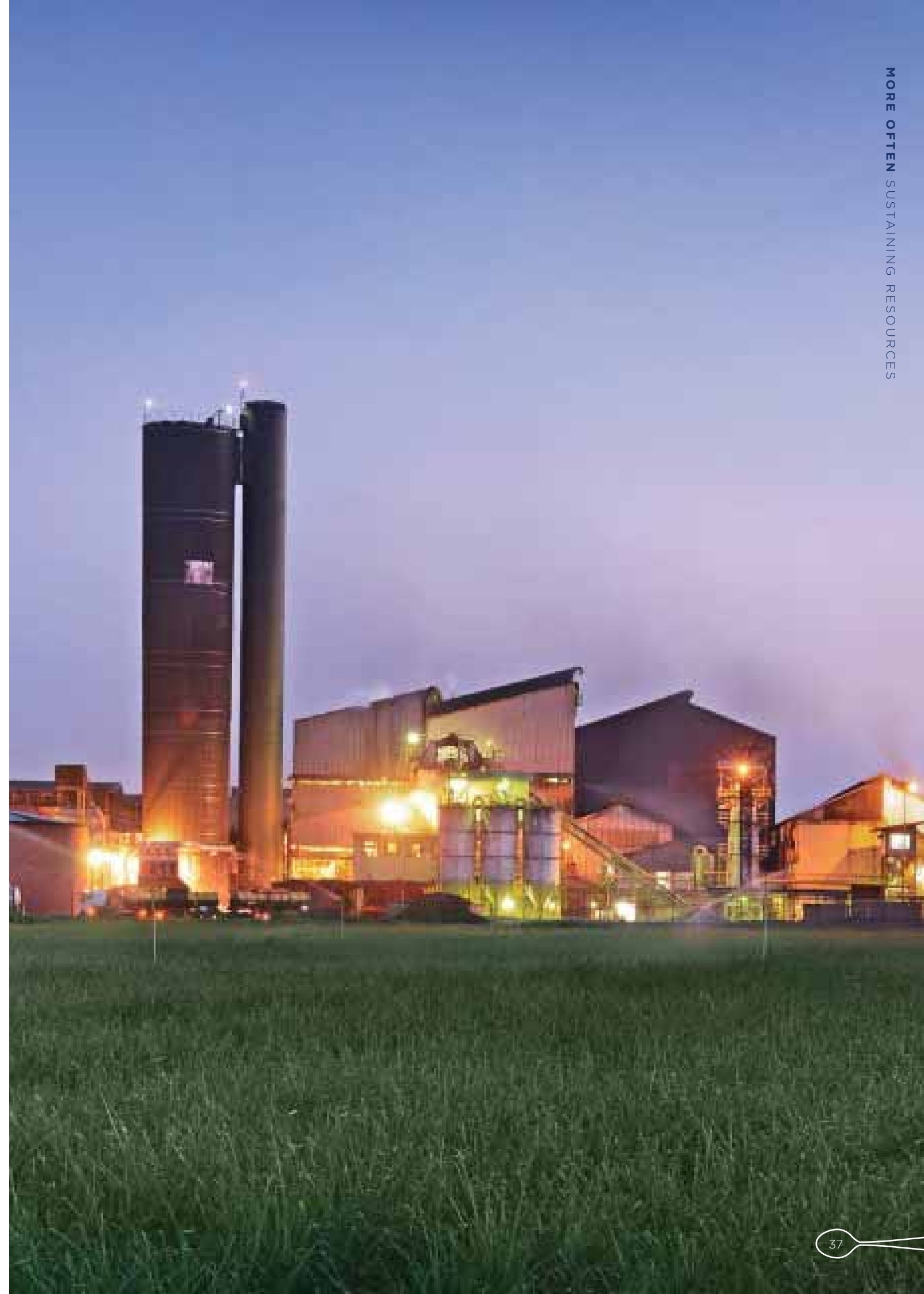


ELECTRICITY CONSUMPTION BY DIVISION 2016 (GWh)



MORE OFTEN SUSTAINING RESOURCES

MORE OFTEN SUSTAINING RESOURCES





OUR WORCESTER WASTE TO VALUE PROJECT CASE STUDY

ELECTRICITY FROM WASTE WATER

Our Worcester poultry processing site has taken action to reduce its impact on the environment by joining forces with a local waste-to-value specialist, the TriGen Group, to construct our first large scale poultry waste-to-energy project.

It will take water that we currently discharge to the municipal effluent line (after passing through a dissolved air flotation treatment process) and run it through an anaerobic digestion process in which microorganisms break down the biodegradable material in the water and produce methane-rich biogas.

With this gas we expect to generate enough electricity and heat to run the entire Speciality factory and parts of the chicken factory on site. The treated water will be 80% cleaner than the untreated effluent and can be reused in parts of the operation that do not require potable water.

A small scale pilot plant was run at the Worcester processing plant for several months in 2015, proving that the biological flotation-based technology is a suitable solution. Construction of the full-scale plant commenced early in 2016 and will be completed by the end of 2016, whereafter energy production will increase to designed levels in 6 to 8 weeks.

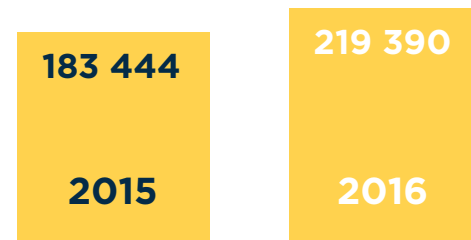
ANTICIPATED BENEFITS ON COMPLETION:

- Up to **3 000 kilolitres** of effluent treated per day, containing about **30 tons** of waste organics;
- Approximately **10 500 MWh** of electricity (about 20% of total plant consumption) and **2 500 MWh** of thermal energy to be generated annually; and
- **11 000 ton** reduction in carbon footprint due to reduced electricity and coal consumption.

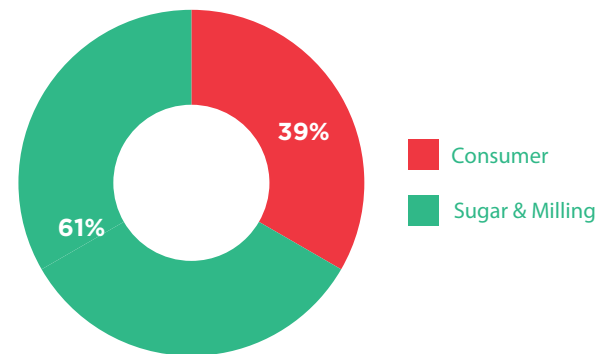
OUR COAL CONSUMPTION

Coal used for steam generation at poultry farms, processing plants, feed and sugar mills remains a key focus area and good boiler management practices are a priority in every operation. Coal-to-steam conversion, condensate return, make-up water and managed chemical consumption are monitored performance areas. Annual boiler inspections ensure safe and efficient operation of equipment.

GROUP COAL CONSUMPTION 2016 (tons)



GROUP COAL CONSUMPTION BY DIVISION 2016 (tons)

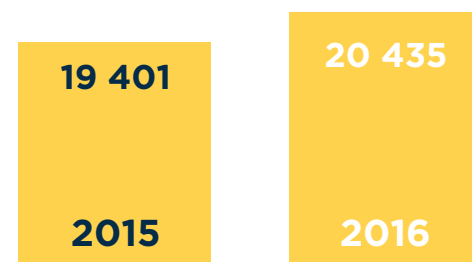


Coal consumption increased by 19,6% across the company and can be attributed to the unavailability of bagasse which had a significant impact on co-generation in the Sugar & Milling division.

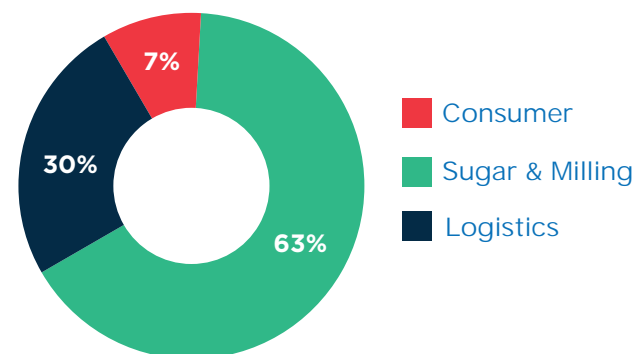
OUR DIESEL CONSUMPTION

Our consumption of diesel increased during the last financial period by 5,3% as the Logistics division expanded routes, the Animal Feed business unit increased external customer deliveries and the Chicken and Sugar business units' final product delivery tapered down.

GROUP DIESEL CONSUMPTION 2016 (kl)



DIESEL CONSUMPTION BY DIVISION 2016 (kl)

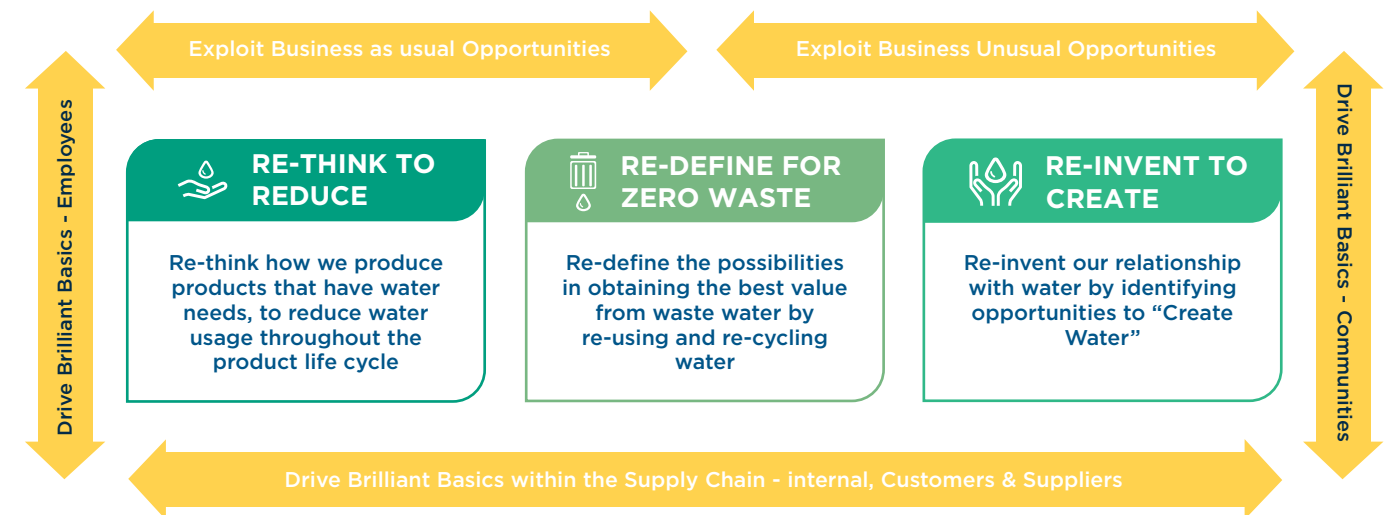


② MORE WATER SMART OPERATIONS

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

We believe our first priority is to ensure food safety and the wholesomeness of our products, and we understand the critical role that water plays in ensuring cleanliness of our facilities. We also recognise the balance between protecting product quality for the sake of the consumer and conserving a natural resource that we share with the communities in which we operate. For this reason, water management, conservation and optimisation has been a focus area across our divisions. Programmes and technologies (water committees, team member education and quality inspections, along with re-use systems, reservoir systems and waste water treatment systems) have been employed to minimise our impact on this scarce natural resource.

As the global demand for water increases, international water resource authorities forecast that by 2030 water withdrawal will exceed water renewals. With this in mind, we are committed to re-thinking our relationship with water. During the next year we will be defining our water roadmap by rethinking to reduce, re-defining for zero water waste and re-inventing to “create” water.



OUR POTABLE WATER USAGE

At our Consumer food production plants, water is one of the key ingredients. Good quality water is needed in large amounts to ensure that quality products are produced. Council infrastructures are very old, which leaves the manufacturing plants vulnerable. Water is analysed annually at all the factories as per SANS 241 standards and precautions are being taken to secure good quality water supply to every factory. Initiatives such as boreholes and holding tanks have been implemented.

In our Chicken operations we are making progress on reducing our water consumption highlighted by the following 2 initiatives. Water savings are compared against average monthly usage.



RUSTENBURG CHICKEN PROCESSING INITIATIVES OF 2016

- Automated spin chiller water management system installed
- The system controls the amount of water used during the spin chill process which results in water reduction of 11% (6,336kl per month)

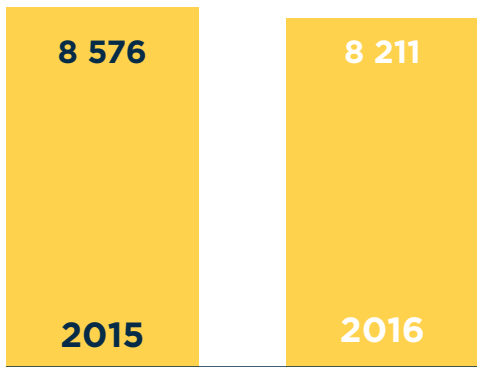


WORCESTER CHICKEN PROCESSING INITIATIVES OF 2016

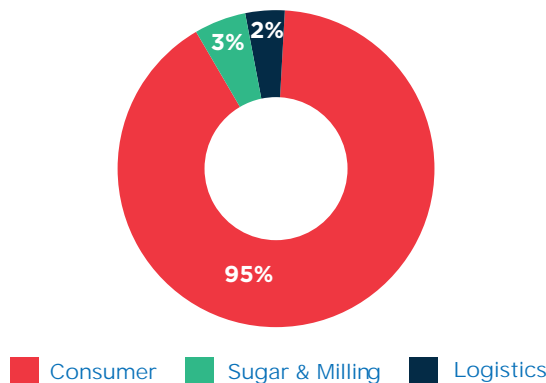
- A water reuse system has been installed maximizing the use of chilled water across processes.
- Average saving of 5.25% (2,30kl per month)

Poor water quality and water shortages are significant potential risks to the business. We have mitigated the risk of water shortages in key areas by building additional reservoirs to hold capacity in times of shortage and looking at ways of reducing the demand for water in rearing the parent stock, broiler birds and in the slaughtering process. With significant water usage, water effluent needs to be managed and every effort is made to recycle effluent water. Measuring wastage enables early detection of system defects that can be rectified to minimise potential losses and impact on the environment.

MUNICIPAL WATER CONSUMPTION 2016 (MI)



MUNICIPAL WATER CONSUMPTION BY DIVISION 2016 (MI)

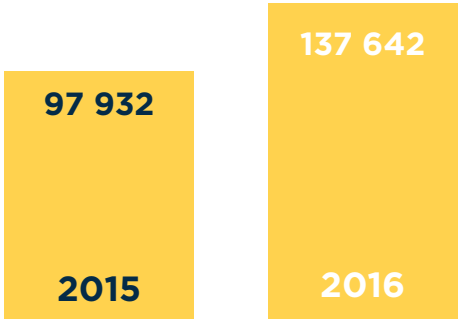


OUR RAW WATER USE

The Sugar business unit continues to participate in water use management and is actively involved in various catchment-wide initiatives. The mills remain water positive and there is active involvement in Irrigation Boards and Catchment/River Management Forums to ensure water use throughout the catchment is effectively measured and managed for farming operations and all downstream water users.

The Inkomati Catchment Management Agency and Department of Water Affairs have been approached to assist with and formalise all water-related agreements and licensing, with scheduled quarterly site inspections and meetings.

GROUP BOREHOLE, DAM AND RIVER WATER ABSTRACTED 2016 (MI)



3 MORE WASTE FREE OPERATIONS

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

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

OUR WASTE MANAGEMENT

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

OUR PACKAGING APPROACH

Packaging is used to preserve, protect, contain, transport, inform consumers and sell our products. Since only 8,0% of resources used to make a product can be allocated to product packaging, we understand the importance of protecting our products through improved packaging quality.

We therefore strive to develop “fit-for-purpose” packaging that preserves the products we produce while maximising the use of recycled or recyclable substrates and avoiding unnecessary waste-to-landfill.

Reducing the pre- and post-consumer impact of packaging materials is a responsibility we take very seriously. We have added the recycling codes and statements such as “care for our environment” and “dispose of packaging responsibly” to all packaging material. We have also challenged our strategic packaging suppliers to assist with finding ways of implementing the 4Rs (Reduce, Re-use, Recycle, Recover) in all packaging materials used.

OUR EMISSIONS TO AIR MANAGEMENT

We recognise our responsibilities in terms of the Air Quality Act, No 39 of 2004, and as such ensure that our coal-fired boilers and boiler stacks and other related equipment are well maintained and routinely inspected. Inspections conducted during the 2016 financial year indicated no contraventions to the Act.

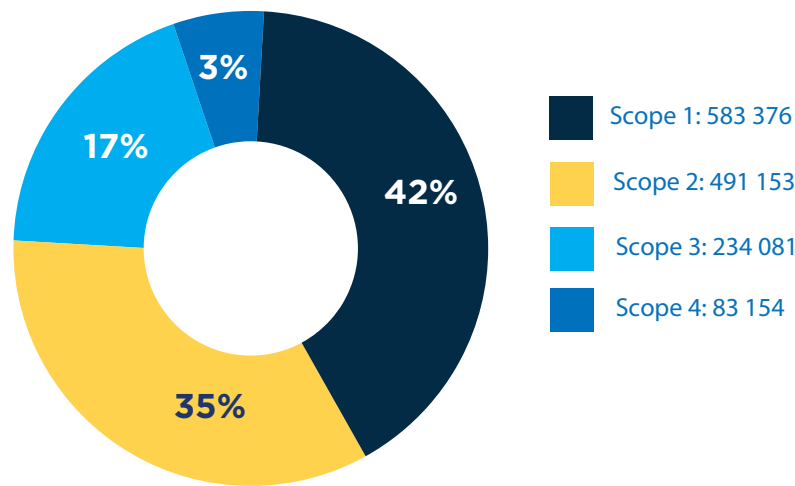
An Environmental Air Quality management procedure is in place throughout the business. The objective of this procedure is to protect the environment by providing reasonable measures for the protection and enhancement of the quality of air, the prevention of air pollution and ecological degradation and enhancing the quality of ambient air for the sake of securing an environment that is not harmful to the health and wellbeing of people.

While there is currently no legislation governing vehicle emissions, we are conscious of this impact on the environment. As a result, all vehicles are maintained and replaced on a regular basis to minimise both emissions and diesel fuel wastage.



OUR CARBON DISCLOSURE REVIEW

RCL FOODS 2016 EMISSIONS BY SCOPE IN TONNES OF CO₂e (MEGA LITRES)



The 2016 Carbon Footprint review, conducted by external assurers, constitutes the third RCL FOODS carbon footprint commissioned and should be compared against the previous carbon footprint calculations from 2014 and 2015. All reports have been prepared using the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard methodology. The 2015 Carbon Footprint Report is used as the baseline carbon footprint calculation as this is the first full year of RCL FOODS’ ownership of all subsidiaries.

The footprint covers the following RCL FOODS divisions:

- RCL FOODS Consumer;
- RCL FOODS Sugar & Milling; and
- RCL FOODS Logistics.

The GHG-emitting activities covered by the report include direct emissions resulting from stationary fuel used by RCL FOODS’ owned or controlled equipment, air-conditioning gas refills, corporate aircraft and mobile fuels from fleet vehicles; indirect emissions from purchased electricity (referred to as Scope 1 and 2 emissions respectively); and selected indirect emissions resulting from our business travel activities (car rental, flights and accommodation), upstream transportation and distribution (third-party vehicle fleet), travel claims by employees, the consumption of office paper, electricity transmission and distribution (T&D) losses, waste to landfill and recycled waste (referred to as Scope 3 emissions).

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

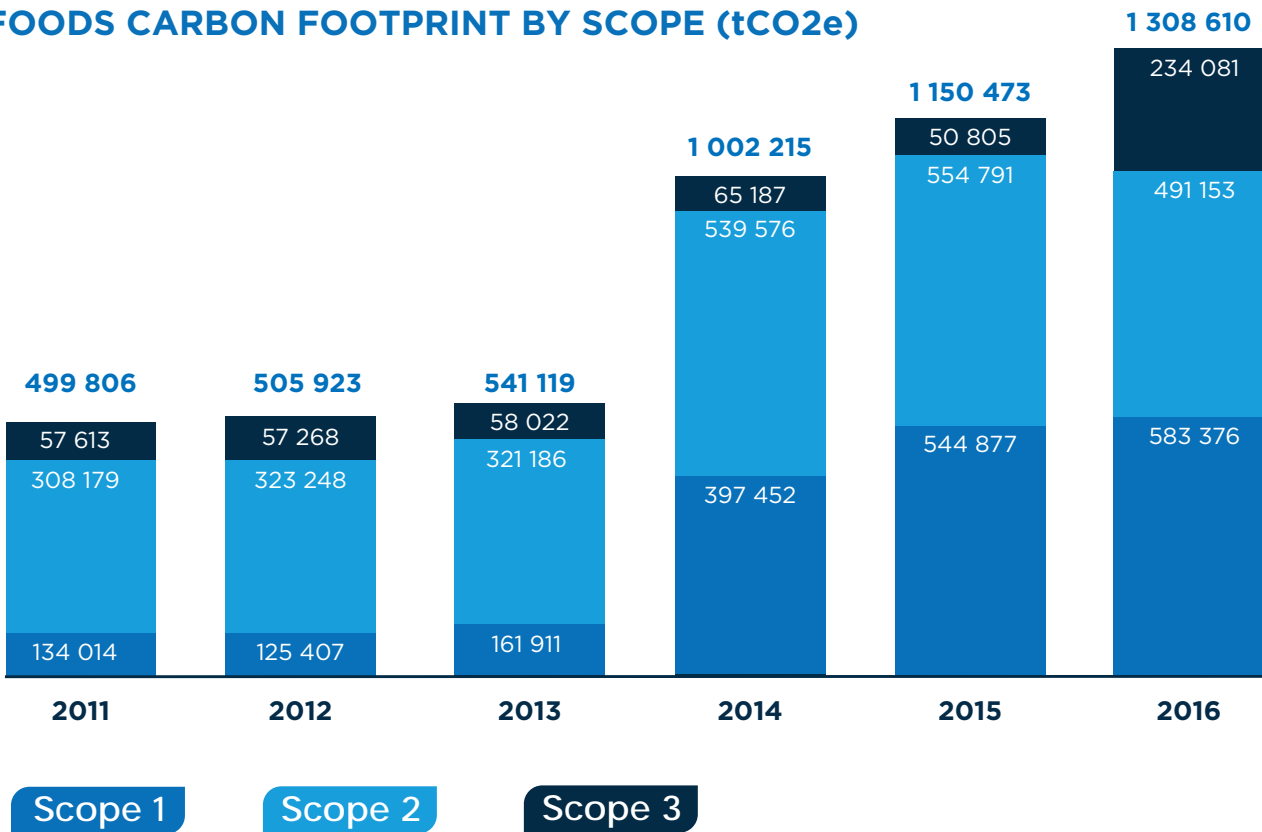
In the 2010 Carbon Disclosure Leadership Index, RCL FOODS achieved 84,0% and joint seventh position in the SA top 100 companies. Due to a recent reduction in market capitalisation, we were not included in the 2011, 2012 and 2013 samples; however, we continued to participate in Remgro’s submission of the Carbon Disclosure Project by providing information on our greenhouse gas emissions.

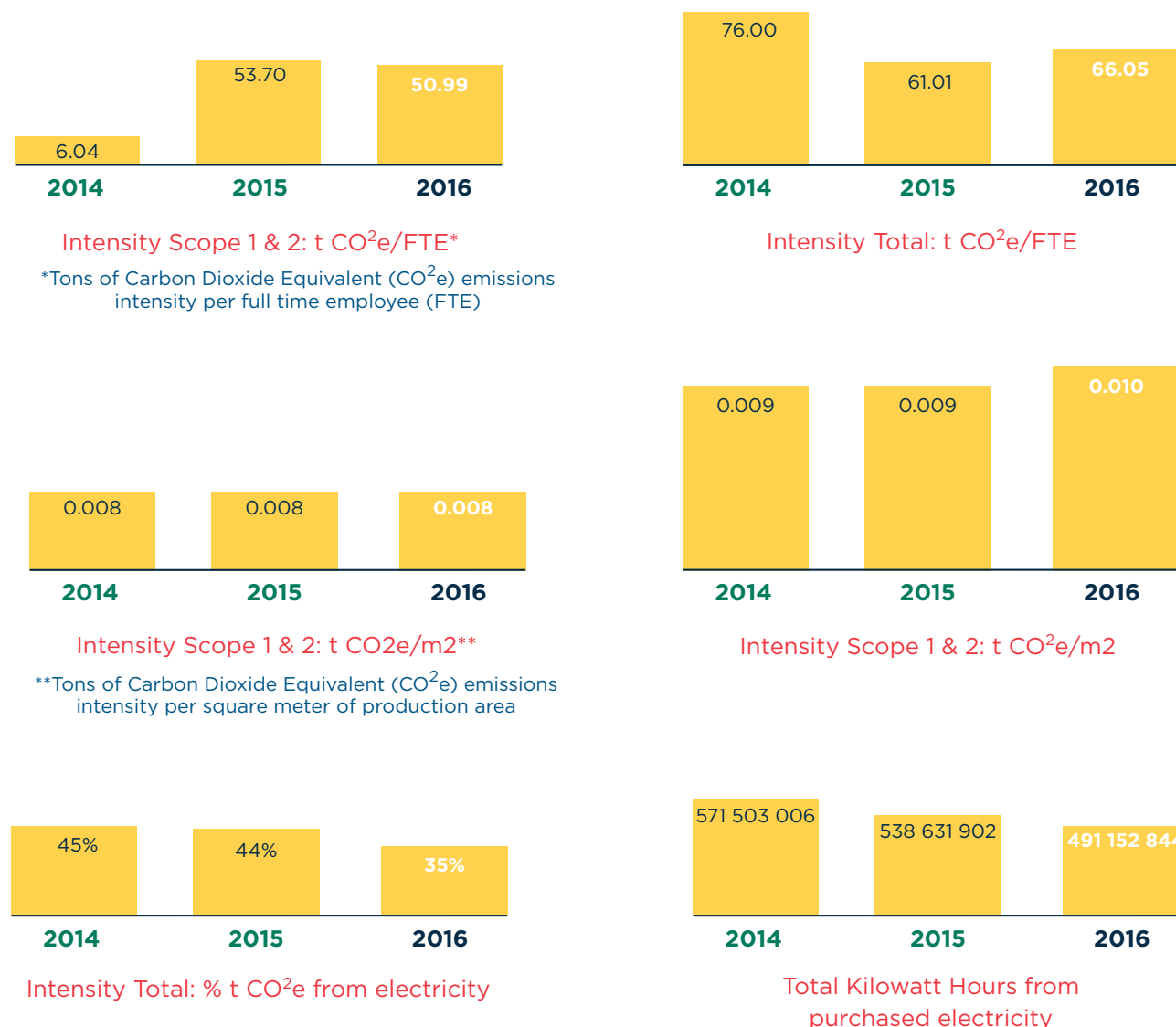
CARBON FOOTPRINT TRENDS

We have been tracking our carbon footprint in accordance with the GHG Protocol and deem this an acceptable method to measure our impact on climate change and keep track of mitigating strategies. Divisions are tasked to measure Scope 1 and 2 emissions. Selected Scope 3 emissions are measured by the Consumer, Sugar & Milling and Logistics divisions.

We have set 2015 as our base-year for the carbon footprint calculations. The base-year was chosen as this is the first full year where data was available for all our divisions under “One RCL FOODS”. The increase in emissions can be attributed to an increase in measurement scope. Electricity transmission and distribution losses, emissions from waste disposed at landfills, and emissions resulting from recycled waste were included for the first time.

RCL FOODS CARBON FOOTPRINT BY SCOPE (tCO₂e)





MORE OFTEN SUSTAINING RESOURCES

ENVIRONMENTAL SUSTAINABILITY PRACTICES

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

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

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



ENVIRONMENTAL IMPACT ASSESSMENTS (EIA)

We conduct EIAs as required by the Department of Agriculture and Environmental Affairs when considering investment in new facilities or upgrades to existing ones.

This process allows for comments and input from all interested stakeholders and affected parties. An Environmental Management Plan will be established for the construction phase of such projects, to serve as a guide to assist in minimising the potential environmental impact of business initiatives.

OUR PERFORMANCE

KEY PERFORMANCE INDICATORS

ECONOMIC PERFORMANCE INDICATORS - Rm

Impact on suppliers:

Total paid to suppliers

Major sources of suppliers:

- transport
- total contract growers
- BEE contract growers
- electricity

Impact on employees:

Total payroll and benefits

Impact on providers of capital:

Total interest paid to funders

Total dividends paid to ordinary shareholders

Reserves

Impact on public sector:

Tax (excluding VAT)

Impact on community:

Social responsibility expenditure

ENVIRONMENTAL PERFORMANCE INDICATOR

Water consumption

Energy consumption:

- electricity (Eskom)
- electricity (own generation)
- coal
- gas
- diesel

Recycled waste products:

- cardboard waste
- plastic waste
- scrap metal and timber
- treated water for recycling
- treated water as a percentage of total water consumption

Non-compliance, prosecution and fines

SOCIAL PERFORMANCE INDICATORS

Full-time employees

Net full-time employment increase

Bargaining unit employees

Training expenditure

Disabling incident frequency rate

- Consumer
- Sugar & Milling
- Logistics

Number of working days lost through strike action**

* As a result of the new segmental reporting structures effective this current financial year it is not possible to calculate comparative figures.

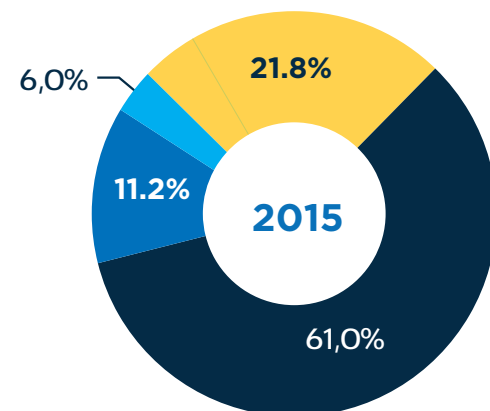
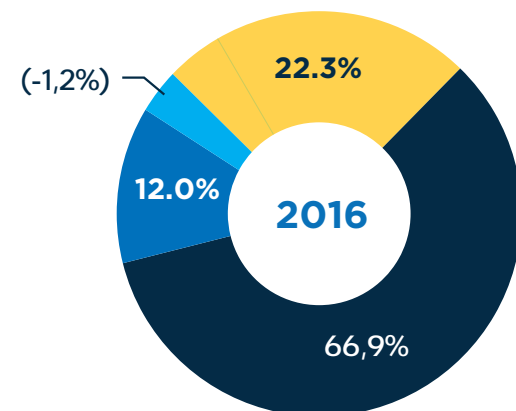
** Refers to the number of production days lost a production facility due to strike action

	2016 Rm	2015 Rm
Total paid to suppliers	19 425	17 520
Major sources of suppliers:		
– transport	1 562	1 547
– total contract growers	2 178	2 316
– BEE contract growers	432	430
– electricity	725	655
Total payroll and benefits	3 812	3 662
Total interest paid to funders	365	374
Total dividends paid to ordinary shareholders	320	301
Reserves	(113)	540
Tax (excluding VAT)	(66)	359
Social responsibility expenditure	10	18
Water consumption	MI	8 211
Energy consumption:		
– electricity (Eskom)	GWh	533,0
– electricity (own generation)	GWh	166,0
– coal	tons	219 390
– gas	kl	3 339
– diesel	kl	20 435
Recycled waste products:		
– cardboard waste	tons	556
– plastic waste	tons	584
– scrap metal and timber	tons	221
– treated water for recycling	kl	2 758 000
– treated water as a percentage of total water consumption	%	36
Non-compliance, prosecution and fines		nil
Full-time employees	21 072	20 479
Net full-time employment increase	593	2 521
Bargaining unit employees	76	75
Training expenditure	38	33
Disabling incident frequency rate	1,16	*
- Consumer	0,58	*
- Sugar & Milling	1,32	*
- Logistics	4	79



VALUE ADDED STATEMENT

		30 June 2016 R'000		30 June 2015 R'000
	%		%	
Revenue		25 025 159		23 428 206
Paid suppliers		(19 420 982)		(17 519 586)
Value added by operations		5 604 177		5 908 620
Dividend received		68 595		46 955
Finance income		38 361		52 056
Total value added		5 711 133		6 007 631
Applied as follows:				
To pay employees				
Salaries, wages and benefits	66,9	3 816 695	61,0	3 661 783
To pay providers of capital	12,0	685 285	11,2	675 384
Interest paid	6,4	365 194	6,2	373 607
Dividend paid	5,6	320 091	5,0	301 777
Tax (excluding VAT)	(1,2)	(65 892)	6,0	359 160
				1 275 045
Re-invested in the business	22,3	1 275 045	21,8	1 311 304
Depreciation, amortisation and impairment	24,3	1 388 287	12,8	711 654
Retained (loss)/earnings	(2,0)	(113 242)	9,0	539 650
	100,0	5 711 133	100,0	6 007 631



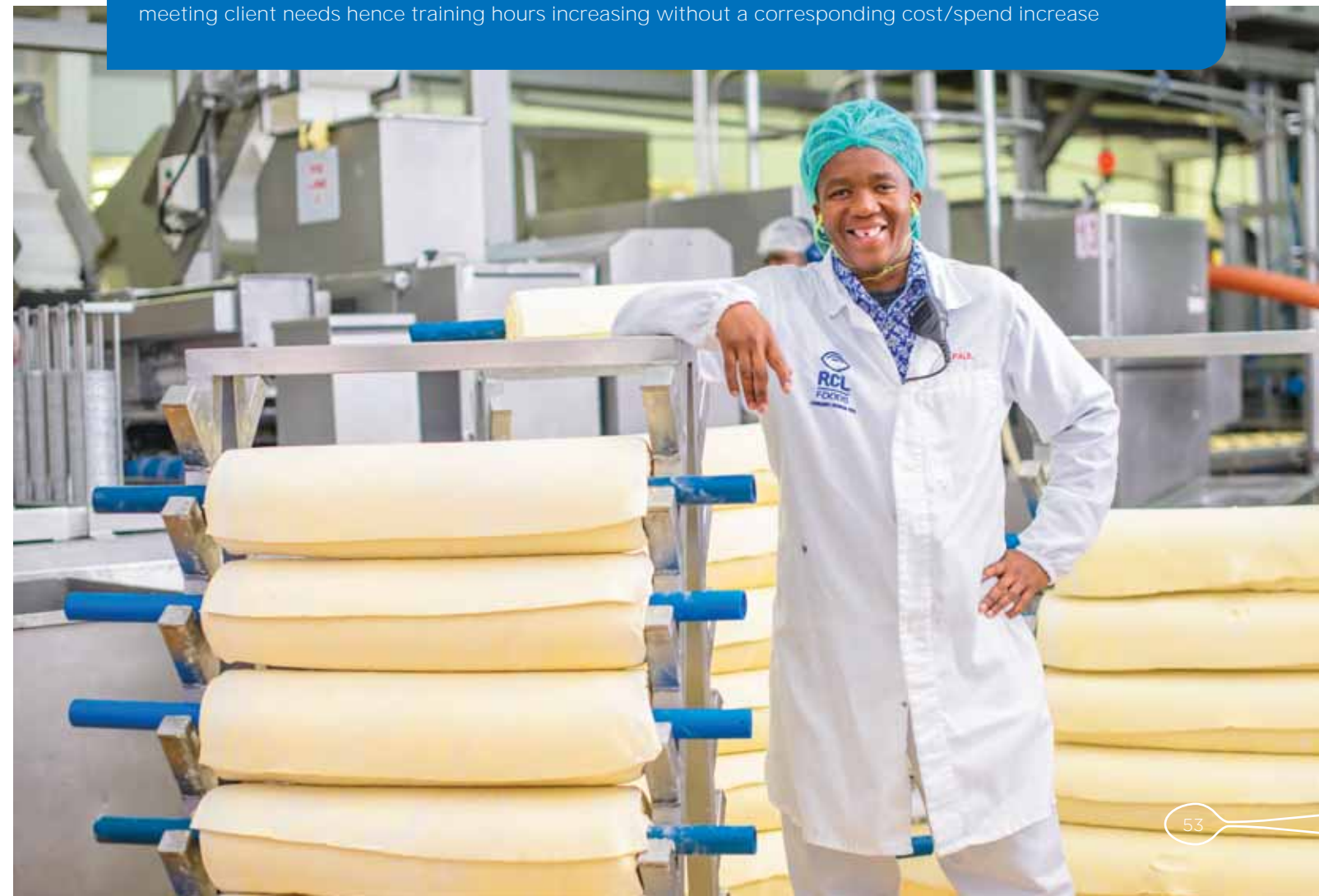
Employees
 Providers of capital
 Government
 Re-investment

TRAINING SPEND

TRAINING INDICATOR	A	C	I	W	TOTAL 2016	TOTAL 2015
Training Budget					R38,2 million	R38,1 million
Training Spend					*R28,8 million	R33,1 million
Total hours of Training	266 698	28 399	31 352	40 049	** 366 498	205 340
Ave. hours of training per employee	22,92	13,15	26,80	15,41	20,87	14,31
No. of employees trained	11 636	2 160	1 170	2 599	17 565	14 345
No. of employees on Learnerships	18	0	0	1	19	13
No. of employees on Apprenticeships	76	5	2	12	95	73
No. of learners on AET – ACI breakdown	89	1	0	7	97	108

* Due to the impact of the drought, the Sugar business unit planned training and development was placed on hold during the financial year which attributed to the difference between the budgeted and actual spend amounts for 2016.

**The variance in training spend as compared to total hours of training from 2015 to 2016 is due to training more employees in 2016 with a larger focus on internal training (at no direct cost) and RCL FOODS customised training programmes. This has resulted in the learning team obtaining more efficiency in meeting client needs hence training hours increasing without a corresponding cost/spend increase



STAKEHOLDER ENGAGEMENT

OUR STAKEHOLDERS

We place a strong emphasis on developing positive relationships and where possible, we follow a partnership approach to engage and find solutions for common business impact. Our material stakeholders and their key interests are illustrated below.

EMPLOYEES

By seeing and doing things differently we seek to create a work experience where work is safe, fun, meaningful and enriching. We are committed to engaging the hearts and minds of our people as it is their skill, attitude and potential that determine our ability to succeed and realise our Passion.

CONSUMERS

By seeing and doing things differently we create more much-loved food brands that matter. We actively build trust through brand experiences where product value, safety and quality are paramount. Our consumer care-line and website are platforms where we welcome consumers who want to share their product experiences with us.

INVESTORS

By seeing and doing things differently we ensure more shareholder value and confidence. We engage regularly with our shareholders and investors keeping them informed about our financial performance, overall sustainability, business risk management and strategic growth opportunities

BUSINESS PARTNERS

By seeing and doing things differently, we create more WIN-WIN partnerships. We seek to build strong strategic collaborative partnerships with our Customers, Distributors, Agencies and Suppliers that deliver required service excellence whilst achieving our mutual growth ambitions.

EACH OF OUR STAKEHOLDERS PLAYS AN IMPORTANT ROLE IN HELPING US ACHIEVE OUR PASSION OF PROVIDING

MORE FOOD TO MORE PEOPLE, MORE OFTEN

GOVERNMENT

By seeing and doing things differently we desire to go beyond compliance. We identify and discuss areas of mutual concern, share business knowledge and industry expertise and contribute to policy formulation, through our regular and structured engagement with various government departments.

LOCAL COMMUNITIES

By seeing and doing things differently we make an important difference to the lives of the communities we operate in. We actively promote inclusive, sustainable economic growth through local community upliftment and economic development initiatives such as our unique economic partnership with small scale sugar cane growers

MEDIA

By seeing and doing things differently we seek to provide more compelling story angles that build public interest and strengthen reputability of the media. We engage timeously with the media and the public on brand innovation, promotions, industry opinion pieces, financial updates and community updates through our press releases, advertising, announcements and responses



OUR EMPLOYMENT PRACTICES

RCL FOODS' processes, structures and progress support resourcing, talent, management and learning and development.

RESOURCING

- Internal resourcing tools and processes have delivered huge cost savings on recruitment costs and less reliance on recruitment agencies.
- New resourcing channels have been introduced to expand the sourcing and attraction process, which includes the introduction of an internal recruitment referral scheme and mobisite implementation.
- RCL FOODS social media platforms - Facebook, Instagram and LinkedIn - have been revamped and rebranded in line with the new RCL FOODS corporate identity.
- Great progress has been seen with regards to the number of internal management appointments within the business, with an external vs internal split of 60/40 respectively.
- Management trainee pipeline growing with nearly 100 management trainees currently in the system, of which 75% are EE appointments.
- Pro-active recruitment strategy implemented to target passive ACI candidates in the market. Good results seen to date, to build further on this in the coming year.

TALENT MANAGEMENT

- Underpinning our talent management are individual development plans and sound succession plans which ensure that high potential employees are recognised and prepared for the future.
- People development systems and processes have been enhanced with greater emphasis on the integration of the 2020 employment equity objectives.
- The leadership standards and behaviours have been rolled out across the business, promoting behaviours that ensure every manager is accountable for sustainable delivery.

LEARNING AND DEVELOPMENT

- RCL FOODS invests in empowering and developing its employees with the objective of driving a high performance culture.
- Key programmes offered to employees include the Management Trainee programme, Management Practices programmes and Leadership Development programmes.
- In partnership with GIBS, we launched the RCL FOODS Leadership Development programme for 3 management levels: foundation, senior and executive. Excellent course results so far attest to the success of the programme.



PARTICIPATION IN INDUSTRY BODIES

RCL FOODS has active representation on and/or interaction with the following key industry bodies.
A complete list of industry bodies is available on the RCL FOODS website.

INDUSTRY BODY	KEY INTERACTIONS
Animal Feed Manufacturers Association – (“AFMA”)	<p>RCL FOODS is involved in AFMA with representatives serving on the AFMA Board of Directors. Quarterly board meetings are held with the intention of improving the quality and impact of feed manufacturing companies in South Africa and handling any issues that affect, or may affect, the industry and its associated members. There is special focus on food and feed safety. The board is made up of senior members from the feed milling industry and includes the major players as well as some of the smaller companies.</p> <p>Various sub-committees have been set up to proactively handle various issues and topics with regards to technical, trade, training and other issues. Representatives from the RCL FOODS serve on these committees and meet on a regular basis to debate and give recommendations on various topics.</p>
Consumer Goods Council of South Africa (“CGCSA”)	<p>The CGCSA, established in 2002, is an organisation that represents the entire consumer goods industry and lists all products with GFSI. The CGCSA facilitates engagement between stakeholders (such as government) and the industry. RCL FOODS is one of 12 000 member companies participating in exhibitions, meetings and forums.</p>
Institute of Packaging South Africa (“IPSA”)	<p>IPSA is a non-profit organisation dedicated to the development of the art and science of packaging in South Africa. It represents the interests of its members in this country. IPSA is a full member of the World Packaging Organisation (“WPO”). RCL FOODS is a full IPSA member and attends speaker evenings, workshops, seminars, conferences and annual general meetings. Membership provides access to information from the WPO and global best practices</p>
Packaging Council of South Africa (“PACSA”)	<p>This voluntary industry body has members in three broad categories – converters, who are the revenue generators in the industry; associates or raw material suppliers; and affiliates, being customers and major recyclers. PACSA represents views of its members on national issues with particular focus on environmental matters.</p>

INDUSTRY BODY	KEY INTERACTIONS
South African Sugar Association (“SASA”)	<p>SASA promotes sound and sustainable environmental practices within the industry in line with national legislation and international requirements. This is achieved through knowledge transfer of sugar cane environmental research, including the development of best management practices through the SASA Institute; support of environmental committees located in the sugar cane producing areas; and collaboration with organisations such as the World Wide Fund for Nature. These interventions promote and facilitate sustainable environmental management.</p>
South African Veterinary Council (“SAVC”)	<p>RCL FOODS national veterinarian is actively involved with setting board examination question papers (poultry diseases and management) for veterinarians who qualified outside South Africa and wish to register with the SAVC in order to practise in South Africa.</p>
World Veterinary Poultry Association	<p>All our veterinarians are members of the association. In 2012, the South African branch won the bid to host the world congress in Cape Town in 2015</p>
South African Chamber of Baking (“SACB”)	<p>RCL FOODS Sugar & Milling division is represented on the Management Committee, the Technical Committee and the Training Committee. The SACB is an industry organisation which promotes the baking industry as a whole and represents the industry on various initiatives, including engaging with government departments. The training committee promotes the healthy sustainability of qualified bakers in South Africa.</p>
National Chamber of Milling (“NCM”)	<p>RCL FOODS Sugar & Milling are represented on the Board of Directors, the Technical Committee, the Procurement Committee and the Grain Milling Federation which is the training leg of the NCM. The NCM is an industry body which promotes the interests of the milling industry. The NCM is represented on numerous other industry organisations like the Wheat Forum, the Winter Cereal Trust and the South African Grain Laboratories.</p>

PARTICIPATION IN INDUSTRY BODIES

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

BUSINESS UNIT	SITE	ACCRED-ITATION BODY	ISO 22000	FSSC 22000	ISO 17025	ISO 14001	OHSAS 18001	ISO 9001
Logistics	Thekwini	SABS	•			•	•	
Logistics	Roodeport PSD	SABS	•			•	•	
Logistics	Roodeport VCS	SABS	•					
Logistics	Peninsula	SABS	•			•	•	
Logistics	George	SABS	•					
Logistics	Nelspruit	SABS	•					
Logistics	East London	SABS	•					
Logistics	Polokwane	SABS	•					
Logistics	Bloemfontein	SABS	•					
Logistics	Midrand	SABS	•			•	•	
Logistics	Windhoek	SABS	•					
Logistics	Newcastle	SABS	•					
Baking	Pretoria West	DQS	•					
Baking	Benoni	DQS	•					
Baking	Bushbuckridge	DQS	•					
Baking	Polokwane	DQS	•					
Baking	Tzaneen	DQS	•					
Baking	Nelspruit	DQS	•					
Baking	Rustenburg	DQS	•					
Milling	Pretoria West	SABS		•				
Sugar	Malalane	SABS		•				•
Sugar	Komati	SABS		•				•
Sugar	Pongola	SABS		•				•

Food Safety System Certification (FSSC) management system

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

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

BUSINESS UNIT	SITE	ACCRED-ITATION BODY	ISO 22000	FSSC 22000	ISO 17025	ISO 14001	OHSAS 18001	ISO 9001
Animal Feed - Molatek	Malalane	ISOQAR						•
Animal Feed - Epol	Pretoria West	SABS	•			•	•	•
Animal Feed - Epol	Rustenburg	SABS	•			•	•	•
Animal Feed - Epol	Pietermaritzburg	SABS	•			•	•	•
Animal Feed - Epol	Worcester	SABS	•			•	•	•
Animal Feed - Epol	Berlin	SABS	•			•	•	•
Agriculture	Western Cape	SABS	•		•	•	•	
Agriculture	KwaZulu-Natal	SABS	•		•	#	#	
Agriculture	Northern Region	SABS	•		•	•	•	
Processing	Hammasdale P2	SABS		•		•	•	
Processing	Rustenburg	SABS		•		•	•	
Processing	Hammasdale P1	SABS		•		•	•	
Processing	Worcester	SABS		•		•	•	
Processing	Wolwehoek	SABS		•				
Processing	Bush Valley	SABS		#				
Grocery (Human food)	Randfontein	SABS		•	•			
Grocery (Pet food)	Randfontein	SABS		•				
Grocery (Human food)	Molteno	SABS		•				
Speciality	Centurion	MJC		•				
Speciality	Bronkhorstspuit	MJC		•				
Speciality	Spartan	MJC		•				
Pie	Krugersdorp	FSSI	•					
Pie	Centurion	FSSI		•				
Beverage	Pretoria West	SABS	•					

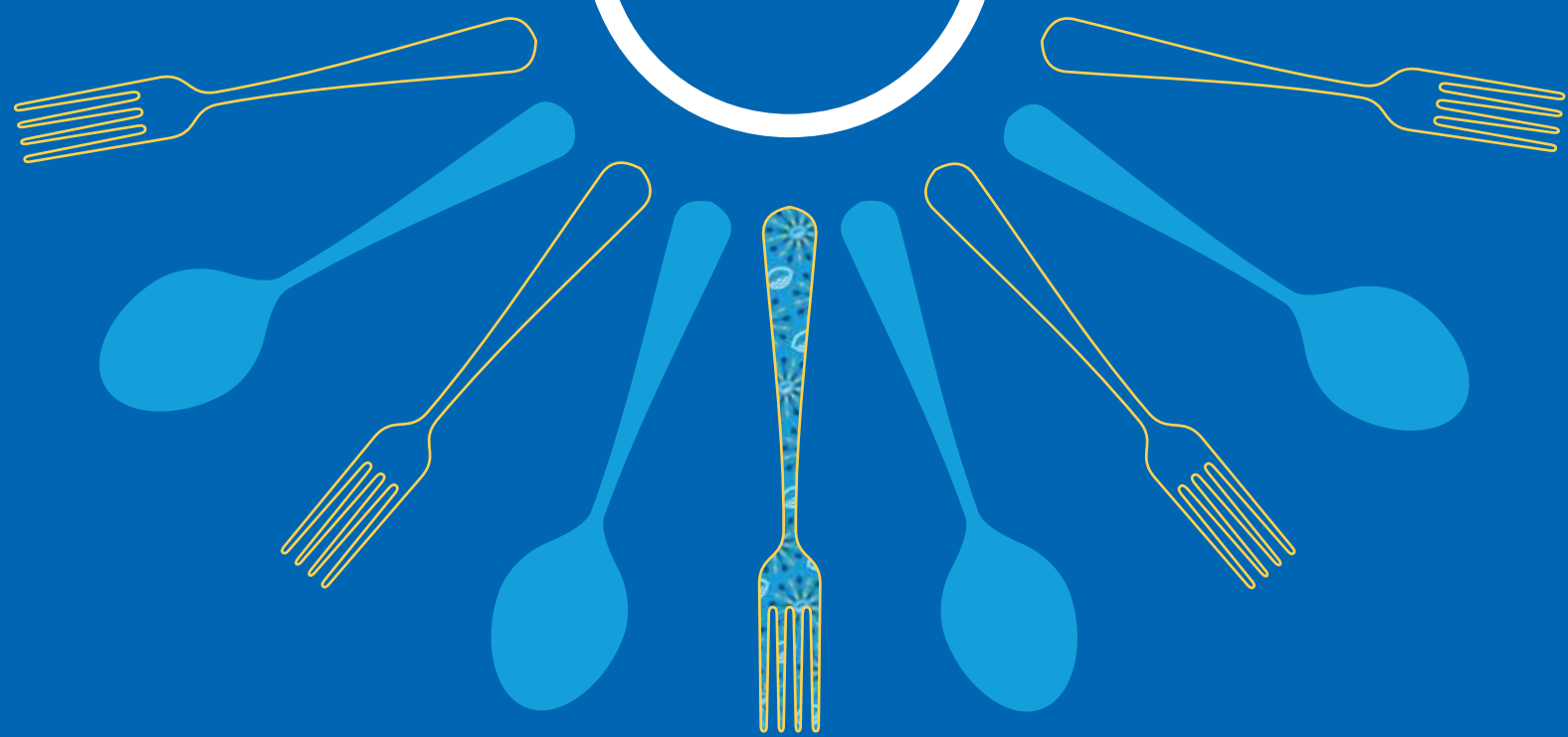
• CERTIFIED



PLANS IN PLACE TO OBTAIN CERTIFICATION



AUDIT NOT APPLICABLE TO THE BUSINESS UNIT



MORE FOOD TO
MORE PEOPLE,
MORE OFTEN



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