RCL FOODS LIMITED

# ABRIDGED INTEGRATED ANNUAL REPORT 2023

RCL FOODS™

WE GROW WHAT MATTERS

# WELCOME TO OUR 2023 ABRIDGED INTEGRATED ANNUAL REPORT

This report reflects RCL FOODS' performance for the 12 months ended June 2023. Please refer to page 1 for details on the report's scope and boundary, the materiality and comparability of its information, and its assurance and approval.

In order to focus and streamline the narrative in this year's report, we have chosen to start with an executive summary section, headed by our CEO's report, which gives an overview of our impact in 2023. This is followed by an overview of our business, how we operate, our strategic progress, our Chairman's and CFO's reports, and our Abridged Financial Statements.

This year we are also proud to launch our first digitally-led Integrated Annual Report – an interactive reading experience that uses embedded links to bring the content alive and facilitate easy navigation between the parts of the report.

*Click here to access our full Integrated Annual Report suite for 2023.*

## NAVIGATING THE REPORT

Click on this link to access related information on the RCL FOODS website at www.rclfoods.com

AFS Click on this link to access the page in the Annual Financial Statements with more details

SBR Click on this link to access the page in the Sustainable Business Report with more details

GOV Click on this link to access to access the Corporate Governance Report with more details

## ICON REFERENCES

### OUR CAPITALS

- FINANCIAL CAPITAL
- HUMAN CAPITAL
- INTELLECTUAL CAPITAL
- MANUFACTURED CAPITAL
- NATURAL CAPITAL
- SOCIAL AND RELATIONSHIP CAPITAL

### OUR STAKEHOLDERS

- COMMUNITIES
- CONSUMERS
- CUSTOMERS
- EMPLOYEES
- ENVIRONMENT
- GOVERNMENT
- INVESTORS AND FUNDERS
- MEDIA
- SUPPLIERS

# ABOUT THE REPORT

## BOUNDARY AND SCOPE

The aim of this Abridged Integrated Annual Report is to provide stakeholders with a balanced and holistic view of both the financial and environmental, social and governance (ESG) impacts of RCL Foods Limited (RCL FOODS or the Group) to enable them to obtain a better understanding of its long-term prospects. The report also includes the financial performance of RCL FOODS' joint ventures and associates. It covers the performance for the twelve months ended June 2023 and provides an overview of operations of the Group with relevant comparatives to the previous period.

## MATERIAL ASPECTS AND COMPARABILITY

Materiality has been applied to qualitative and quantitative disclosures contained in this report. An item is considered material if it could influence the decisions of our business and its stakeholders. There have been no significant changes to the content and scope of this report from prior years. To enhance the comparability of information, certain comparative figures may have been restated and these have been noted as such.

## ASSURANCE AND APPROVAL

The Board acknowledges its responsibility for the content of RCL FOODS' Abridged Integrated Annual Report. The Board has contributed to the identification of matters that are material to RCL FOODS and these matters have been used to select relevant information to be addressed in the report. Management has prepared and verified the information in the report, ensuring an accurate, balanced, and comprehensive overview of the organisation. The information has been verified by a combination of internal and external assurance providers.

AFS *Details of the assurance element and providers are set out on pages 9 to 14 of the Annual Financial Statements, available on our website at www.rclfoods.com/financial-results-and-reports-2023.*

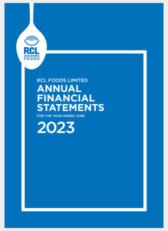
The report has been reviewed by the RCL FOODS Audit Committee and Board who have assessed its content and believe that the 2023 Abridged Integrated Annual Report is presented in accordance with the <IR> Framework, that it addresses all material issues and fairly presents the integrated performance of the Group. The Board has authorised the release of this report at the RCL FOODS Board meeting held on 1 September 2023.

RCL FOODS values feedback and therefore welcomes any questions or comments regarding this report. These can be emailed to the Company Secretary, Lauren Kelso, at lauren.kelso@rclfoods.com. Stakeholders are also directed to the Group's website for this report and other relevant additional supporting reports, Board committee charters and compliance information.

## RELATED REPORTS

This Abridged Integrated Annual Report forms part of, and should be read in conjunction with, a suite of reports available online on our website, namely:

Sustainable Business Report




Annual Financial Statements


Corporate Governance Report


Remuneration Report


King IV Application Register

## REPORTING GUIDANCE

INTEGRATED REPORTING <IR>

IFRS

JSE

INSTITUTE OF DIRECTORS SOUTHERN AFRICA

SUSTAINABLE DEVELOPMENT GOALS

GRI Empowering Sustainable Decisions

# CONTENTS

# EXECUTIVE SUMMARY **OF THE 2023 FINANCIAL YEAR**



# OUR CEO'S REPORT

We are committed to being a part of the solution for a more stable and prosperous future for all South Africans, in line with our Purpose.

PAUL CRUICKSHANK
**Chief Executive Officer**

REVENUE
**R37,8** billion
▲ 17.3%

EBITDA
**R1 711,5** million
▼ 24.5%

The last 12 months have been some of the hardest we have faced as a business and as a country, between record levels of load-shedding, steep inflation, municipal service delivery failures and rising unemployment. Yet we believe that our nation has the potential to thrive when **We Grow What Matters**, together. While this articulation of our Purpose is new, we have always strived to make a positive impact by collectively doing *that little more* – for our people and business, our customers, our consumers, our communities and our nation – by focusing on the factors within our control. As a result, I am proud to say that we have continued to move forward as a business despite the strong headwinds we have faced this year, while laying foundations for even more meaningful impact to come.

The Group's financial performance in its continuing operations was characterised by revenue growth of 17.3% to R37,8 billion (2022: R32,2 billion), mainly due to higher prices necessitated by rising input costs coupled with higher volumes in Sugar and Rainbow, and a 24.5% or R553,9 million decline in earnings before interest, taxes, depreciation, amortisation and impairments (EBITDA) to R1 711,5 million (2022: R2 265,4 million). The main contributors to this decline were Rainbow (R312,3 million) and the negative fair value revaluation of our international investment in The LIVEKINDLY Collective (R127,0 million). Our Sugar business delivered strong EBITDA growth of R62,4 million (7.6%) even after the sugar industry special levy of R234,4 million. This was imposed by the South African Sugar Association (SASA) in terms of the Sugar Act 9 of 1978 and Industry Agreement, in response to Tongaat Hulett Sugar and Gledhow Sugar Company not paying their statutory industry obligations while in business rescue.

# OUR CEO'S REPORT CONTINUED

Agricultural commodity input costs remain the biggest contributor to margin pressure for RCL FOODS, particularly in the Rainbow business, while load-shedding has impacted costs in every business unit. Our Randfontein Groceries plant was severely impacted by load-shedding between November 2022 and April 2023, with pet food production the worst affected. The installation of 9 megawatts of emergency generation capacity has enabled us to restore service levels across most of the range, albeit at a significant extra cost. Notwithstanding these challenges, we delivered a solid underlying performance in our Value-Added Business, with our Groceries brands continuing to grow and our Sugar business achieving excellent operational results.

Understanding the key role we play in maintaining both food security and employment in South Africa, we have remained focused on 'controlling the controllables' in our sphere of influence in order to deliver a stable profit while supporting cash-strapped consumers. We have done so through the careful management of price increases, innovation in the value tier, operational efficiencies and investment in better understanding of consumer needs.

Against this backdrop, we continue to make progress on our strategic transformation journey, as discussed below.

## STRATEGIC PORTFOLIO TRANSFORMATION

In order to generate a more consistent return and sustainable value for our stakeholders, we have been on a journey since 2020 to reshape our portfolio with a focus on growing our value-added branded business (the RCL FOODS Value-Added Business), whilst separating out the Rainbow and Vector Logistics businesses. In March 2023 we entered into a binding agreement with A.P. Møller Capital to dispose of Vector Logistics. All remaining conditions related to the disposal were fulfilled in August 2023, with the disposal being finalised and proceeds received on 28 August 2023. The profit/loss on disposal of the Vector Logistics segment will be recognised in the 2024 financial year. Vector Logistics has been an integral part of RCL FOODS since 2004 and we will continue to maintain a relationship with it through the logistics services that it provides to parts of our Group, as well as through our provision of transitional services to Vector Logistics for a 12-month period post disposal to allow for an effective dis-integration from the Group. Vector Logistics has been disclosed as held for sale in accordance with IFRS 5 and presented as a discontinued operation in these results. I will however touch on its performance in the last 12 months in the operational review section below.

Regarding the future of Rainbow, we remain committed to its full separation and have taken steps to prepare it for independent operation when it is ready. Rainbow is currently working to execute its turnaround strategy through a focus on improved agricultural performance, cost efficiencies and building economies of scale.

To accelerate momentum behind our growth agenda, drive synergies and improve collaboration for impact, we revised the configuration of our Value-Added Business from January 2023. The Pies operating unit was moved from the Groceries business unit to the Baking business unit and its results are reported on this basis in the current period results. The results of both the Groceries and Baking business units have been restated to reflect this change. References that include a "^" indicate June 2022 results being restated for the Pies segment move.

# **OUR CEO'S REPORT** CONTINUED

## STRATEGIC REVIEW

### LAUNCHING OUR PURPOSE AND VISION IN THE RCL FOODS VALUE-ADDED BUSINESS

With Vector's exit and Rainbow's focus firmly on the separation and turnaround, we launched our Purpose and Vision for our core Value-Added Business internally in June 2023. Born out of extensive stakeholder engagement and self-reflection, Our Purpose – **WE GROW WHAT MATTERS** – embodies a collaborative commitment to meaningful change and underpins our Vision to be "a purpose-led business that delivers value for all and creates the fuel to fund enduring positive impact". Our Purpose and Vision act as our compass directing the business, while our sustainability strategy, now embedded in our Value-Added business strategy, provides a roadmap for stakeholder value creation and positive impact.

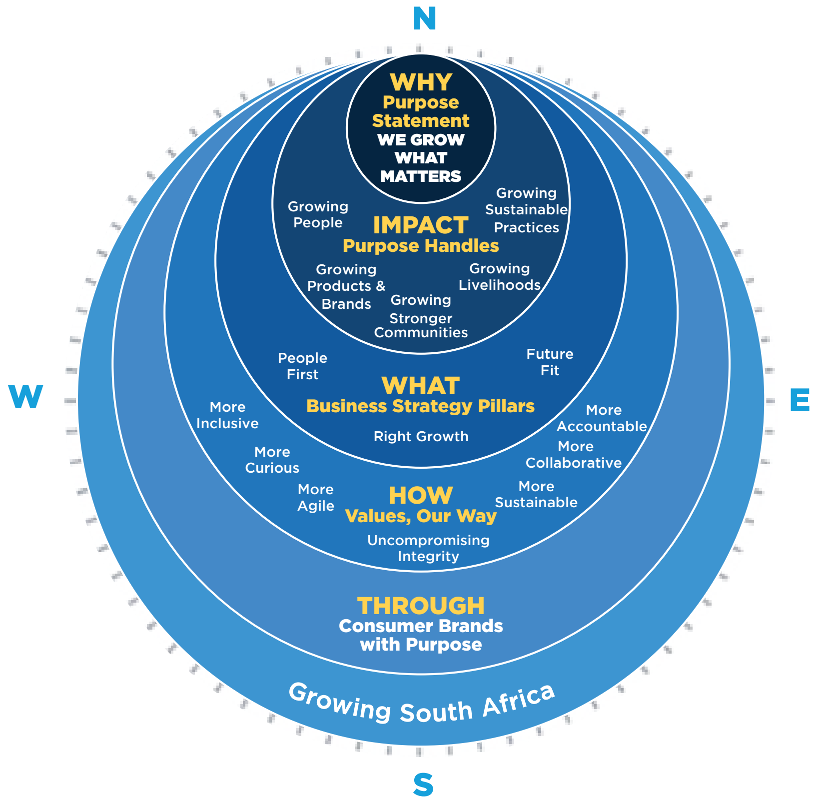
### PROGRESS AGAINST OUR STRATEGIC PILLARS: "PEOPLE FIRST", "RIGHT GROWTH" AND "FUTURE FIT"

People are at the heart of our business and are a crucial pillar of our business strategy. During the year we have made progress in our commitment to champion diversity and build an inclusive, high-performance culture, supported by our entire senior leadership team – a number of whom have also joined our newly established Diversity & Inclusivity Steering Committee. A recent follow-up employee survey shows that some good progress has been made in this area since 2019, and an integrated roadmap is now in place to address areas requiring further development. We have also devoted considerable attention to strengthening our strategic capabilities and driving digital transformation initiatives in key business areas. We deepened our focus on stakeholder engagement by strengthening our resources and revising our stakeholder engagement strategy.

Our DO MORE FOUNDATION continues to play a critical role in strengthening community resilience through its national Young Child programmes and its community-specific development projects. I am proud to say that the Foundation scaled the latter to reach an additional 4 communities during the period, with the result that 8 of our neighbouring communities are receiving an improved basket of services including nutritional, educational and enterprise development support. Leveraging its extensive partnership network, the Foundation was able to provide over 12 million meals during the year, including to flood-affected communities in Nkomazi and KwaZulu-Natal in February and June 2023 respectively.

## OUR PURPOSE IMPACT MODEL

### OUR PURPOSE IS OUR NORTH STAR




We want to make a positive impact. One that matters. That's why our Purpose has been defined as **WE GROW WHAT MATTERS**.

We believe that real impact starts with creating opportunities for employment, belonging and growth for our people. Through them we build brands and products that matter, we grow stronger communities and livelihoods, and we operate sustainably... so that we make a positive difference in our country and world.

Our Purpose is our North Star, and our Vision provides the view on where we are going: **to be a purpose-led business that delivers value for all and that creates the fuel to fund enduring positive impact**. The keys to this growth and impact lie in our Strategy (our What), supported by our Values (our How).

## OUR CEO'S REPORT CONTINUED

The growth-focused second pillar of our strategy has seen the Value-Added Business extend into new geographies via our acquisition of Sunshine Bakery in KwaZulu-Natal in March 2023, while driving organic growth through a focus on value-for-money innovations in Peanut Butter, Mayonnaise and Porridge. A key enabler has been the development of consumer marketing insight capabilities which support innovation based on identified consumer needs. The Group continues to make good progress in expanding our footprint in e-commerce and exports, yielding positive revenue benefits. With growth predicated on strong, mutually-beneficial customer partnerships, we have has also continued to leverage our businesses services platform with Siqalo Foods and LIVEKINDLY Collective Africa, while creating a solid foundation for net revenue management initiatives that can create value for both our business and our customers.

In parallel, we have made strides in laying the foundations for our third strategic pillar – a 'future fit' organisation from an economic, environmental, social and governance perspective. Net revenue management and best-in-class efficiency initiatives are being embedded across the business to create fuel for business growth, and we are also in the process of embedding our sustainability strategy in our operations and shaping long-term commitments related to it. During the year we continued to make progress with our established sustainability initiatives. An example in the environmental space was the partial replacement of coal with macadamia nut shells in the Sugar business unit, enabling us to reduce our carbon footprint by 6 307 tons.

# OUR CEO'S REPORT CONTINUED

## REVIEW OF OPERATIONS

### RCL FOODS VALUE-ADDED BUSINESS (GROCERIES, BAKING, SUGAR)

REVENUE*
**R24 539,0 million**
(2022: R20 926,1 MILLION)
▲ 17.3%

EBITDA
**R1 796,6 million**
(2022: R1 855,0 MILLION)
▼ 3.1%

EBITDA MARGIN
**7.3%**
(2022: 8.9%)
▼ 1.6ppts

UNDERLYING** EBITDA
**R2 007,5 million**
(2022: R1 811,8 MILLION)
▲ 10.8%

UNDERLYING EBITDA MARGIN
**8.2%**
(2022: 8.7%)
▼ 0.5ppts

In our Value-Added Business, revenue of R24,5 billion was 17.3% higher than the prior period (2022: R20,9 billion) and underlying EBITDA increased by 10.8% to R2 007,5 million (2022: R1 811,9 million), driven by a strong Sugar performance, partially offset by the impact of load-shedding on Pet Food service levels and lower volumes and margins in Grocery and Baking.

Given consumer affordability constraints, we have sought to manage price increases responsibly to limit food price inflation. Even though coupled with cost saving initiatives, these have proven insufficient to offset the cost-push in the Groceries and Baking business units, leading to margin compression. Higher pricing has in turn contributed to volume decline across most categories. Our market shares have broadly remained healthy.

* *Revenue includes intercompany eliminations within the Value-Added Business*

** *The underlying view of the results excludes material once-offs and accounting adjustments. The underlying results constitute pro forma financial information in terms of the JSE Listings Requirements. Refer to the "Reconciliation between unadjusted and underlying results" section on page 82 for further details*

### GROCERIES (GROCERY, BEVERAGES)

REVENUE*
**R5 034,2 million**
(2022: R4 731,9 MILLION)
▲ 6.4%

EBITDA
**R389,3 million**
(2022: R481,6 MILLION)
▼ 19.2%

EBITDA MARGIN
**7.7%**
(2022: 10.2%)
▼ 2.5ppts

UNDERLYING EBITDA
**R405,8 million**
(2022: R486,5 MILLION)
▼ 16.6%

UNDERLYING EBITDA MARGIN
**8.1%**
(2022: 10.3%)
▼ 2.2ppts

Within the **Groceries business unit**, the Grocery operating unit was most impacted by load-shedding during the year, with production being reduced by up to 50% of demand in Pet Food from November 2022 to April 2023. To address this challenge, five 1.8-megawatt generators were installed at the Randfontein facility which has enabled an improvement in stock levels, albeit at a significant extra cost as well as temporarily increasing our environmental impact.

The **Grocery operating unit** had a good performance, bolstered by exceptional growth from its new Yum Yum and Nola value offerings. Ouma remains a strong market leader in the Rusk category. A strong Culinary innovation pipeline is being built and validated by consumers in RCL FOODS' new consumer panel. In Pet Food, the Canine Cuisine and Feline Cuisine brands continued to grow strongly in the premium retail segment, with Feline Cuisine launching a Wet Range and expanding its new specialised diets range during the year. In the mainstream retail dog food segment, Bobtail and Catmor both maintained their leading market positions and Bobtail made history by launching the first Specialised Diets range in the mainstream dog food segment. With load-shedding resulting in supply challenges, the immediate focus is to restore volumes before launching other planned innovations.

The **Beverages operating unit** continues to be challenged by lower volumes in a declining category. In line with the overall business strategy, opportunities are being explored which will enhance the operating unit's competitiveness and make it more 'future fit'. Their current year result was aided by proceeds received from the sale of its ultra-high-temperature (UHT) equipment.

Market shares reached all-time highs in Nola Mayonnaise, Yum Yum Peanut Butter, Canine Cuisine and Feline Cuisine.

# OUR CEO'S REPORT CONTINUED

## BAKING (BREAD, BUNS & ROLLS, MILLING, PIES, SPECIALITY)

REVENUE
**R8 625,4** million
(2022: R7 422,6 MILLION)
▲ 16.2%

EBITDA
**R527,9** million
(2022: R556,4 MILLION)
▼ 5.1%

EBITDA MARGIN
**6.1%**
(2022: 7.5%)
▼ 1.4ppts

UNDERLYING EBITDA
**R547,9** million
(2022: R540,4 MILLION)
▲ 1.4%

UNDERLYING EBITDA MARGIN
**6.4%**
(2022: 7.3%)
▼ 0.9ppts

The **Baking business unit's** EBITDA result was largely in line with the prior year despite lower volumes overall and compressed margins in the **Bread, Buns & Rolls operating unit**. This was due to the extremely price-competitive bread market in which consumers continued to trade down into value offerings and migrate away from informal traders towards formal retail. While affecting Sunbake's margins, the channel switch has increased Sunbake's volumes in the retail channel, where it has continued to show strong share gains. The brand successfully launched its Chelsea Buns and Snowballs ranges this year to expand into the confectionery category, and a sourdough bread pilot is exceeding expectations. The New Polokwane plant is integral to the business unit's longer-term strategy and is performing well. The integration of the newly acquired Sunshine Bakery is progressing well, with several cost-saving opportunities already identified.

Despite lower volumes in the **Milling operating unit**, margins remained intact due to efficiency enhancements arising from best-in-class programmes executed during the year.

In the **Pies operating unit**, Pieman's continued to show strong market share growth. Pleasingly, service levels are almost back to normal following supply disruptions caused by industrial action and load-shedding in the first half of the year.

Good cost control initiatives and production efficiencies helped to restore margins and offset volume challenges in the **Speciality operating unit**. The new Centurion plant had an excellent operational performance over the Christmas and Easter periods.

Market shares for Frozen Pieman's Pies reached an all-time high.

## SUGAR (SUGAR AND MOLASSES-BASED ANIMAL FEED)

REVENUE
**R11 101,4** million
(2022: R9 001,3 MILLION)
▲ 23.3%

EBITDA
**R879,4** million
(2022: R817,0 MILLION)
▲ 7.6%

EBITDA MARGIN
**7.9%**
(2022: 9.1%)
▼ 1.2ppts

UNDERLYING* EBITDA
**R1 053,8** million
(2022: R784,9 MILLION)
▲ 34.3%

UNDERLYING* EBITDA MARGIN
**9.5%**
(2022: 8.7%)
▲ 0.8ppts

The **Sugar business unit** had a very strong underlying performance, driven by a combination of improved throughput due to a larger cane crop; increased local sales led by strong growth in the industrial channel; and continued favourable export pricing. Statutory EBITDA was reduced by R234,4 million being the impact of the sugar industry special levy in the second half of the financial year. Legal process is currently under way in relation to Tongaat's non-compliance with its statutory obligations owed to SASA under the Sugar Industry Agreement.

Load-shedding impacted irrigation scheduling in Sugar agriculture and led to substantially higher energy costs due to the need to irrigate at peak-hour rates. The Nkomazi floods in February 2023 caused severe damage to farms, roads and irrigation infrastructure for both us and our small-scale growers. By making R25 million in relief funding available, we were able to help 90% of affected small-scale growers to repair their irrigation by the end of the financial year, thereby limiting damage to the crop and protecting grower income. The Komatipoort raw sugar warehouse rebuild is progressing well and is on track to be commissioned by the end of the 2024 financial year.

The molasses-based **Molatek Animal Feed** business performed in line with overall expectations, with an investment to improve drying efficiencies helping to reduce energy-related production costs.

The Sugar mills were able to crush the entire crop, with the season being extended to process all available cane. This supported the Pongola Mill in achieving a record cane crush.

* *The underlying view of the results excludes material once-offs and accounting adjustments. The underlying results constitute pro forma financial information in terms of the JSE Listings Requirements. Refer to the "Reconciliation between unadjusted and underlying results" section on page 82 for further details*

# OUR CEO'S REPORT CONTINUED

## RAINBOW (RAINBOW AND GRAIN-BASED ANIMAL FEED)

REVENUE
**R13 463,9** million
(2022: R11 384,8 MILLION)
▲ 18.3%

EBITDA
**R34,8** million
(2022: R347,1 MILLION)
▼ 90.0%

EBITDA MARGIN
**0.3%**
(2022: 3.0%)
▼ 2.7ppts

UNDERLYING EBITDA
**R86,0** million
(2022: R342,9 MILLION)
▼ 74.9%

UNDERLYING EBITDA MARGIN
**0.6%**
(2022: 3.0%)
▼ 2.4ppts

Rainbow's revenue grew by 18.3% to R13 463,9 million during the period (2022: R11 384,8 million), benefiting from strong demand, increased market share and price increases in the Quick Service Restaurant (QSR) sector. Underlying EBITDA declined by 74.9% to R86,0 million (2022: R342,9 million), with revenue increases proving insufficient to offset the severe impacts of high feed costs, failing municipal infrastructure and load-shedding which, in addition to generator costs, also resulted in additional feed and labour requirements. The **Animal Feed business** was also challenged by load-shedding and by margin pressure arising from high commodity input costs and overcapacity in the industry.

Despite these financial setbacks, the business continues to make progress with its turnaround strategy. Agricultural performance has improved to satisfactory levels and the full benefit of the new breed is expected in the second half of the 2024 financial year. The Hammarsdale plant and hatchery have been upgraded and production is already being increased, with the second shift to be brought online by March 2024. Set growth targets are also being achieved with low-density feed, thereby improving efficiencies.

Simply Chicken remains the market leader in the Chilled Processed Meats and Freezer-to-fryer categories, growing ahead of the market in both. Four new variants were recently launched in the innovative Simply Chicken Chickees range for kids, and the Nourish range was successfully launched in Farmer Brown.

The Farmer Brown Nourish range, a premium range of coated Freezer-to-fryer fillets, is the first Freezer-to-fryer product to be endorsed by the Heart & Stroke Foundation.

## DISCONTINUED OPERATION

### VECTOR LOGISTICS

Vector Logistics has continued its turnaround journey, driven by the completion of the supply chain network consolidation. Despite good revenue growth, their profitability was negatively affected by the direct cost of load shedding, the impact of this challenge on brands supplying into the network, and higher fuel and insurance costs.

The business' revenue performance was supported by continued growth in Food Service volumes, exceeding pre-COVID-19 levels, and by growth in Retail revenue, despite lower volumes driven by stock availability challenges from suppliers.

L&A Logistics in Zambia has contributed to the overall growth in revenue and EBITDA, with good revenue performance and strong margins backed by an improved Rand-Kwacha exchange rate.

# **OUR CEO'S REPORT** CONTINUED

## PROSPECTS

With commodity input costs still at elevated levels, the Rand remaining vulnerable and consumers facing ongoing wallet pressure, the operating environment in the next few months is likely to be tough. In this context, we will continue to focus on the factors within our control to deliver value for our stakeholders. Given the impact of higher food prices on demand and affordability, we will manage price increases responsibly while looking across our portfolio for opportunities for further value innovation. Recovering volumes, maximising efficiencies and delivering on our Value-Added growth plans will be a critical focus in the next financial year, along with greater focus on energy and water sustainability.

Sugar cane agriculture is now the only major area of the Value-Added Business that is subject to load-shedding interruption, and there is a chance that cane yields could be impacted if irrigation schedules are significantly disrupted. While a sugar price increase of 14% in June 2023 will assist in relieving some of the cost pressure on local millers and growers, the future of the local sugar industry remains at significant risk. Pending the results of court action to determine the legality of suspending industry levies, along with the publication of Tongaat's business rescue plan, we continue to engage with the business rescue practitioners, Government and SASA to ensure an outcome that is best for the industry at large. We remain hopeful of a just and timeous resolution that protects the sustainability of the industry and the many thousands of jobs it supports.

Rainbow's benefits of the new breed rollout and the doubling of the Hammarsdale shift expected to flow through in the coming year. Some relief is expected in 2024 in terms of commodity input costs, which should provide a welcome tailwind to complete the turnaround process. Whilst we welcome the introduction of the delayed anti-dumping duties in August 2023, which will assist in reducing dumped imports in the market going forward, poultry imports remain significant. Rainbow has had recent cases of Avian Influenza, and while the risk remains high during this current outbreak, the strictest biosecurity measures are maintained to protect flocks against infection.

In this challenging and dynamic operating environment, we have an opportunity to **GROW WHAT MATTERS** together by growing people, livelihoods, stronger communities, sustainable practices, and products and brands that matter. It's a journey we have been on for some time, driven by our committed people, collaborative mindset and common desire for more impact. In this respect I would like to thank each of our stakeholders for the immense contribution they have made thus far, particularly in the last 12 months as we collectively pushed forward despite difficult circumstances. I am looking forward to our next chapter together, with our Purpose as our North Star.

# OUR BUSINESS AT A GLANCE

RCL FOODS is one of South Africa's leading food manufacturers, producing a broad basket of branded and private label food products in multiple categories, from household staples to value-added and speciality offerings.

Vector Logistics was disposed of in August 2023 and is therefore excluded from our profile of continuing operations below.

## WE OPERATE THROUGH:

NEARLY **16 500 employees** ACROSS OUR VALUE-ADDED AND RAINBOW BUSINESSES

IN **200 operations**

PRODUCING **30 much-loved** BRANDS

WITH OUR **DO MORE** FOUNDATION

## PRODUCING:

**90 million** jars of mayonnaise

**25 million** jars of peanut butter

**27 million** bags of pet food

**120 million** pies

**44 million litres** of beverages

**350 000 tons** of flour

**254 million** units of bread, buns and rolls

**30 million** units of Speciality products

**791 000 tons** of sugar sold externally

**328 000 tons** of chicken products

**1,3 million tons** of animal feed

# OUR BUSINESS AT A GLANCE CONTINUED

Since 2020 we have been on a strategic journey focused on building a sustainable value-added business. In 2021, we separated the Rainbow business internally from the RCL FOODS Value-Added Business to prepare it for growth. It is currently operating as a largely independent entity within the Group. Our current business structure is as follows:

## RCL FOODS VALUE-ADDED BUSINESS

**R24,5** billion revenue

**9 963** employees

### BUSINESS UNITS

- **Groceries** (Grocery, Beverages)
- **Baking** (Baking, Milling, Pies, Speciality)
- **Sugar** (Sugar, Molatek Animal Feed)

## RAINBOW

**R13,5** billion revenue

**6 487** employees

### BUSINESS UNIT

- **Rainbow** (Chicken, Epol and Driehoek Animal Feed, Matzonox Waste-to-Value)

## SUPPORTED BY OUR CENTRAL FUNCTIONS AND BUSINESS SERVICES PLATFORM

* *The underlying view of the results excludes material once-offs and accounting adjustments. Please see Reconciliation between unadjusted and underlying results on page 82.*

^ *We revised the configuration of our Value-Added Business from January 2023 in order to accelerate momentum behind our growth agenda, drive synergies and improve collaboration for impact. The Pies operating unit was moved from the Groceries business unit to the Baking business unit and its results are reported on this basis in the current announcement. The results of both the Groceries and Baking business units have been restated to reflect this change.*

# OUR IMPACT IN 2023

We aim to create value for all our stakeholders, using our business activities to create the fuel we need to fund positive enduring impact. Below we outline the main outcomes for our key stakeholders in 2023, underpinned by our business performance.

## OUR FINANCIAL IMPACT

REVENUE
**R37,8 billion**
▲ 17.3%

EBITDA
**R1 711,5 million**
▼ 24.5%

UNDERLYING* EBITDA
**R1 973,6 million**
▼ 11.0%

HEADLINE EARNINGS
**R539,6 million**
▼ 45.6%

UNDERLING* HEADLINE EARNINGS
**R752,8 million**
▼ 20.0%

HEADLINE EARNINGS PER SHARE
**60.6 cents**
▼ 45.7%

UNDERLYING* HEPS
**84.5 cents**
▼ 20.2%

## OUR COMMUNITY IMPACT

**R10,9 million invested** in community social development of which R8,5 million was invested through the DO MORE FOUNDATION

**90 small enterprises assisted** in earning livelihoods through the DO MORE FOUNDATION

**Hunger alleviated** for vulnerable young children through provision of **285 000 tons** of **DO MORE Porridge**

Land claim beneficiary communities in Nkomazi **earned R51,3 million in lease payments** for their high-potential agricultural land

**R25 million relief grant** from RCL FOODS helped restore flooded-damaged small-scale grower infrastructure, protecting their crop and livelihoods

**Nkomazi** small-scale growers generated **R431 million** in revenue

## OUR CONSUMER IMPACT

Value offerings provide affordable solutions for wallet-conscious shoppers


**Introduced Bobtail Medi-Care** – providing dogs with one month's free pet accident cover with any Bobtail dry dog food purchase

Convenient grocery and pet food purchases via retailer platforms, Takealot, Pet Science and others

**30 culinary, pet and animal feed brands** – 12 of them market leaders

## 12 MARKET LEADING BRANDS

YUM YUM | NOLA | NUMBER 1 MAGEU | MONATI* | RAINBOW Simply Chicken** | OUMA | CANINE CUISINE | Bobtail | Fry's | PIEMAN'S^ | catmor | Epol^^

* Monati Traditional
** Chilled Processed Meats and Freezer to Fryer category
^ Fresh Pies and Rolls category
^^ Horse Feed category

## OUR CUSTOMER IMPACT

Data and process collaboration with key customers created better visibility, improved insights and saved time

Strong retailer partnerships supported market share growth

We produced private label products for 54 accounts in 35 categories

We helped kickstart culinary careers through our co-sponsorship of the Young Chefs & Bakers Competition

YOUNG CHEFS & BAKERS CHALLENGE

## OUR IMPACT IN 2023 CONTINUED

### OUR EMPLOYEE IMPACT

**21 829 permanent jobs** provided – including Vector Logistics

**R56,3 million spent** on training and developing **9 088 employees** (2022: R48,1 million and 9 367 employees)

**72% more usage** of services offered to employees and their families as part of our **YouMatter Employee Wellness Programme** in our Value-Added Business

**3 461 new recruits** (including Sunshine Bakery) welcomed to RCL FOODS, **98% of them Black, Coloured, Indian or Female**

### OUR ENVIRONMENTAL IMPACT

**6 307 tons** of greenhouse gas emissions **avoided** through substituting coal with macadamia nut shells in Sugar

**Biomass powered heaters** introduced at Rainbow Worcester Hatchery

**174 gigawatt** hours of **renewable electricity** produced through co-generation at our Sugar mills

Generator use during load shedding unfortunately impacted air quality – a problem experienced in all sectors in South Africa

### OUR GOVERNMENT IMPACT

R292,3 million paid in income tax (2022: R338,0 million)**

R444,9 million paid in VAT (2022: R550,5 million)**

Continued **commitment to master plans** in the sugar industry and poultry sector

Helping Government to **implement an integrated basket of services for young children** in vulnerable communities

### OUR INVESTOR AND FUNDER IMPACT

R268,9 million in dividends paid

R298,7 million net finance costs paid**

Return on Invested Capital (ROIC) from continuing operations decreased to 4.6% (2022: 8.1%)

The board of directors have resolved not to declare a final dividend in order to preserve cash whilst the repositioning of the portfolio is in progress

### OUR SUPPLIER IMPACT

49% of Chicken sourced from contract growers

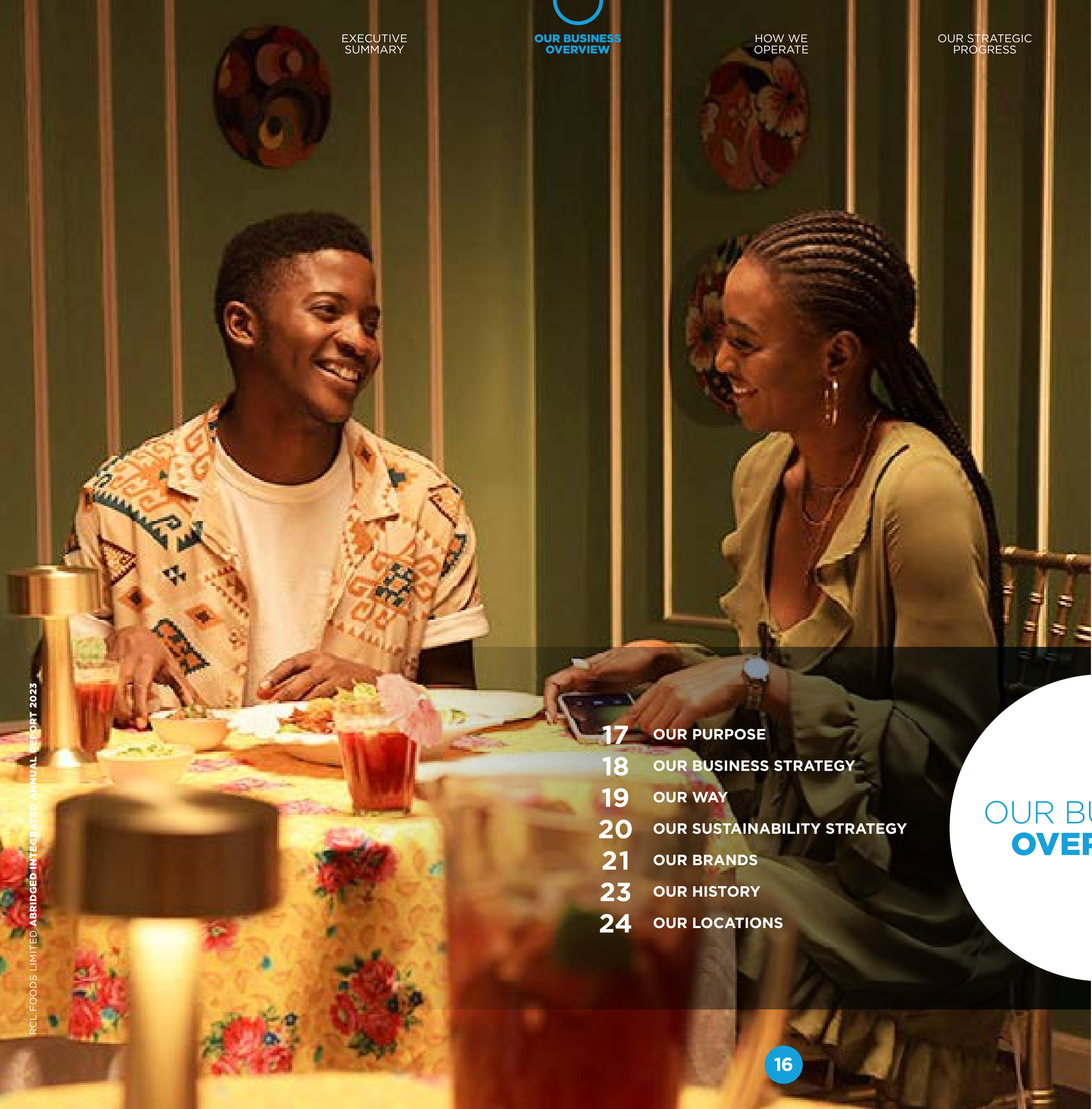
**R431 million in revenue generated** by small-scale growers

**R134 million in contracts awarded** to companies owned by land claim beneficiaries* (2022: R89 million)

R13,9 billion spent on B-BBEE procurement (2022: R11,6 billion)

* *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, three community-based joint ventures (CBJVs) were established, which lease back the agricultural land assets at market rates from these communities.*

** *Relates to continuing operations only. The prior year number have been restated to exclude the Vector Logistics segment which has been classified as a discontinued operation in the current year.*



# OUR BUSINESS **OVERVIEW**

# OUR PURPOSE

How can we make a positive impact that matters? This is the question we asked ourselves in the process of framing our Purpose in 2023.

The world is changing faster than ever before, demonstrating that we are all interconnected and interdependent: business, society and the environment. This helps us see the role we play in multiple systems that depend on and impact each other. It moves our perspective from just creating value for our shareholders to creating value for all our stakeholders. And with that perspective, we are able to take deliberate steps to make a positive impact for people, communities and the environment.

At RCL FOODS, our Purpose is why we exist. It is our North Star that sets the path for us to follow. It's the catalyst for everything we do – every product and innovation we create, every engagement we have, every challenge we tackle – and it guides every decision we make.

Our vision is to deliver value for all and create the fuel to fund enduring positive impact. How we strive for this lies in our long-standing conviction that small, seemingly insignificant actions when taken together, can make a meaningful impact – which we call that little more. Coupled with this, we believe in the power of collaboration to solve challenges and unlock opportunities. This is what's behind the four words that encapsulate our Purpose

## WE GROW WHAT MATTERS

We are a deeply rooted South African business and we believe our country will thrive when we collectively grow what matters.

That's why as RCL FOODS, we strive to serve peoples' needs; responsibly create opportunities for employment, belonging and growth; and do MORE to strengthen communities and the environment. Our purpose is anchored in a culture of empowerment and accountability, with uncompromising integrity at its heart.

We believe in seeing and doing things differently to inspire collective actions that grow into waves of meaningful change. Because we want to make an impact. One that matters.

**With each of us doing that little MORE, together WE GROW WHAT MATTERS.**

## WE

Because **together** we are powerful

## GROW

because we are **active agents of change**, growing what we know matters to our people, communities and country

## WHAT MATTERS

**People, Brands & Products** that nurture people and the planet; **Sustainable practices; Livelihoods** and **Stronger Communities**

## OUR VISION

A purpose led business that delivers value for all and that creates the fuel to fund enduring positive impact

# OUR BUSINESS STRATEGY

Guided by our Purpose and Vision, our Business Strategy focuses on three pillars – People, Growth and Future Fit – and the strategic enablers that support them.

## PEOPLE FIRST

We embrace the power of diversity and aim to create an inclusive workplace that attracts, values, respects and invests in people so that all our employees thrive. We will also drive a culture of performance that prioritises action, solutions, simplicity and results, underpinned by accountability, collaboration and effective governance at all levels. Beyond our business, we will strive to ensure dignity and decent work throughout the value chain, while also collaborating with communities to strengthen their resilience through meaningful relationships and investment

\+

## RIGHT GROWTH

By growing our business and improving its returns, we aim to generate the fuel to fund enduring positive impact for all our stakeholders. We will drive growth through strong brands; strategic partnerships and acquisitions; and faster, more relevant innovation that is good for our consumers and the planet. Through this we aim to support the delivery of food security and affordable nutrition

\+

## FUTURE FIT

We aim to create a future-fit business by delivering cost efficiencies and reinvesting in the business to create a productive and resilient asset base. Alongside this, we will take credible action to address climate change and nature loss by targeting net zero carbon emissions, nature-positive operations and a circular economy

## OUR STRATEGIC ENABLERS

**Champion diversity** and build an inclusive, high-performance culture

**Strengthen community resilience** through collaboration and investment

**Invest in strategic capabilities** to drive competitive advantage

**Leverage dynamic platform** through partnerships and acquisitions

**Grow organically** through strong brands

**Scale up** and enter new emerging channels and markets

**Leverage consumer insight** and partner with strategic customers

**Deliver cost efficiencies** and invest to become "best in class"

**Build a 'net positive' business** to secure our economic, social and environmental future

# OUR WAY

**WE GROW WHAT MATTERS**, together through our people and our unique culture, **Our Way**. An inclusive and uncompromising culture with uncompromising integrity at its heart that is built on empowerment – where people are empowered and trusted to take ownership, and accountability – where we work together and take responsibility for our actions. At the heart of **Our Way** are our core values which we strive to put into action as we live our Purpose and Vision.

## OUR VALUES IN ACTION

**UNCOMPROMISING** INTEGRITY

**MORE** INCLUSIVE
Celebrate and build diversity. Respect all people. Value other views. Encourage authenticity.

**MORE** AGILE
Keep it simple. Know when to go fast and when to go slow. Adapt and keep moving forward.

**MORE** CURIOUS
Ask questions and keep learning, especially from failure. See and do things differently. Try new things and innovate.

**MORE** COLLABORATIVE
Work together to solve problems and achieve goals. Share ideas and effort. Be generous with knowledge.

**MORE** ACCOUNTABLE
Be transparent. Take responsibility for your actions. Be true to your word and hold others to theirs. Embrace feedback and fix mistakes.

**MORE** SUSTAINABLE
Play your part. Plan ahead. Make a positive impact. Be future-fit. Leave a legacy.

Always do the right thing.
Be brave and speak up.
Act Responsibly.

# OUR SUSTAINABILITY STRATEGY

Our revised Sustainability Strategy is key to achieving our Business Strategy and is embedded within it – helping us to Grow What Matters, together. Our Sustainability Strategy is to **"take credible action and do our part to deliver consumer goods that support the wellbeing of employees, consumers, communities, and the planet"**. This is supported by three Pillars (**People, Product and Practices**) and **ten Focus Areas**, each of which have defined ambitions for 2040. These ambitions are advanced through a set of Enabling Actions in each Focus Area, which are key to delivering on our ambitions and living our Purpose.

## PEOPLE
DIGNITY AND WELLBEING

Everyone has the right to dignity and wellbeing – we prioritise inclusivity and work together with employees, customers, communities, and our value chain partners to make lives better.

## PRODUCT
PRODUCT AND BRAND INTEGRITY

We support lives well lived by offering responsibly produced and responsibly sourced consumer goods that support food security and help make healthy and sustainable living a reality.

## PRACTICES
RESPONSIBLE OPERATIONS

We take credible action to support a timely transition to a net-zero and waste free economy and protect and restore nature while being transparent about our efforts and our progress along the way.

## OUR FOCUS AREAS

- EMPLOYEES
- COMMUNITIES
- PORTFOLIO & BRAND
- NUTRITIOUS AND AFFORDABLE FOOD
- CLIMATE ACTION
- RESPONSIBLE SOURCING
- PROTECTING NATURE
- WASTE FREE
- RESPONSIBLE WATER
- ACCOUNTABILITY

SBR *For more information on our Sustainability Strategy and progress please refer to our Sustainable Business Report.*

# OUR BRANDS

RCL FOODS is the home of over 30 household brands that matter – from much-loved South African classics like Ouma rusks and Number 1 Mageu to newer ones with growing impact, like Simply Chicken and Feline Cuisine. Many are market leaders in their categories, providing relevant solutions that meet the diverse and evolving needs of our consumers in and beyond South Africa. We are constantly investing behind our brands to grow our market share in existing categories and to extend into adjacent and new categories. Growing our basket of brands through the addition of new brands is also part of our strategy.

## R1 billion + revenue

- Nola
- Sunbake
- Supreme Flour
- Selati
- Rainbow
- Epol

## R400 million – R1 billion revenue

- Yum Yum
- Number 1 Mageu
- Pieman's
- Bobtail
- Molatek

## R100 million – R400 million revenue

- Ouma
- Monati
- Optimizor
- Rainbow Simply Chicken
- Ultra Pet
- Driehoek Feeds
- Canine Cuisine
- Feline Cuisine
- Catmor

## ≤ R100 million revenue

- 5 Star
- Safari Braaipap
- Mnandi Amahewu
- Tafelberg
- A1
- Dogmor
- Equus
- Cobb
- Farmer Brown

# OUR BRANDS CONTINUED

## MORE STREET STYLE VALUE WITH NOLA

After the successful launch of our Nola Street Style Tangy in the 2022 financial year, the brand added two new exciting flavour variants to its range: Nola Street Style Hot and Nola Street Style Sweet.

We supported the launch of our Street Style range with a number of interactive store activations accompanied by brand ambassadors who sampled these great tasting variants with as many as 6 000 curious shoppers across three regions. The response has been resounding, with consumers loving these exciting, new and affordable South African inspired mayo flavours brimming with value.

After only a few months of being listed in retail, the range has carved out a segment and grown share. Trust Nola to #CreateAStir


## GIVING FAMILIES A YUM YUM START TO THEIR DAY!

In October 2022, YUM YUM extended its range into a new category – breakfast! The brand is a natural fit in this exciting growth space and has started to make in-roads with a healthy multigrain product: new YUM YUM Instant Multigrain Porridge.

It's high in energy, a source of protein, and boasts 12 vitamins and three minerals – a great start to a great day for South African families! We launched in 5 delicious flavours – Peanut Butter, Original, Banana, Strawberry & Chocolate. To dial up convenience, the product was designed to deliver great taste with the simple addition of milk or water.


The product was initially launched in the wholesale channel, then extended into retail in the second half of the financial year. Consumer response has been encouraging so far.

Bobtail MEDI-CARE PET ACCIDENT BENEFIT

## BOBTAIL PROVES THAT ALL DOGS MATTER

Acting on the insight that a dog's access to the right type of food and pet care benefits should not be limited by their owner's buying power, Bobtail launched the Medi-Care Free Pet Accident Benefit loyalty programme in 2023. It has already garnered over 3 200 members and counting, providing another compelling benefit to buy South Africa's number one dog food brand.

Bobtail then launched its new Specialised Diets range, the first specialised diet offering in the mainstream retail dog food segment. The range consists of three variants – Active Lifestyle, Joint Care and Weight Control – which are specially formulated to meet the dietary requirements of active dogs and assist with preventing and managing common dog ailments.



## FELINE CUISINE GETS EVEN MORE SPECIALISED

Since its launch in 2018, the Feline Cuisine brand has grown quickly to become South Africa's number 2 brand in the Premium Retail segment. Following the immense success of Canine Cuisine Specialised Diets in retail, Feline Cuisine launched its first specialised diet formulation in 2022 – Feline Cuisine Weight Management. In 2023 the brand took another leap forward to assist cat owners with common cat wellness issues, expanding its specialised diet range to include Joint Health and Hairball Control products.


## NEW TIERED OPTIMIZOR PORTFOLIO OFFERS VALUE ON EVERY LEVEL

Since its relaunch in 2019, Optimizor has established itself as a key brand in co-ops and independent pet food shops – with its Premium offering commanding 20% of sales in South Africa's fastest-growing pet food channel. To further cater to the needs of shoppers, Optimizor has introduced a Mainstream and a Super Premium offering on either side of its existing Premium range. These additional tiers allow Optimizor to reach both value-conscious mainstream shoppers and those looking for a premium offering with fresh meat, real rice and joint support. Just another way we are helping pet owners Grow What Matters: healthy dogs and happy families!

# OUR HISTORY

## 1891

**A small family-owned flour mill was established in Pretoria. Today it is the centre of our Milling operation.**

## 1916

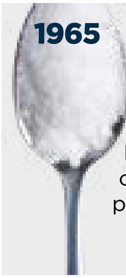
**Our first animal feed mill was built.**

Today we are one of the leading manufacturers of animal feeds.

## 1960

Rainbow Chicken started its operation on a humble farm in Hammarsdale, with its first processing plant being commissioned soon after.

## 1965



Our first sugar mill began processing sugar cane in Malalane. Today we are one of the three biggest sugar producers in South Africa.

## 1989

**Rainbow Chicken Limited was listed on the JSE.**

## 2004

Vector Logistics was acquired to control and optimise our outbound supply chain.

## 2013

Foodcorp, one of South Africa's largest food producers, was acquired.

Our company name changed from **Rainbow Chicken Limited** to **RCL Foods Limited.**

## 2014

The leading sugar producer, TSB Sugar RSA and TSB Sugar International, was acquired.

A 49% share of Senn Foods Logistics in Botswana was acquired.

A new B-BBEE transaction was implemented.

## 2016

A 33.5% stake in Ugandan poultry producer, HMH Rainbow Limited, was acquired.

The businesses that form RCL FOODS share deep South African roots, dating back over 120 years. Through strong strategic acquisitions, we have become one of South Africa's largest food manufacturers.

## 2018

**A 50% stake in Matzonox, a Waste-to-Value operation, was acquired.**

## 2019

Driehoek Voere, a producer of game, ruminant and horse feeds, was acquired.

A 45% stake in L&A Logistics Limited, a distribution operation based in Zambia, was acquired.

## 2020

**A minority shareholding in The LIVEKINDLY Collective was acquired.**

Vector Logistics acquired certain key assets of Imperial Logistics South Africa Group Proprietary Limited's cold chain business (ICL).

## 2021

We partnered with The LIVEKINDLY Collective to establish LIVEKINDLY Collective Africa.

Vector Logistics' stake in L&A Logistics was increased to 85%.

## 2023

Concluded disposal of Vector Logistics post financial year end, including its stake in L&A Logistics and Senn Foods Logistics.

Our stake in HMH Rainbow Limited in Uganda was sold.

We acquired Sunshine Bakery Holdings Proprietary Limited.

# OUR LOCATIONS

Our operations span across South Africa and extend into Namibia, Botswana, Eswatini, Zambia and Uganda.

**MAP KEY**
- National Office
- RCL FOODS Value-Added Business
- Rainbow

## GAUTENG
- 1 Culinary Plant
- 1 Pet Food Plant
- 17 Chicken Farms
- 1 Hatchery
- 1 Animal Feed Mill
- 1 Pie Factory
- 1 Beverage Plant
- 2 Speciality Plants
- 1 Flour Mill
- 2 Bakeries
- 3 Baking Depots

## NORTH WEST
- 1 Bakery
- 2 Baking Depots
- 1 Chicken Processing Plant
- 31 Chicken Farms Owned
- 21 Chicken Farms Contracted
- 1 Animal Feed Mill
- 1 Hatchery

## KWAZULU-NATAL
- 1 RCL FOODS National Office
- 4 Baking Depots
- 2 Bakeries
- 2 Chicken Processing Plants
- 26 Chicken Farms Owned
- 24 Chicken Farms Contracted
- 1 Animal Feed Mill
- 2 Hatcheries
- 1 Sugar Mill
- 1 Rainbow Head Office

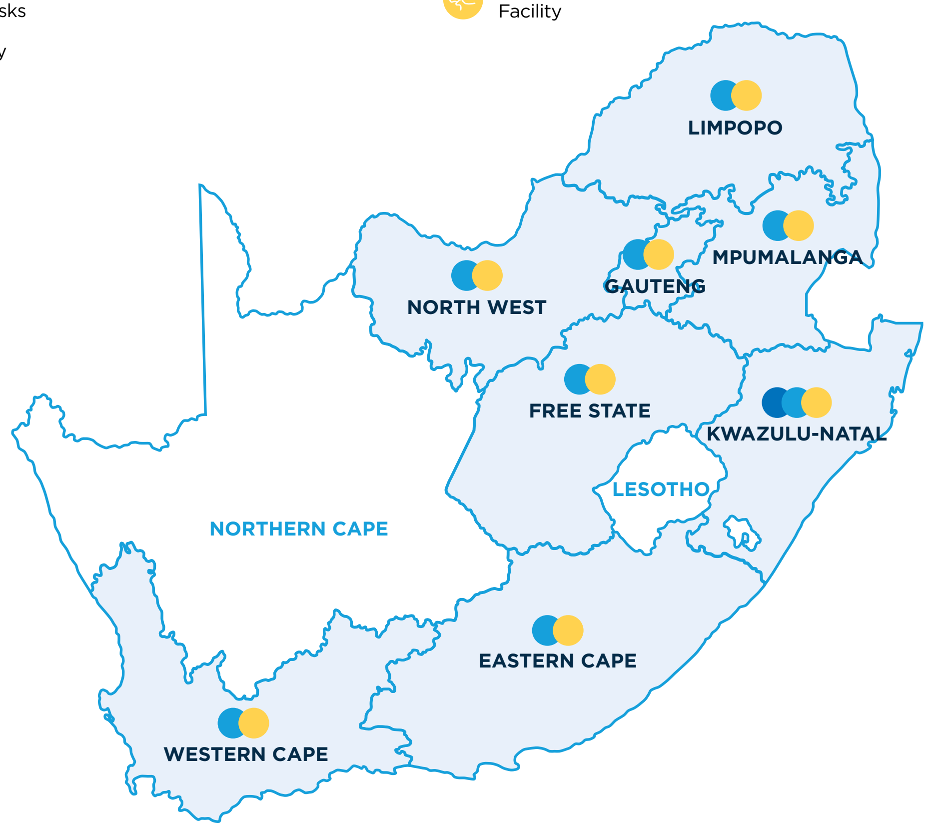
## WESTERN CAPE
- 1 Speciality Plant
- 1 Chicken Processing Plant
- 37 Chicken Farms Owned
- 10 Chicken Farms Contracted
- 1 Animal Feed Mill
- 3 Hatcheries (1 contracted)

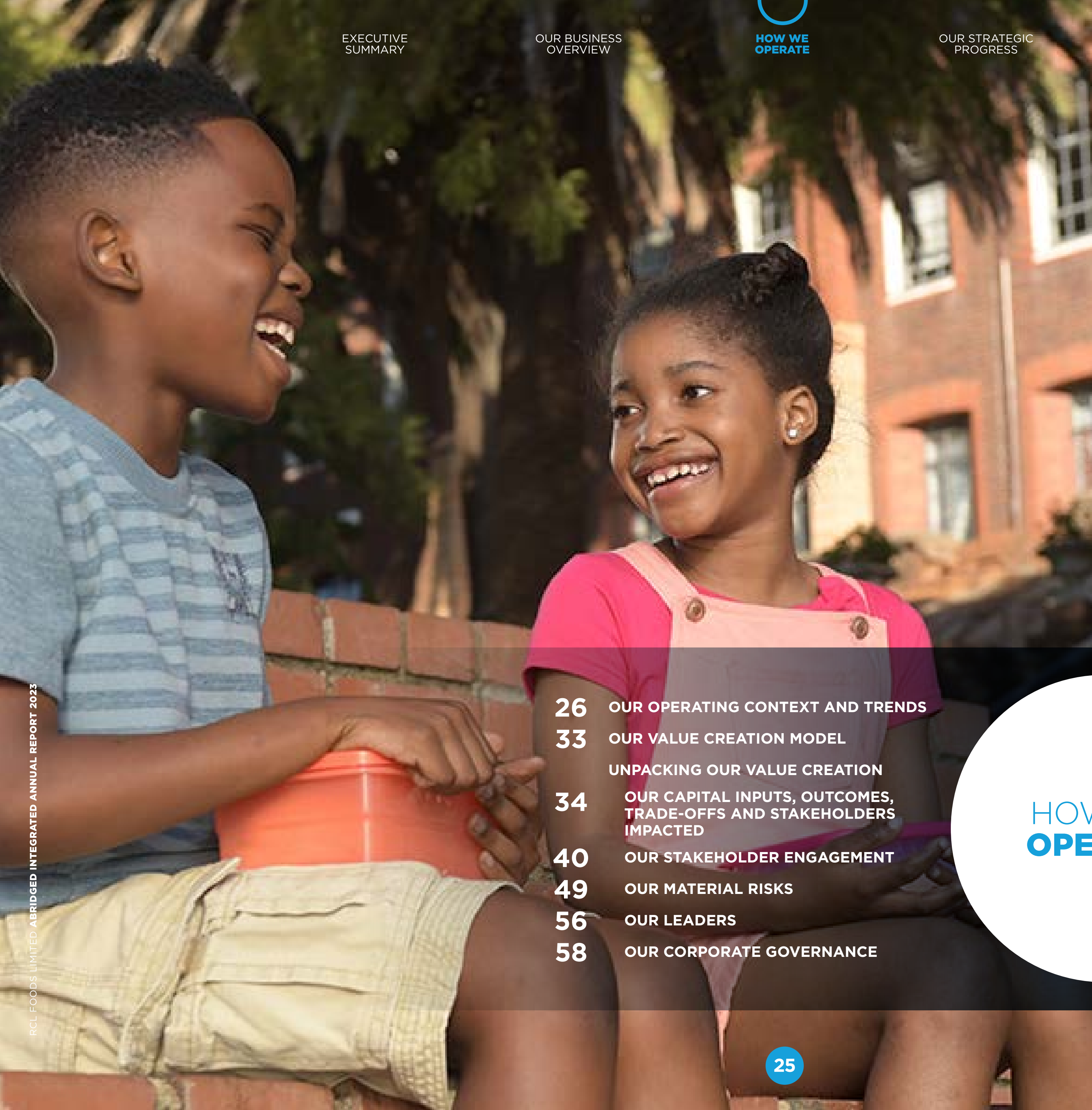
## MPUMALANGA
- 9 Chicken Farms Owned
- 2 Bakeries
- 1 Hatchery
- 6 Bakery Depots
- 2 Sugar Mills
- 3 Sugar Farms Owned
- 6 Sugar Farms Contracted
- 1 Animal Feed Plant

## EASTERN CAPE
- 6 Chicken Farms Owned
- 1 Animal Feed Mill
- 1 Grocery Plant – Ouma Rusks
- 1 Hatchery

## FREE STATE
- 3 Baking Depots
- 1 Chicken Processing Plant

## LIMPOPO
- 2 Bakeries
- 6 Baking Depots
- 1 Animal Feed Facility





# HOW WE **OPERATE**

# OUR OPERATING CONTEXT AND TRENDS

As a food manufacturer, our operating environment is characterised by a variety of short-, medium- and long-term trends which present both risks and opportunities for the way we create value. In this dynamic environment, we are committed to growing what matters for all our stakeholders through the implementation of our Business Strategy, guided by our Values.

| TREND | KEY ISSUES | OUR RESPONSE IN 2023 |
|---|---|---|
| **CONSTRAINED ECONOMIC ENVIRONMENT**<br><br>**32.6% unemployment** (Stats SA)<br>**12.5% food inflation in November 2022** – highest in 13 years (Stats SA)<br>**1.4% projected average real GDP growth 2023-2025** (National Treasury)<br><br>**Linked to key risks:**<br>2 Reduced demand<br>3 Pricing pressure<br>8 Societal risks and unrest<br><br>**Linked to key strategies:**<br>• Deliver cost efficiencies and invest to become "best in class"<br>• Grow organically through strong brands<br>• Strengthen community resilience through collaboration and investment | • Rising food and energy costs drive significant consumer inflation<br>• Low consumer and business confidence (Bureau for Economic Research)<br>• Rising unemployment<br>• Weaker rand-dollar exchange rate<br>• Dumped imports threaten local industries | • Keeping price increases to a minimum to protect consumers and volumes<br>• Driving efficiencies to offset margin pressure<br>• Rolling out value offerings to assist consumer wallets<br>• Maintaining employment<br>• Engagement with government and industry on dumping<br>• Strengthening our community engagement model to help build community resilience |
| **POWER DISRUPTIONS**<br><br>**Load-shedding** increased to **88% of days** during the period<br>**50.1% Energy Availability Factor** (EAF) in December 2022 – down from 58%<br>**2% points lower** – the potential impact of load-shedding on real GDP growth in 2023 (SA Reserve Bank)<br><br>**Linked to key risks:**<br>1 Energy security and pricing<br>2 Reduced demand<br>3 Pricing pressure<br>5 Business interruption – Supply Chain<br>6 Water security and pricing<br>8 Societal risks and unrest | • High levels of load shedding impacting production volumes and costs<br>• Supply chain shortages impacting on production<br>• Water supply issues in certain areas due to load-shedding | • Focus on restoration of volumes lost due to load-shedding<br>• Increasing energy self-generation in short term via generators<br>• Engagement with government on load-shedding curtailment<br>• Maintaining higher inventory and focusing on supply chain security |

# OUR OPERATING CONTEXT AND TRENDS CONTINUED

**TREND**

## CHANGING CONSUMER BEHAVIOUR

**"Given our current environment, consumer mindsets and price sensitivities, it is important for both brands and products to represent not only best value but deliver on an additional consumer need, whether it be experience, convenience or supporting local."**
(RCL FOODS)

**Linked to key risks:**

2 Reduced demand
3 Pricing pressure
8 Societal risks and unrest
11 Non-compliance with legislation

**Linked to key strategies:**

- Grow organically through strong brands
- Leverage consumer insight and partner with strategic customers
- Scale up and enter new emerging channels and markets
- Leverage dynamic platform through partnerships and acquisitions
- Deliver cost efficiencies and invest to become "best in class"
- Build a 'net positive' business to secure our economic, social and environmental future

**KEY ISSUES**

- Value for money is top priority across all Living Standards Measure (LSM) groups:
  - Brand loyal customers change to smaller pack sizes or only shop during promotions
  - Search for value offerings
  - Switching to cheaper brands or private label products
  - Maximising use of loyalty programmes
- Heightened need for convenience in products and purchasing
- Increasing out-of-home consumption post COVID-19, especially in Quick-Service Restaurants (QSRs) – also driven by load shedding
- Explosion of e-commerce
- Increased preference for products and shopping that provide fun and excitement through unique experiences that create social connection
- Growing preference for products that are better for health and the environment, and are locally produced
- Snacking is replacing traditional meal occasions as lifestyles change
- Pets are 'part of the family' and meeting their physical/emotional needs is more important than ever

**OUR RESPONSE IN 2023**

- Consumer affordability balanced with responsible margin management
- Expanding the 'value' tier of our product portfolio – value offerings launched in Nola and Yum Yum
- Launch of specialised diet option in Bobtail provides added value for shoppers
- Leveraging shopper data to identify trends and preferences
- Leveraging existing retail and third-party e-commerce platforms to drive sales growth
- Partnerships with QSR customers
- Innovating for on-the-go consumption
- Leveraging capabilities and consumer insights to deliver relevant pet innovation
- Research and development for improved product sustainability
- Private label partnerships entered as appropriate

# OUR OPERATING CONTEXT AND TRENDS CONTINUED

| TREND | KEY ISSUES | OUR RESPONSE IN 2023 |
|---|---|---|
| **INCREASED REGULATORY REQUIREMENTS**<br><br>**Linked to key risks:**<br>3 Pricing pressure<br>7 Food and product safety<br>8 Societal risks and unrest<br>11 Non-compliance with legislation<br><br>**Linked to key strategies:**<br>• Champion diversity and build an inclusive, high-performance culture<br>• Deliver cost efficiencies and invest to become "best in class"<br>• Build a 'net positive' business to secure our economic, social and environmental future | • Proposed new food labelling legislation<br>• Carbon tax<br>• Impact of possible changes to Health Promotion Levy ("Sugar tax")<br>• Extended Producer Responsibility (EPR) regulations for packaging<br>• Proposed new employment equity legislation<br>• Levies and fines for non-compliance<br>• Sugar and Poultry Master Plans – benefits and commitments | • Active engagement on implications of possible new product legislation<br>• Carbon footprint reduction initiatives<br>• Focus on sustainable plastics packaging<br>• Emphasis on employment equity at management level<br>• Commitment to Sugar and Poultry master plans |
| **DIGITAL TRANSFORMATION**<br><br>**"By digitally transforming the customer experience process, business-to-business companies have experienced revenue growth of 10% to 15% and cost reduction of 10% to 20%"** (McKinsey, 2023)<br><br>**Linked to key risks:**<br>9 Non-availability of IT systems<br><br>**Linked to key strategies:**<br>• Invest in strategic capabilities to drive competitive advantage<br>• Grow organically through strong brands<br>• Leverage consumer insight and partner with strategic customers<br>• Deliver cost efficiencies and invest to become "best in class" | • Increased cyber security challenges<br>• Using technology for insights and collaboration<br>• Process automation to improve operational efficiencies<br>• Use of artificial intelligence (AI), big data and data analytics to learn about and respond to consumer preferences<br>• Rise of remote working | • Significant investment in digital transformation in the consumer space<br>• Continued cyber security focus, including significant investment in training<br>• Digital transformation journey in progress across the organisation, with a focus on cultivating a digital mindset |

# OUR OPERATING CONTEXT AND TRENDS CONTINUED

## TREND

### EMPLOYEE VALUE PROPOSITION (EVP)

**Organisations with a strong, proactively managed EVP experience:**

**10%** higher productivity

**69%** less employee turnover

**30%** increase in profitability (Gallup)*

**Linked to key risks:**

10 Industrial action

11 Non-compliance with legislation

12 Business interruption – Health & Safety

**Linked to key strategies:**

- Champion diversity and build an inclusive, high-performance culture
- Build a 'net positive' business to secure our economic, social and environmental future

## KEY ISSUES

- Increasing value placed on companies with a compelling company Purpose and Culture
- Increasing business focus on diversity and inclusivity in the workplace
- Increased need for workplace health, safety and mental wellness support
- Increased attention paid to fair compensation
- Employees' desire for meaningful work and recognition
- Preference for flexibility
- Increased focus on personal development

## OUR RESPONSE IN 2023

- Launch of RCL FOODS Purpose and revised values in June 2023
- Renewed Diversity & Inclusivity Framework
- Diversity and inclusivity initiatives yielding results
- Ongoing engagement in fair compensation discussions and benchmarking
- Strong focus on creating a workplace where work is meaningful, fun, safe and engaging
- Empowering employees through leadership and skills development
- Agile working facilitated through More Flex initiative at our National Office

* *J Harter, "Employee engagement on the rise in the U.S.", Gallup, August 2018. Accessed 04/05/22 at https://news.gallup.com/poll/241649/employee-engagement-rise.aspx*

# OUR OPERATING CONTEXT AND TRENDS CONTINUED

| TREND | KEY ISSUES | OUR RESPONSE IN 2023 |
|---|---|---|

## FOCUS ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) SUSTAINABILITY

**2.0°C by 2050** – the expected mean monthly temperature rise in South Africa under a business-as-usual (high) emissions scenario (World Bank Climate Risk Country Profile: South Africa, 2021)

**Most unequal country in the world** (World Bank)

**21% of households have inadequate or severely inadequate access to food** (General Household Survey, 2021)

**Linked to key risks:**

1 Energy security and pricing
5 Business interruption – Supply Chain
6 Water security and pricing
8 Societal risks and unrest
10 Industrial action
11 Non-compliance with legislation
12 Business interruption – Health & Safety

**Linked to key strategies:**

- Champion diversity and build an inclusive, high-performance culture
- Strengthen community resilience through collaboration and investment
- Build a 'net positive' business to secure our economic, social and environmental future

**KEY ISSUES**

- Severe weather patterns impact people, infrastructure and food security
- Need for emissions reduction and renewable energy transition
- Depletion and degradation of natural resources
- Waste reduction and circular economy
- Energy and water supply challenges
- Sustainable livelihoods
- Protection of human rights
- Inadequate access to food due to poverty
- Food-related health risks due to poor diets
- Avian influenza

**OUR RESPONSE IN 2023**

- Business continuity plans in place to deal with extreme weather events
- Disaster relief delivered to impacted communities through our DO MORE FOUNDATION
- Investment in sustainable energy, water and waste projects, e.g. LED, solar and Waste to Value (W2V)
- Economic development initiatives in communities near our operations
- Addressing acute hunger and early childhood nutrition through the DO MORE FOUNDATION
- Strict biosecurity measures on farms and in plants

# OUR OPERATING CONTEXT AND TRENDS CONTINUED

| TREND | KEY ISSUES | OUR RESPONSE IN 2023 |
| --- | --- | --- |
| **FOOD PRODUCTION CHALLENGES AND OPPORTUNITIES** | | |

**"The food system is at a tipping point. Changing consumer food preferences and eating behaviours are fuelling the shift from a commodity-driven supply chain focused on scale to a personalised and value-added food and (agricultural) ecosystem. Adapting to this dynamic environment requires us to reimagine a food system where technology enables new collaboration, consumer demand drives production, and sustainability shapes investment decisions. It requires smart strategic planning grounded in an objective view of the current state, data-driven analysis of market opportunities and expert insight into future scenarios."** (EY)*

**Linked to key risks:**

1 Energy security and pricing
2 Reduced demand
3 Pricing pressure
4 Commodity pricing pressure
5 Business interruption – Supply Chain
6 Water security and pricing
7 Food and product safety
8 Societal risks and unrest
10 Industrial action
11 Non-compliance with legislation
12 Business interruption – Health & Safety

**Linked to key strategies:**

- Deliver cost efficiencies and invest to become "best in class"
- Build a 'net positive' business to secure our economic, social and environmental future

### KEY ISSUES

- Securing sustainable and reliable energy
- High input costs impact producer margins
- Ensuring provision of adequate amounts of nutritious, affordable food
- One third of food is lost or wasted – load-shedding increases this
- Sustainable products and practices – focus on responsible energy/emissions/water/waste management, soil health, biodiversity, ethical sourcing, etc.

### OUR RESPONSE IN 2023

- Increased energy self-generation
- Optimising transport to reduce fuel costs and emissions
- Innovating to meet consumer needs and strengthen competitive advantage
- Efforts to reduce food loss and waste across the supply chain
- Sustainable packaging a key focus – several new initiatives launched
- We continued to support the development of the plant-based protein category through the LIVEKINDLY Collective Africa joint venture

* *www.ey.com/en_us/food-system-reimagined*

# OUR OPERATING CONTEXT AND TRENDS CONTINUED

| TREND | KEY ISSUES | OUR RESPONSE IN 2023 |
|---|---|---|
| **POULTRY INDUSTRY CHALLENGES**<br>**Linked to key risks:**<br>1 Energy security and pricing<br>2 Reduced demand<br>3 Pricing pressure<br>4 Commodity pricing pressure<br>5 Business interruption – Supply Chain<br>6 Water security and pricing<br>7 Food and product safety<br>10 Industrial action<br>11 Non-compliance with legislation<br>12 Business interruption – Health & Safety | • Very high commodity input costs<br>• Load-shedding impacting on chicken processing schedules, leading to longer product lifecycles and higher feed and labour costs<br>• Local and global Avian influenza (AI) outbreaks<br>• Competition from dumped imports, with current anti-dumping duty paused until August 2023 | • Focus on feeding efficiencies<br>• Commodity procurement carefully managed<br>• Extra shifts implemented to mitigate impact of load-shedding on production schedules<br>• Investment in KwaZulu-Natal Chicken operations to increase regional supply and employment<br>• Strong focus on biosecurity to prevent AI contamination<br>• Creating additional egg capacity to mitigate culling impacts in the event of an outbreak<br>• Continued engagement with government and industry stakeholders on sustainability of local poultry industry |
| **SUGAR INDUSTRY CRISIS**<br>**Linked to key risks:**<br>5 Business interruption – Supply Chain<br>8 Societal risks and unrest | • Two competitors in sugar industry enter business rescue and fail to settle sugar industry levies and redistribution payments<br>• Additional costs borne by the rest of the industry | RCL FOODS is engaging with the business rescue practitioners, Government and the South African Sugar Association to ensure an outcome that is best for the industry at large |

# OUR VALUE CREATION MODEL

## OUR EXTERNAL OPERATING CONTEXT

Our external operating environment presents us with challenges and opportunities for the way we generate value for our stakeholders.

*For more information on our external operating context, refer to page 26*

## OUR BUSINESS INPUTS

Our Capital Inputs are the resources and relationships we rely on to create value.

*For more information on our business inputs, refer to page 33*

- FINANCIAL
- HUMAN
- INTELLECTUAL
- MANUFACTURED
- NATURAL
- SOCIAL AND RELATIONSHIP

## OUR VALUE CREATION ACTIVITIES

**OUR STRATEGY**
- PEOPLE FIRST
- RIGHT GROWTH
- FUTURE FIT

**OUR CULTURE**
- Our Purpose
- Our Vision
- Our Way

**OUR SUSTAINABILITY STRATEGY**
- **PEOPLE** DIGNITY & WELLBEING
- **PRODUCT** PRODUCT & BRAND INTEGRITY
- **PRACTICES** RESPONSIBLE OPERATIONS

**OUR INTEGRATED SERVICES PLATFORM**
- FINANCE | MARKETING | HR | IT
- COMMERCIAL | SUPPLY CHAIN
- CUSTOMER (RETAIL & WHOLESALE)
- FOOD PARTNERS (FOOD SERVICE)

## OUR RISKS AND OPPORTUNITIES

We continuously assess and manage our evolving risk universe, while considering opportunities that arise.

*For more information on our risks and opportunities, refer to page 49*

## OUR BUSINESS OUTPUTS

Our contracted business services to customers and partners

**Out trusted brands and private label products**

We create value for our stakeholders through the integrated use of our six capitals to manufacture, distribute and sell a wide range of branded and private label food products in the retail, wholesale and food service channels.

## OUR CAPITAL OUTCOMES, TRADE-OFFS & STAKEHOLDERS IMPACTED

*For more detailed information refer to page 34*

## IMPACT CREATED FOR OUR STAKEHOLDERS

*For more detailed information refer to pages 14 and 40*

Our dynamic operating context means that we manage a constantly evolving set of risks and opportunities as we work to provide value for all our stakeholders.

Unpacking our value creation

# OUR CAPITAL INPUTS, OUTCOMES, TRADE-OFFS AND STAKEHOLDERS IMPACTED

Value creation is not a simple or linear process, especially given our dynamic operating context, our complex and geographically dispersed supply chain, and the evolving risks, opportunities, challenges and advantages arising from these. Business activities must make responsible use of the six capitals in order to preserve their ability to contribute to ongoing value creation. This sometimes involves trade-offs between capitals and stakeholder interests in order to deliver on business objectives, and the impact of this must be carefully managed. A summary of our capital inputs and outcomes follows, as well as the stakeholders impacted and the key trade-offs made to ensure delivery against our goals.

ICON REFERENCE
**OUR STAKEHOLDERS**

- Communities
- Consumers
- Customers
- Employees
- Environment
- Government
- Investors and funders
- Media
- Suppliers

## FINANCIAL CAPITAL

STAKEHOLDERS:

### RESOURCES WE USE TO CREATE VALUE

**Our assets, net debt and shareholders' interest, which we manage to sustain the ongoing financial demands of our operations and provide capital for future growth.**

- Market capitalisation of R8,9 billion
- Funding facilities available of R5,1 billion, of which R2,5 billion was utilised
- Acquired Sunshine Bakery Holdings Proprietary Limited

### RISKS AND OPPORTUNITIES IN SECURING THESE INPUTS

- Access to external financial capital is affected by our financial performance, investor sentiment, the status of the food industry and the local and global economy. Our current term funded debt package comes to an end in December 2023
- We have an opportunity to grow our value-added portfolio through bolt-on acquisitions, provided that they align with our strategic and financial investment criteria

### OUTCOMES OF OUR CAPITAL UTILISATION AND THE STAKEHOLDERS IMPACTED

- R1 711,5 million operating profit before depreciation, amortisation and impairment*
- R1 061,3 million cash generated by operations*
- Return on invested capital from continuing operations declined 3.5% to 4.6%
- Net borrowings to shareholders' equity (gearing): 25.0%
- R539,6 million headline earnings*
- R268,9 million dividends paid to shareholders

**Trade-offs:**
Repayments of R337,5 million were made on the Group's term funded debt package during the current financial year. While this improved our gearing ratio, the utilisation of cash for these repayments reduced cash and cash equivalents.

ENHANCED: DEPLETED:

* *Relates to continuing operations only.*

# OUR CAPITAL INPUTS, OUTCOMES, TRADE-OFFS AND STAKEHOLDERS IMPACTED CONTINUED

## HUMAN CAPITAL

### RESOURCES WE USE TO CREATE VALUE

**Our skilled, experienced and motivated people that enable our business growth and value creation.**

- A diverse workforce (including Vector Logistics) of 21 829 permanent employees in 2023
- Senior leadership commitment to diversity and inclusivity (D&I) and a high-performance culture
- Industry-leading employee practices
- R4,9 billion paid in employee salaries, wages and benefits*
- R56,3 million invested in learning and development

### RISKS AND OPPORTUNITIES IN SECURING THESE INPUTS

Conducive working conditions, an inclusive and purpose-led culture and opportunities for growth are all critical in attracting and retaining top skills and diverse talent. Our growing reputation as an employer of choice helps us attract high-performing talent, although competition for quality candidates can present challenges for retention, especially in designated groups.

### OUTCOMES OF OUR CAPITAL UTILISATION AND THE STAKEHOLDERS IMPACTED

- 48% of top and senior management are historically disadvantaged South Africans (African/Coloured/Indian/Female/Differently abled)
- 9 088 employees upskilled and developed
- Top Employer certification achieved for the fourth consecutive year from the Top Employer Institute
- 444 D&I Circle Conversations completed to date
- 351 cases dealt with by our YouMatter Employee Wellness Programme which provides free access to emotional, legal and financial support for RCL FOODS Value-Added-Business employees – a 72% increase from 2022
- 3 461 new jobs created (including Sunshine Bakery)
- 2 636 terminations

**Trade-offs:**
We are acutely aware of the impact of higher food prices on consumers, as well as the pressure our employees are under as consumers themselves. The resolutions achieved in respect of industrial action in the first half of the financial year reflect a careful balance between our commitment to employees' welfare and a desire to limit potential food price increases.

ENHANCED: DEPLETED:

* *Relates to continuing operations only.*

# OUR CAPITAL INPUTS, OUTCOMES, TRADE-OFFS AND STAKEHOLDERS IMPACTED CONTINUED

## INTELLECTUAL CAPITAL

STAKEHOLDERS:

### RESOURCES WE USE TO CREATE VALUE

**Our organisational knowledge, systems, procedures and intangibles associated with our value creation activities.**

- Investment in brands and strategic capabilities
- RCL FOODS' integrated business services platform
- Investment in enhanced exports structure capability
- FSSC 22 000/ISO 18001 food safety certification at all manufacturing sites except newly-integrated Sunshine bakeries
- R25,2 million invested in IT infrastructure to optimise resources and unlock business value*
- Peer training in digital tools and skill sets
- Our DO MORE FOUNDATION's integrated "Everyone gets to PLAY" model

### RISKS AND OPPORTUNITIES IN SECURING THESE INPUTS

Our ability to retain, generate and enhance intellectual capital is connected to our attraction, retention and development of appropriate skills and talent; the insights we gain from our stakeholders; and our investment in our brands, strategic capabilities and digital transformation journey. Potential constraints in securing and enhancing intellectual capital include financial resources, IT security issues, competitor activity and organisational agility. Opportunities lie in harnessing our Purpose and Our Way to develop our people and organisational intelligence to enhance our impact.

### OUTCOMES OF OUR CAPITAL UTILISATION AND THE STAKEHOLDERS IMPACTED

- 12 market leading brands in 2023
- Safe, high quality products and services provided
- Innovation pipeline based on consumer insights, focusing on value for money
- Key strategic capabilities developed: consumer marketing insights (CMI); data management and insights; digital marketing excellence; net revenue management (NRM) and exports
- Collaboration with key customers to drive win-win solutions
- Collaboration with industry and government to address poultry and sugar industry sustainability
- DO MORE FOUNDATION community-based programmes increased from 4 to 8 communities to support vulnerable young children and their caregivers
- Business services platform customers well supported
- 20.8% growth in export revenue (excluding sugar)

**Trade-offs:**
With input costs putting pressure on margins, we continued to actively manage trade-offs between cost recovery and sales volumes in order to cushion the impact of higher pricing on consumer demand, while protecting our business.

The impact of Stage 6 load-shedding on our pet food production required us to prioritise certain ranges over others to best supply the market. This affected service levels in certain smaller ranges, resulting in some loss of ground versus competitors.

ENHANCED: DEPLETED:

* *Relates to continuing operations only.*

# OUR CAPITAL INPUTS, OUTCOMES, TRADE-OFFS AND STAKEHOLDERS IMPACTED CONTINUED

## MANUFACTURED CAPITAL

STAKEHOLDERS:

### RESOURCES WE USE TO CREATE VALUE

**The physical infrastructure and equipment available to us for use in the production and distribution of our products.**

- Over 260 operations in South and Southern Africa
- These include Groceries operations; bakeries; sugar, flour and animal feed mills; rearing, laying and broiler farms and hatcheries; chicken processing plants; bulk cold storage sites; and warehousing and distribution assets
- Renewable energy infrastructure in the form of 2 Waste-to-Value (W2V) plants, 3 co-generation sites, and 3 rooftop solar installations
- R1 160,5 million capital investment in fixed and intangible assets*

### RISKS AND OPPORTUNITIES IN SECURING THESE INPUTS

Securing the necessary manufactured inputs depends on the availability of financial capital for the acquisition, maintenance and/or replacement of property, plant and equipment, as well as the effective management of key risks. Capital investments allow for improved productivity, efficiency, risk management and competitiveness.

### OUTCOMES OF OUR CAPITAL UTILISATION AND THE STAKEHOLDERS IMPACTED

- Produced in 2023: 90 million jars of peanut butter, 25 million jars of mayonnaise, 27 million bags of pet food, 120 million pies, 44 million litres of beverages, 350 000 tons of flour, 254 million units of bread, buns & rolls, 30 million units of speciality products, 791 000 tons of sugar, 328 000 tons of chicken products, and 1,3 million tons of animal feed
- Hammarsdale processing plant and hatchery upgraded to accommodate increased production
- Performance at Rustenburg W2V plant improving slowly

**Trade-offs:**
Despite being in a difficult market cycle, we invested in upgrading our Worcester feed mill to meet our own feed needs and create additional capacity for external volumes.

ENHANCED: DEPLETED:

* *Relates to continuing operations only.*

# OUR CAPITAL INPUTS, OUTCOMES, TRADE-OFFS AND STAKEHOLDERS IMPACTED CONTINUED

## NATURAL CAPITAL

STAKEHOLDERS:

### RESOURCES WE USE TO CREATE VALUE

**We strive to reduce our negative impact on the environment by increasing our energy self-sufficiency, being water-smart, and reducing our waste to landfill.**

- 185.8 GWh total renewable energy generated, of which 8.9 GWh was exported
- 484.8 GWh total electricity used (of which we generated 27%)
- 184 975 tons coal used
- 35 154 kl diesel used
- 6 465 megalitres (Ml) municipal water used

### RISKS AND OPPORTUNITIES IN SECURING THESE INPUTS

Our operations depend on a reliable supply of electricity and quality potable water. We have identified opportunities to generate more renewable energy, which would reduce our non-renewable energy use, load-shedding exposure and environmental impact, but this requires significant initial investment. Water saving investments will also lessen our reliance on freshwater sources, but cost impacts need to be carefully managed. In all cases, opportunities exist to reduce our resource consumption and waste through behavioural change.

### OUTCOMES OF OUR CAPITAL UTILISATION AND THE STAKEHOLDERS IMPACTED

- 2.3% less purchased electricity used
- Our sugar co-generation, Waste to Value (W2V), hydro and solar plants provided 176.9 GWh of clean electricity for our own consumption
- We were 27% electricity self-sufficient
- 4.2% less coal used
- 19% more diesel used
- 8.1% more municipal water used
- 7 856 tons of paper, cardboard, plastic, metal and wood waste recycled – reducing waste and creating jobs in the recycling industry

**Trade-offs:**
As a short-term solution, we have installed five 1.8-megawatt generators at our Randfontein facility to enable operation during load-shedding; however this has come at a significant additional cost and there is an environmental impact in terms of noise and emissions.

ENHANCED:

DEPLETED:

# OUR CAPITAL INPUTS, OUTCOMES, TRADE-OFFS AND STAKEHOLDERS IMPACTED CONTINUED

## SOCIAL AND RELATIONSHIP CAPITAL

STAKEHOLDERS:

### RESOURCES WE USE TO CREATE VALUE

**The ongoing relationships we have with stakeholders to strengthen our network, create shared value and reinforce our licence to operate.**

- Engagement with key stakeholders to identify needs and address issues of concern
- Multi-stakeholder commitment to Sugar and Poultry industry master plans
- Positive customer relationships
- Compelling RCL FOODS culture, committed to diversity and inclusivity
- Collaborative partnerships with community-based suppliers
- Proactive employee relations
- DO MORE FOUNDATION-led partnerships with government, non-governmental organisations (NGOs) to "create better tomorrows for young children through partnerships"

### RISKS AND OPPORTUNITIES IN SECURING THESE INPUTS

Managing the interests of multiple stakeholders can sometimes result in difficult decisions being taken that have the potential to impact on relationships. Wherever possible we seek to collaborate with our stakeholders in order to drive win-win solutions.

### OUTCOMES OF OUR CAPITAL UTILISATION AND THE STAKEHOLDERS IMPACTED

- Leading engagements with government for Sugar industry survival, as well as poultry sector sustainability
- Livelihoods supported for 1 200 small-scale growers who generated approximately R431 million from the supply of 610 000 tons of cane to our mills
- R25 million invested in restoring small-scale grower irrigation infrastructure after the Nkomazi floods in February 2023
- 181 jobs and R51,3 million in lease payments provided during the year to land claim beneficiary communities in Nkomazi
- R13,9 billion spent on goods and services from B-BBEE suppliers
- National human capital supported through payment of R49,7 million in skills development levies
- 12,1 million meals provided to ease hunger among vulnerable young children and communities

**Trade-offs:**
In order to save as much of our small-scale grower crop as possible after the February floods in Nkomazi, we had to act with speed to restore damaged irrigation infrastructure. Accordingly we had to prioritise the most accessible small-scale growers for repairs, meaning that some have had to wait longer than others. This enabled 90% of the affected farms to be up and running by financial year end, limiting the impact on the current crop.

ENHANCED:

DEPLETED:

# Unpacking our value creation
# OUR STAKEHOLDER ENGAGEMENT

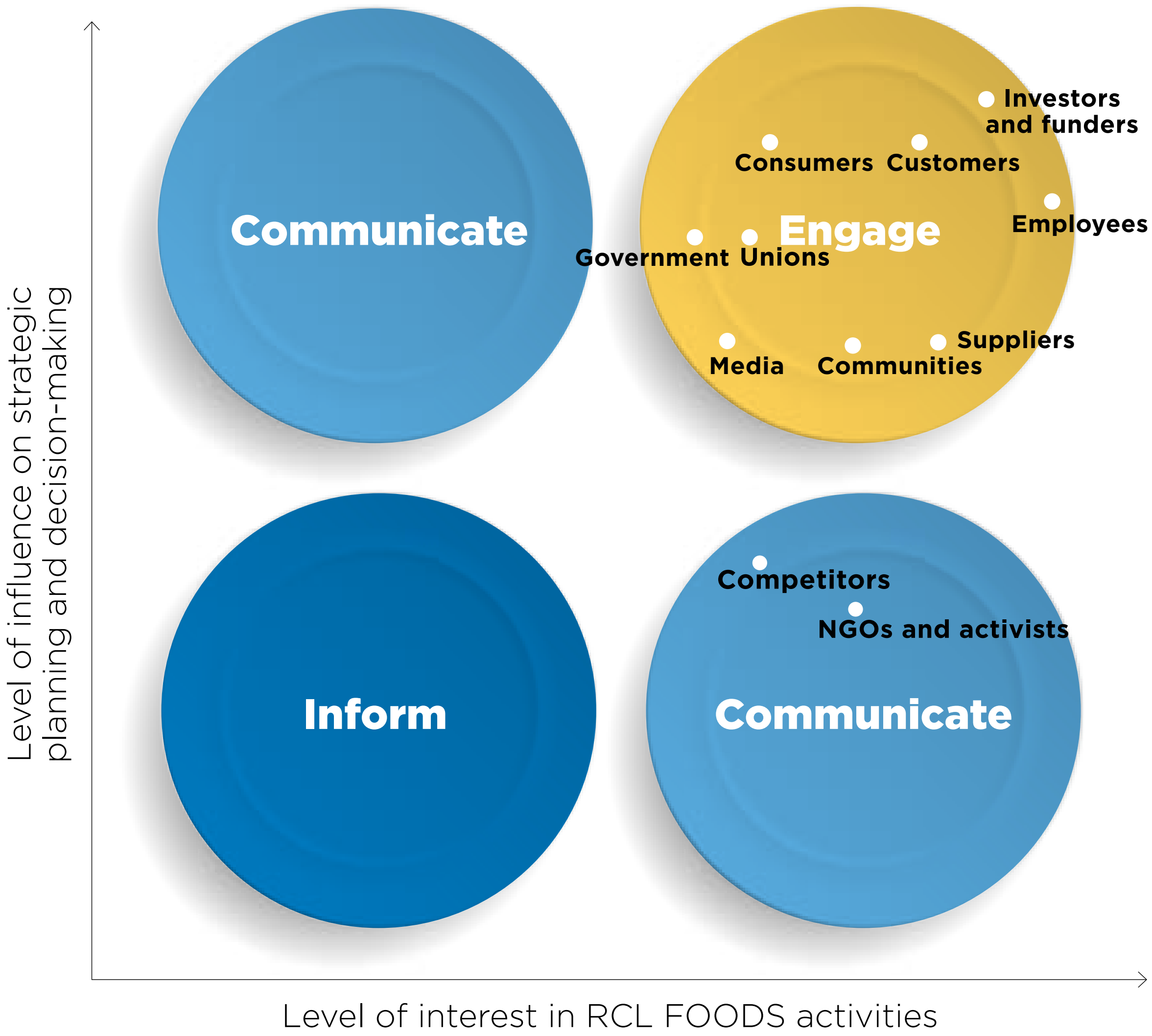
People are at the heart of our business, and we believe that strong, collaborative stakeholder relationships are essential in creating sustainable value for all. We aim to engage with our key stakeholders respectfully and openly, through interactions that are regular, structured, supportive and responsive. Our Purpose and Values are what guide us in balancing diverse stakeholder interests, with the aim of creating a positive impact for our people, communities, nation and environment.

During the 2023 financial year we have increased our focus on stakeholder engagement by strengthening our resources and revising our stakeholder engagement strategy.

Our stakeholder universe includes a broad range of stakeholders with an interest in our business, products, activities and initiatives, as well as those who can influence, benefit from or be impacted by the performance and activities of our business. Whilst we consider the entire universe of stakeholders in our engagement planning, we focus our reporting on key stakeholder groups.

The section that follows provides a brief overview of these key stakeholder groups, associated risks and how we create value for them.

*Refer to page 49 for more information on associated risks*



# OUR STAKEHOLDER ENGAGEMENT CONTINUED

## COMMUNITIES

### HOW WE CREATE VALUE

We aim to collaborate proactively with communities to build local opportunities and strengthen resilience through meaningful relationships and investments, so that communities end up better off because of our presence. This includes:

- Investing in social and economic development initiatives that positively impact their lives, with a focus on Early Childhood Development (ECD), education, enterprise development (ED), hunger alleviation, and social cohesion (such as the Selati Cup and Selati Marathon)
- Programmes that aim to engage, uplift and capacitate various stakeholders to better meet the rights and needs of young children
- Actively empowering Supplier Development (SD) to contribute to our value chain
- Actively empowering ED programmes to contribute to our value chain where possible, or by linking them to other economic opportunities
- Assisting promising high school learners through the Star Schools initiative in Nkomazi and Pongola

### HOW WE ENGAGE

- Community-based joint ventures (CBJVs) with land claim beneficiary communities and supplier development partnerships with small-scale farmers, contract growers and community enterprises, and regular CBJV board and partnership meetings
- Social development initiatives facilitated by the DO MORE FOUNDATION
- Collaborative partnerships with NGOs, NPOs, government departments, community leaders and other businesses
- Provision of support services and training to growers and farmers
- Direct engagements via meetings and training, and indirect engagement via our social partners driving project implementation

### KEY ISSUES

- Unemployment, especially among youth
- Need for skills transfer and ED
- Food insecurity for families
- Community ECD support
- Community nutrition and collaborative solutions
- Need for expertise with regard to ECD and ED issues
- Service delivery and infrastructure decay, and the growing need for business to step in to find solutions

### LINKED TO KEY RISKS

5 Business interruption – Supply Chain

8 Societal risks and unrest

### QUALITY OF THE RELATIONSHIP

**We have a good relationship with the communities around our operations, evidenced by their recognition of our impact on supplier/economic development in our grower communities, and the impact of our DO MORE FOUNDATION on community social development**

### OUR RESPONSE

- Providing over 12 million meals to vulnerable communities through product donations and the DO MORE FOUNDATION in the past year
- Through the DO MORE FOUNDATION, implementing multi-stakeholder social and economic development initiatives in 8 communities near our operations – up from 4 in 2022
- Providing early learning support to young children, as well as parenting/caregiver support
- Empowering our sugar grower communities through sustainable farming programmes and interconnected business models
- Stepping in when necessary to help restore services after infrastructure failures

# OUR STAKEHOLDER ENGAGEMENT CONTINUED

## CONSUMERS

### HOW WE CREATE VALUE

We strive to create value for our consumers by building brand trust through:

- Keeping abreast of changes in consumer trends, habits and behaviour. These include a greater emphasis on value for money in the current economic climate, as well as convenience and "better for me" products driven by lifestyle and health considerations
- Providing a growing portfolio of leading food brands that meet consumers' changing needs
- Changing media habits make it imperative for us to balance our media spend toward digital to maximise our engagement with consumers
- Providing our consumers with safe, high-quality food products supported by international quality and food safety standards in all our facilities
- Embedding International Standards Organisation (ISO) principles into our integrated management systems across the supply chain
- Complying with relevant regulatory requirements
- Providing consumers with opportunities to DO MORE to make a positive difference in their families and community

### HOW WE ENGAGE

- 24-hour RCL FOODS Consumer Care Line
- Multiple traditional and social media platforms
- E-commerce sites of retail partners and independent platforms (e.g. Takealot)
- Our website: www.rclfoods.com

### KEY ISSUES

- Product quality and food safety
- Product affordability
- Product convenience
- Compliance with issues regulated by the government (e.g. labelling, salt, sugar, and packaging waste)
- Support for social development
- Products supporting health and wellness
- Growing awareness of environmental issues and companies' related responsibilities

### LINKED TO KEY RISKS

- 2 Reduced demand
- 3 Pricing pressure
- 5 Business interruption – Supply Chain
- 7 Food and product safety
- 8 Societal risks and unrest
- 9 Non-availability of IT systems
- 11 Non-compliance with legislation
- 12 Business interruption – Health and Safety

### QUALITY OF THE RELATIONSHIP

**We have a positive relationship with consumers, as evidenced by our growing market shares; positive engagement with our brands and the DO MORE FOUNDATION on our social media platforms; and a declining number of consumer complaints, coupled with speedy resolution of valid complaints**

### OUR RESPONSE

- Continuously strengthening our food safety and quality assurance in line with international best practice
- Innovating to offer greater convenience within our product ranges
- Providing a broad range of affordably-priced, staple food products and competitively-priced household brands, and tiering our portfolio to increase our value ranges
- Complying with relevant regulatory requirements
- Constructively engaging with regulators to positively influence standard setting
- Offering a range of plant-based products
- Leveraging our newly established Consumer Marketing Insights capability to improve our understanding of consumer needs and innovate faster to meet them
- Investing in technology that allows the innovation capabilities to keep abreast of changing needs
- Increasing focus on Environmental, Social and Governance (ESG) sustainability
- Leveraging the growing reputation of the DO MORE FOUNDATION to inspire consumers (and companies they represent) to support its social development initiatives

# OUR STAKEHOLDER ENGAGEMENT CONTINUED

## CUSTOMERS

### HOW WE CREATE VALUE

- We strive to meet our customers' needs by partnering with them to provide growth opportunities that further their business objectives
- Co-sponsoring the Young Chef and Baker challenge to build the skills of tomorrow and create an affinity for our products
- Partnering with Siqalo Foods to rebuild the hospitality sector through the Sekela Hospitality Support programme

### HOW WE ENGAGE

- Weekly or monthly interventions with customers and periodic meetings with our retail, wholesale and food service customers' senior leaders
- Joint strategic business planning sessions, which include joint forecasting and promotions plans
- Dedicated sales interface team that uses "best in class" service methodologies
- Joint innovation programmes

### KEY ISSUES

- Product quality and food safety
- Revenue growth and profitability
- Responsiveness of RCL FOODS
- Tailored sales solutions
- Mutually beneficial partnerships
- Service levels
- Multiple price increases required in the past year

### LINKED TO KEY RISKS

1 Energy security and pricing
2 Reduced demand
3 Pricing pressure
5 Business interruption – Supply Chain
7 Food and product safety
8 Societal risks and unrest
9 Non-availability of IT systems
11 Non-compliance with legislation
12 Business interruption – Health and Safety

**QUALITY OF THE RELATIONSHIP**

**We have an excellent relationship with our customers. Multiple awards from valued customers point to high satisfaction levels**

### OUR RESPONSE

- A single sales force interface that drives common ways of working across all RCL FOODS customer teams with "best in class" service methodologies
- Using data insights to create stronger and more responsive plans
- Leveraging our enhanced capabilities to provide our food service customers with a growing and profitable portfolio of solutions
- Providing technical expertise and support in the animal feed and industrial flour sectors
- Expanding our basket to offer a broader range of product solutions
- Selective provision of private label brands in certain categories
- Developing products that minimise wastage and support margins
- Expanding our customer base to provide the same service excellence to export partners

# OUR STAKEHOLDER ENGAGEMENT CONTINUED

## EMPLOYEES

### HOW WE CREATE VALUE

We aim to foster wellbeing and belonging through an inclusive workplace that attracts, respects and invests in people. We strive to create value for our people through:

- Embedding our Purpose in everything we do
- Creating employment and growth opportunities
- Actively prioritising diversity and inclusivity
- Investing in training and development to build a high-performance culture
- Greater utilisation of digital tools for learning and development
- Promoting employee health, safety and wellbeing in the workplace
- Actively driving transparent, open and meaningful engagement with employee representative forums
- Investing in effective communication channels to connect with our people wherever they are
- Through the DO MORE FOUNDATION, providing a channel for RCL FOODS employees to contribute to the upliftment of vulnerable communities via monthly payroll deductions, participation in the Foundation's various annual campaigns, and acknowledging those who regularly volunteer in their communities

### HOW WE ENGAGE

- Daily communication through our digital communication channels
- Regular management updates via live and virtual presentations and other communication channels
- Employee satisfaction and feedback surveys
- Tailored skills development and training
- Ongoing engagement with employee representative forums
- Hayibo employee tip-off hotline
- Wellness days enabling employees to engage with various service providers
- Occupational healthcare clinics at our main operating sites and mobile clinics for outlying sites
- Our DO MORE HEROES, the on-site "cheerleaders" for DO MORE FOUNDATION programmes and events

### KEY ISSUES

- Career development and growth
- Education and training
- Diversity, equal opportunities and inclusivity in the workplace
- Constructive employee relations and engagement
- Employee health, safety and wellness
- Remuneration and benefits
- Making a difference in the community
- How the strategic transformation will impact job stability and/or create opportunities for career development
- Remote working
- Future employee value creation scheme

### LINKED TO KEY RISKS

- 5 Business interruption – Supply Chain
- 7 Food and product safety
- 8 Societal risks and unrest
- 9 Non-availability of IT systems
- 11 Non-compliance with legislation
- 12 Business interruption – Health and Safety

**QUALITY OF THE RELATIONSHIP**

**We have a generally positive relationship with our employees**

### OUR RESPONSE

- Building a community of inspirational and productive people with a common passion
- Connecting with almost 12 700 employees via our *Let's Talk* mobile communication app and our *Let's Talk* Live webinars, allowing extensive engagement with management
- Rolling out Diversity and Inclusivity Conversation Circles across the business
- Launched the "Safety – a way of life" campaign
- Assisting with the wellbeing of our staff and their families through the free Employee Assistance Programme, YouMatter
- New organisational structure and strategic capabilities create opportunities for staff promotion and advancement, as well as transformation
- Our new agile, hybrid working model at National Office, MORE FLEX
- Implementing our strategy to ensure competitive remuneration
- Exploring options for tangible value creation for employees
- Employee involvement events and initiatives through the DO MORE FOUNDATION
- Annual DO MORE HEROES Conference to engage with heroes' feedback, plan together and acknowledge their support

# OUR STAKEHOLDER ENGAGEMENT CONTINUED

## GOVERNMENT

### HOW WE CREATE VALUE

RCL FOODS is proudly South African and we believe in the potential of our country. We are committed to building it, and have pledged to partner with Government and South African business leaders to address some of the current challenges facing our country, in order to achieve sustainable, inclusive economic growth. We believe that through partnership and focused interventions, we can make a significant positive impact.

We are committed to supporting Government by collaborating to achieve the goals of the National Development Plan (NDP), including food security, by:

- Contributing to fiscal revenue and sustainable employment for our people
- Supporting the transformation agenda
- Operating our business ethically and ensuring good governance practices
- Advancing Government's social and economic development agenda through social and economic partnerships in communities near our operations

We are also committed to playing our part in enhancing the sustainability of the South African poultry and sugar industries through our participation in their respective master plans.

### HOW WE ENGAGE

- Direct engagement on key issues
- Joint planning sessions
- Meetings with local government and government departments
- Participating in industry structures
- Periodic reporting in the form of annual and interim reports
- Regular communication by the DO MORE FOUNDATION on its multi-stakeholder programmes

### KEY ISSUES

- Sustainability of the sugar industry in particular, given the uncertainty surrounding the outcome of the business rescue proceedings of Tongaat Hulett Sugar and Gledhow Sugar Company
- Energy and water security
- Infrastructure
- Alignment on industry growth and development plans
- Sustainable land reform
- Industry transformation
- Ongoing compliance with regulatory framework
- Employment creation and transformation
- Food security
- Equitable contribution to government taxes
- Early Childhood Development and implementation of the National Integrated Early Childhood Development (NIECD) Policy

### LINKED TO KEY RISKS

1 Energy security and pricing
3 Pricing pressure
5 Business interruption – Supply Chain
7 Food and product safety
8 Societal risks and unrest
11 Non-compliance with legislation
12 Business interruption – Health and Safety

### QUALITY OF THE RELATIONSHIP

**Our DO MORE FOUNDATION's relationship with the national and provincial departments of Health, Social Development and Basic Education has been strengthened through its multi-stakeholder partnerships in Nkomazi, Hammarsdale, Pongola, Worcester and other areas**

**RCL FOODS works constructively with Government on matters of mutual interest. Our relationship has strengthened through the pandemic, the riots and the flooding, and is becoming more collaborative due to the need to ensure food security and social stability**

### OUR RESPONSE

- Playing our part to help address key challenges in South Africa through partnerships with government and other stakeholders. These include:
  - » Active engagement with Government and industry to deal with issues of food security
  - » Ongoing input towards implementation of the master plans for the poultry and sugar industry

  *Refer to page 69 for more information*

  - » Through the DO MORE FOUNDATION, collaborating with Government to implement the NIECD Policy
- Ensuring transformation in our mill areas through sustainable land reform and community economic development
- Monitoring of all compliance requirements and engagement with Government to understand any proposed changes

# OUR STAKEHOLDER ENGAGEMENT CONTINUED

## INVESTORS AND FUNDERS

### HOW WE CREATE VALUE

We strive to provide our investors and funders with value through:

- Consistent financial returns in the form of dividends and share price growth
- Effective management of our financial resources and appropriate capital allocation decisions
- Strict compliance with debt covenants and repayment schedules
- Balanced disclosure to keep investors and funders informed of our progress
- Regular engagement to remain informed of stakeholder views

### HOW WE ENGAGE

- Periodic investor briefings, group and individual meetings, conferences, announcements and reports
- Regular engagement with investors, analysts and fund managers which includes strategy updates
- Direct engagement with shareholders on proposed resolutions prior to annual and extraordinary general meetings
- Annual General Meeting
- Dedicated investor section at www.rclfoods.com

### KEY ISSUES

- High input costs increasing cash flow requirements
- Load-shedding implications on service levels, running costs and additional capital expenditure requirements
- The need for improved and more sustainable returns
- RCL FOODS' strategic portfolio review, its implications and its timing
- Concerns that an unbundled RCL FOODS will be smaller and its shares more illiquid
- Products and categories targeted for acquisitions
- The turnaround of the Chicken business and the end goal for Rainbow
- ESG sustainability
- The need for regulatory intervention in the poultry and sugar industries, and whether the master plans are durable solutions
- The opportunity in plant-based foods
- The cost and impact of social unrest and flooding
- Implications of the portfolio reshaping on the capital structure and funding requirements
- Risks and opportunities in the rise of private label products

### LINKED TO KEY RISKS

1. Energy security and pricing
2. Reduced demand
3. Pricing pressure
4. Commodity pricing pressure
5. Business interruption - Supply Chain
6. Water security and pricing
7. Food and product safety
8. Societal risks and unrest
9. Non-availability of IT systems
10. Industrial action
11. Non-compliance with legislation
12. Business interruption – Health and Safety

**QUALITY OF THE RELATIONSHIP**

**We have a mutually beneficial relationship, with robust and healthy engagement between ourselves and equity as well as debt stakeholders**

### OUR RESPONSE

- Conclusion of the disposal of Vector Logistics
- Communicated progress with the managed separation and value-added growth strategy in the interim and annual results and investor events, as well as in the CEO's Report on page 4
- Continued support for the Rainbow business, with clear communication on progress with its turnaround
- Continued to support the development of the plant-based protein category through the LIVEKINDLY Collective Africa joint venture
- Acquired the Sunshine Bakery business as part of our strategy to grow our value-added business
- Launched our new Purpose and Vision and embedded our new sustainability strategy in our business strategy in 2023
- Ongoing engagement with government and industry to improve the sustainability of the local poultry and sugar industries via the respective Master Plan structures
- Rapid and proactive response to disruptive social and climatic events
- Hedging instruments employed to manage exposure to raw material and currency fluctuations
- Balance sheet impact of proposed strategic actions is carefully assessed as part of the business case

# OUR STAKEHOLDER ENGAGEMENT CONTINUED

## MEDIA

### HOW WE CREATE VALUE

We see the media as a valued partner in relaying relevant information to our broader stakeholder community.

### HOW WE ENGAGE

- Press releases
- Advertising
- Responses to media enquiries
- Face-to-face, telephonic and online engagement
- Interviews with the CEO, CFO and other key executives
- Product launches
- Our website: www.rclfoods.com
- DO MORE FOUNDATION website: www.domore.org.za

### KEY ISSUES

- RCL FOODS' news and operational and financial performance
- Current industry issues
- Current consumer issues
- CSI initiatives
- Environmental sustainability initiatives
- Impact of disruptive events

### LINKED TO KEY RISKS

1 Energy security and pricing
7 Food and product safety
8 Societal risks and unrest
11 Non-compliance with legislation

### QUALITY OF THE RELATIONSHIP

**We maintain a relationship of mutual trust with most media entities as we strive to respond to all reasonable requests for information transparently and without undue delay**

### OUR RESPONSE

- Enhanced media engagement through our Corporate Brand department
- All queries responded to within a specified period
- Access to the CEO and CFO for editors and journalists
- Increased participation in industry-related issues
- Via the DO MORE FOUNDATION, ongoing sponsorship of positive parenting radio programmes

# OUR STAKEHOLDER ENGAGEMENT CONTINUED

## SUPPLIERS

### HOW WE CREATE VALUE

- RCL FOODS currently has 13 607 active vendors across the Group and we target to contract manage 85% of the value we spend. These suppliers supply us with over 340 sourcing categories across our business and are key to our value chain
- Category Management allows the business to deal with "best in class" suppliers who use the latest technology and have a responsible environmental footprint. Category management allows us to better understand our supplier markets, identify potential risks and help design strategies to mitigate business risk
- We strive to create value for our suppliers by promoting enterprise development through the responsible purchase of goods and services from B-BBEE accredited suppliers

### HOW WE ENGAGE

Regular supplier review meetings and analysis allow us to give suppliers feedback on how they are performing against our key service level agreements (SLAs) regarding on-time delivery and product quality. We exchange valuable category information that enables us to manage risk, cost and waste and ensure continuous improvement

### KEY ISSUES

- Understanding the key supplier markets and where they source their inputs helps identify potential opportunities and risks
- Creating a win-win partnership with our suppliers, during difficult economic conditions
- Certain spend categories lack local accredited suppliers of certain key ingredients and materials in the South African market, hence reliance on non-accredited and/or international suppliers
- Ability to guarantee supply to RCL FOODS in terms of meeting the minimum requirements of food safety
- Local and international disruption of the material supply chain due to pandemics or supply issues at local or international level

### LINKED TO KEY RISKS

1 Energy security and pricing
3 Pricing pressure
4 Commodity pricing pressure
5 Business interruption – Supply Chain
9 Non-availability of information systems
11 Non-compliance with legislation

**QUALITY OF THE RELATIONSHIP**
**On the whole, our supplier relationships are strong and collaborative**

### OUR RESPONSE

- Implementing co-created sourcing strategies that can unlock opportunities, reduce risk and identify substitute materials
- Strong partnership-based supplier relationships allowing the business to identify potential product improvements, improve efficiency throughout the supply chain and reduce total cost delivered
- Continued support to develop domestic farmers through our interconnected business models
- Focusing on trying to grow the opportunity for Qualifying Small Enterprise (QSE) and Exempt Micro Enterprise (EME) suppliers within the overall supply chain
- R13,9 billion spent with B-BBEE compliant suppliers in the 2023 financial year

# Unpacking our value creation
# OUR MATERIAL RISKS

Over the past year, our operations have been subject to a remarkably dynamic environment, emphasising the need for adaptability and resilience. In this ever-changing landscape, opportunities and risks emerge and transform continuously. To address these challenges effectively, we have implemented robust Enterprise Risk Management (ERM) processes to enable us to actively identify, evaluate, and navigate both opportunities and risks.

This proactive approach empowers us to stay agile and responsive in our decision-making and is key to the sustainability of our organisation. Our risks are managed in line with the RCL FOODS Risk Methodology and oversight is provided by our Board's Risk Committee. The Board recognises that our risk management processes are effective, both in continuously assessing risks, and in ensuring that they are managed in line with our Business Strategy.

## KEY INSIGHTS

Over the past year, the South African economy has faced a series of global and local disruptions, including slowing global growth, geopolitical tensions, acute power challenges, inefficiencies in state-owned enterprises and extreme weather events. At the end of 2022, there were still close to half a million fewer jobs than at the end of 2019. Inequality remains among the highest in the world, with the unemployment rate currently sitting at record highs. These trends have prompted growing social demands for government support, which places pressure on the sustainability of public finances. Manufacturing production remains muted, as load-shedding and transport bottlenecks intensify. Socio-economic challenges have been further exacerbated by rising fuel and food prices, which disproportionately affect the poor. All of these factors play a direct role in increasing the inherent risks faced by RCL FOODS.

**The challenges we face also create opportunities for us to:**

- continue to develop affordable and innovative solutions for cash-strapped consumers;
- leverage digital technology to create a more connected and insight-driven business;
- grow awareness of plant-based options as a sustainable protein alternative;
- reduce our water and energy use;
- decrease our waste to landfill and increase recycling, especially of plastics;
- reduce our reliance on imports by sourcing locally produced raw materials;
- be a positive influence in the communities in which we operate through our social and economic development initiatives; and
- expand our nutritional provision to vulnerable young children through the delivery of nutritionally enhanced DO MORE Porridge.

## TOP RISKS IN 2023

Through our ERM process we have identified the most material risks that have the potential to significantly impact our business performance and strategic advancement. These were derived from a series of interviews and workshops with senior leadership, and were carefully deliberated and agreed upon by the Risk Committee.

The majority of the identified risks hold the capacity to either currently or imminently affect our Group's operations and overall performance. Notably, a significant portion of these key risks falls within the realms of Economic and Business Interruption. It is worth mentioning that Business Interruption risks are more controllable compared to Economic risks.

The Economic risks are predominantly driven by factors such as weak economic growth, high unemployment rates, fluctuations in exchange rates, food price inflation, and spikes in energy prices. By addressing these identified risks head-on, we can proactively manage our business well-being and foster resilience against potential challenges in the ever-changing economic landscape.

IAR *Refer to page 34 for icon references*

| | RISK NAME | RISK CATEGORY |
|---|---|---|
| 01 | Energy Security and Pricing | Business Interruption |
| 02 | Reduced Demand | Economic |
| 03 | Pricing Pressure | Economic |
| 04 | Commodity Pricing Pressure | Economic |
| 05 | Business Interruption – Supply Chain | Business Interruption |
| 06 | Water Security and Pricing | Climate Change/ Business Interruption |
| 07 | Food and Product Safety | Societal |
| 08 | Societal Risks and Unrest | Societal |
| 09 | Non-availability of IT Systems | Business Interruption |
| 10 | Industrial Action | Business Interruption |
| 11 | Non-compliance with legislation | Compliance |
| 12 | Business Interruption – Health and Safety | Business Interruption |

GOV *Refer to the Corporate Governance Report, available at www.rclfoods.com/financial-results-and-reports-2023*

SBR *For further information refer to our Sustainability Report*

# OUR MATERIAL RISKS CONTINUED

## 01

STAKEHOLDERS:

## ENERGY SECURITY AND PRICING

The energy crisis and the consideration of a total grid collapse in South Africa is a material risk factor that has the potential to result in a significant profitability shock for the Group. The unprecedented levels of load-shedding that the country is experiencing has escalated the inherent risk ratings of the "Energy Security and Pricing" risk across all operating units.

### RISKS

**This risk is driven by our need for continuous energy to run our operations. Inadequate generation capacity by Eskom, combined with ageing infrastructure, inadequate maintenance and replacement plans by Eskom and municipalities, has seen increased disruption to power supply due to load-shedding.**

### RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Installation of generators/alternative power at the majority of sites
- Dedicated Sustainability team proactively drives our sustainability agenda, focusing largely on energy, water and waste
- Inclusion of Sustainability in our Group Strategy, with progress against targets monitored by the Group Executives and Risk Committee
- Robust strategic planning to ensure Group operations are resilient against energy shortages
- Implementation of energy efficiency and conservation projects
- Opportunity to wheel power
- Opportunity to expand rollout of renewable energies

CAPITALS:

## 02

STAKEHOLDERS:

## REDUCED DEMAND

The macro-economic environment presents us with mounting challenges as we face growing pressure to meet heightened customer expectations for our products and services. The ever-changing landscape of consumer tastes and preferences adds to the complexity, increasing the risk of customers shifting their loyalty to competitor products.

### RISKS

- **Decrease in demand from key customers**
- **Loss of key customers due to customer pressures/changes in operating environment/economic pressures**
- **Increased competition resulting in declining market share of product categories**
- **Changing consumer buying behaviours attributable to lower household disposable income**

### RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Strong focus on rebuilding volumes in channels and categories impacted by lockdowns
- Continuous monitoring of external market trends and collation of consumer and customer insights to develop category and brand strategies
- Continuous investment in research and development (R&D) and product/brand development
- Building and maintaining trading relationships across all customers
- Development of joint engagement plans with key customers that include innovation development and customer service objectives
- Group marketing and sales capabilities
- Innovation and value-added launches to drive and enable growth and differentiation
- Establishing, monitoring and enhancing relationships between our brands, customers and consumers to ensure value creation for all stakeholders
- Opportunity to build brand equity and clearly differentiate our products in the minds of the consumer

CAPITALS:

# OUR MATERIAL RISKS CONTINUED

## 03 PRICING PRESSURE

STAKEHOLDERS:

The Group is persistently confronted with prevailing macro-economic challenges, leading to escalating costs that prove difficult to transfer to consumers. Compounding this is inadequate tariff protection on imports and external pressures adversely affecting the sugar and poultry sectors. A special levy raised by the South African Sugar Association (SASA) on the Group's Sugar business unit, attributed to the business rescue proceedings at Tongaat Hulett Sugar, adversely impacts on profitability.

### RISKS

- **Pricing pressure driven by significant input cost hikes**
- **Oversupply of chicken in the local market due to imports**
- **Exposure to sugar price variations (i.e. world sugar price volatility)**
- **The impact of the Health Promotion Levy (HPL) (also known as Sugar Tax) reducing demand**
- **Special levy raised by SASA**

### RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Emphasing cost reductions, operational effectiveness and increasing cost competitiveness
- Robust strategic planning that positions us to proactively address pricing pressure risks
- Strong focus on commodity procurement
- Building brand equity through innovation and marketing initiatives
- Forward integration of flour and sugar to reduce exposure to market fluctuations
- Supporting the industry transformation agenda with South African Poultry Association (SAPA) and South African Sugar Association (SASA)
- Supporting the poultry and sugar industry master plans
- Establishing solid partnerships with key customers
- New acquisition opportunities to build scale and dilute costs
- Ongoing engagement with government to find appropriate solutions for all stakeholders

CAPITALS:

## 04 COMMODITY PRICE FLUCTUATIONS

STAKEHOLDERS:

Our product costs are intricately tied to the prices of underlying commodities and raw materials essential for their manufacturing. Inherent in this correlation is our heightened exposure to commodity pricing risk, which is further influenced by currency fluctuations resulting from political uncertainty, shifts in global and local market conditions increasingly impacted by the war in Ukraine, and adverse climate conditions.

### RISKS

- **Volatility of raw material prices due to exchange rate fluctuations**
- **Volatility of raw material prices due to supply and demand movements locally and globally**
- **Unavailability of raw materials in the local market**
- **Changes in global and local market conditions**
- **Uncertainty or adverse events in the political landscape**
- **Adverse climate conditions**

### RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Strong governance and risk management principles applied and entrenched within business processes
- Clear procurement strategy in place, guided by the Divisional Procurement Policy
- Monthly meetings of Commodity Procurement Committee to review strategy, prices and mandates
- Monthly comparison of raw material prices against South African Futures Exchange (SAFEX) market prices and competitors
- Annual internal review performed on commodity procurement processes
- Strong governance and risk management principles applied and entrenched within business processes
- Opportunities constantly investigated for local supply of raw materials to reduce reliance on imports

*For detail on commodity price activity, refer to the CFO's report from page 71.*

CAPITALS:

# OUR MATERIAL RISKS CONTINUED

## 05

STAKEHOLDERS:

## BUSINESS INTERRUPTION – SUPPLY CHAIN

Supply chain business interruption risk refers to the potential disruptions that can occur within the flow of goods, services, and information from suppliers to customers. These disruptions can be caused by various factors such as natural disasters, supplier issues, transportation problems, and demand-supply imbalances. When the supply chain is disrupted, it can lead to delays in production or delivery, increased costs, and negative impacts on our company's operations and financial performance.

### RISKS

- **Disease outbreak impacting our chicken flock**
- **Supply disruption due to shortage of raw material supply**
- **Global geopolitical risk events (currently, prolonged Russia-Ukraine war) impacting the availability of raw materials**
- **Fire in plant/warehouse**
- **Business interruption due to failure in critical equipment**

### RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Enhanced biosecurity controls emphasised across all Rainbow sites
- Adherence to good farming practices and extensive precautionary measures to ensure chicken flock health
- Continuous engagement with customers and suppliers
- Business continuity plans in place for key suppliers
- Business continuity and disaster recovery plans in place to deal with major incidents or crises
- Close engagement with external risk assessors and insurers to ensure that all facilities have adequate fire detection and prevention measures in place
- Appropriate insurance in place to reduce the impact of insurable events

CAPITALS:

## 06

STAKEHOLDERS:

## WATER SECURITY AND PRICING

Water security risk pertains to the potential scarcity or disruption in the supply of water that could affect our company's ability to operate smoothly. Factors such as climate change, droughts, pollution, and competing demands for water resources can all contribute to water scarcity. The current water challenges in South Africa are a material concern to the Group as they directly impact on the ability of our operating units to function.

### RISKS

- **Climate change has the potential to fundamentally disrupt the food industry across the globe and specifically within Africa. Failure to adapt to, or deliver an effective mitigation strategy in response to climate change could have significant impact on the Group's ability to meet its strategic objectives**
- **Ageing infrastructure, with inadequate maintenance and replacement plans by municipalities, further elevates the risk of disruption due to lack of water**
- **Extended periods of load-shedding also increase the likelihood of suitable municipal water not being available**

### RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Sites have installed backup water storage tanks and where possible installed boreholes
- Dedicated water tankers available at certain sites within the Group
- Dedicated Sustainability team proactively drives our sustainability agenda, focusing largely on energy, water and waste
- Inclusion of Sustainability in our Group Strategy, with progress against targets monitored by the Group Executives and Risk Committee
- Robust strategic planning to ensure operations are resilient against water shortages
- Implementation of water efficiency and conservation projects e.g. replacement of inefficient irrigation systems
- Detailed review of water reliance and resilience performed at key sites. This review identified the site's level of reliance on municipal infrastructure, as well as its water catchment area, to build long-term plans for sustainability

CAPITALS:

*Refer to the Corporate Governance Report available at, www.rclfoods.com/financial-results-and-reports-2023*

# OUR MATERIAL RISKS CONTINUED

## 07 FOOD AND PRODUCT SAFETY

STAKEHOLDERS:

Ensuring food and product safety stands as a fundamental priority within our business, and we uphold a proactive approach to meet and exceed safety standards.

### RISKS

**Products could potentially be subjected to food or product hazards if not managed within the supply chain. Failure to meet product safety and quality standards could lead to:**

- **Reputational damage**
- **Product liability claims**
- **Product recalls**
- **Heightened expectations and oversight from key stakeholders**

### RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Robust, comprehensive product quality processes and controls in place
- All food production sites either FSSC 22000 or ISO 22000 certified, except for Sunshine Bakery sites where food safety compliance is verified by the Food Safety Agency (FSA)
- Food safety risks identified using the Hazard Analysis Critical Control Point (HACCP) methodology and managed through the implementation of pre-requisite programmes relevant to the scope of certifications
- Regular audits performed by Group Safety, Health, Environment and Quality (SHEQ), internal audit, independent risk consultants, customers and independent standards authorities
- Cleaning and hygiene procedures entrenched in business processes
- Procedures in place to prevent product cross-contamination
- Pathogen testing of products and processing environments
- Well-established and tested withdrawal, uplift and recall procedures
- Investment in new technology and equipment to further enhance food safety
- Ongoing Food Safety culture and awareness initiatives and training
- Food Safety initiatives also create opportunities to reduce waste and increase efficiencies

CAPITALS:

## 08 SOCIETAL RISKS AND UNREST

STAKEHOLDERS:

Our business faces significant risks related to societal protests, civil unrest, or turbulence in the external community. Such events could hamper productivity at our operations and adversely affect our performance.

The prevailing negative economic climate, compounded by the impact of load-shedding and municipal service delivery failures, adds to societal vulnerabilities and distress, increasing the risk of social unrest. The upcoming 2024 General Elections have also contributed to rising political instability, which is expected to further elevate the risk of social unrest.

A further emerging risk to be monitored is the trend of national shutdowns led by unions and/or political parties. These events have the potential to cause significant disruptions to our operations.

### RISKS

- **National shutdown attributed to political conflict**
- **Looting and violence**
- **Community disruption**
- **Criminal activity harming employees (e.g., armed robberies, hijackings)**
- **Supply chain disruption**
- **Loss of revenue and profitability**

### RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Maintaining good relationships with local communities, governments, customers and employees
- Monitoring the evolving public environment to identify potential political, reputational or security threats
- Minimising the business interruption impact through legal processes, with a coordinated and sustainable community engagement strategy underway
- Business continuity plans in place
- Strengthening employees' resilience through our YouMatter Employee Assistance Programme
- Increased gathering and use of security related information from various security providers

CAPITALS:

# OUR MATERIAL RISKS CONTINUED

## 09

STAKEHOLDERS:

## NON-AVAILABILITY OF INFORMATION TECHNOLOGY (IT) SYSTEMS

The increasing dependence on technology presents businesses with a spectrum of operational, security, and strategic risks. While embracing new technologies and innovative business practices like automation, artificial intelligence, blockchain, cloud computing, and the Internet of Things presents exciting opportunities, it also exposes us to additional risks concerning information security and business continuity. As we navigate this digital landscape, it becomes imperative to adopt comprehensive risk management measures to harness the potential benefits while safeguarding our operations and sensitive information.

### RISKS

- **Critical system downtime**
- **Cyber-attacks**
- **Unauthorised access, misuse and disclosure of sensitive information**

### RISK RESPONSE STRATEGIES AND OPPORTUNITIES

RCL FOODS' IT infrastructure is safeguarded through a robust and effective IT General Control environment which covers all the layers of the IT infrastructure. Assurance over the controls and processes is obtained through various reviews performed by both internal and external experts. Key controls at RCL FOODS include, but are not limited to:

- Segregation of duties
- Antivirus and malware protection
- Network and email security
- Data classification and retention
- Use of reputable service providers
- Secure configuration
- Incident management
- Managing user privileges
- Threat and vulnerability assessments
- Information security maturity assessments
- Ongoing training regarding cyber risk and information security
- Disaster recovery plans and back-up strategies
- External assurance of Information Technology Governance Controls (ITGC) performed for applicable business units
- Insurance cover in place to offset potential losses from cyber risk incidents
- Testing of controls by external service providers

CAPITALS:

## 10

STAKEHOLDERS:

## INDUSTRIAL ACTION

The risk of industrial action poses a concern to our company's operations and overall performance. Potential strikes, labour disputes, or work stoppages by employees can disrupt productivity, impact customer service, and lead to financial losses.

### RISKS

- **Loss of production and revenue**
- **Employee loss of pay/dismissal**
- **Negative publicity/ reputational impact**

### RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Continual engagements and relationship building with trade unions
- Maintaining good relationships with local communities, governments, customers and employees
- Monitoring the evolving public environment to identify potential political, reputational or security threats
- Minimising the business interruption impact through legal processes, with a coordinated and sustainable community engagement strategy underway
- Strike action plans in place
- Recognition and multiple year wage agreements in place at certain sites which detail terms of relationships with unions, ensuring stability
- Utilising our *Let's Talk* App to communicate directly with employees

CAPITALS:

# OUR MATERIAL RISKS CONTINUED

## 11

STAKEHOLDERS:

## NON-COMPLIANCE WITH LAWS AND REGULATIONS

The regulatory and compliance landscape within which we operate is complex and continuously evolving. As a company, it is vital for us to effectively manage compliance to safeguard our reputation and avoid potential fines and penalties. We recognise our responsibility to achieve and uphold compliance standards and have implemented comprehensive programmes, assurance activities, and various initiatives to support and reinforce our commitment to compliance. These measures play a pivotal role in ensuring that we operate responsibly, maintain the trust of stakeholders, and navigate the ever-changing regulatory environment with confidence.

### RISKS

- **Non-compliance with legislation and regulations, resulting in fines and penalties**
- **Possible reputational damage to brands and RCL FOODS Corporate Brand**

### RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- RCL FOODS Compliance framework to enable accountability for, prioritisation of and compliance to key legislation
- RCL FOODS Regulatory Universe established
- Identification of the Environmental and SHEQ compliance universe to ensure all sites are fully compliant. Where gaps are identified, plans are implemented to close them
- Ongoing provision of targeted training and awareness across the business
- Appropriate policies, systems, procedures and reporting
- Appointment of skilled technical resources and consultation with subject matter experts
- Combined assurance strategy whereby audits are performed by various internal and external independent bodies on various aspects of food and safety compliance, accounting, tax etc.
- Dedicated executive responsible for communication and correspondence with the media

CAPITALS:

*Refer to the Corporate Governance Report, available at www.rclfoods.com/financial-results-and-reports-2023*

## 12

STAKEHOLDERS:

## BUSINESS INTERRUPTION – HEALTH AND SAFETY

The Group continues to prioritise health and safety risks as a paramount concern. A concerning emerging trend of widespread criminal activities, including robberies and hijacking incidents, poses a potential threat to the wellbeing and safety of our employees. As a responsible employer, we are committed to proactively addressing these security challenges and implementing robust measures to safeguard our workforce.

### RISKS

- **Significant increase in absenteeism of employees due to infections/injuries**
- **Supply disruption due to shortage of labour**
- **Productivity and performance**
- **Loss of life**
- **Mental fatigue and workplace stress**

### RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Safety awareness initiatives such as Safety Days and Safety Culture Surveys
- Continuous health and safety education, training and communication
- Occupational healthcare clinics at our main operating sites and mobile clinics for outlying sites
- Implementation of YouMatter Employee Wellness Programme
- On-site Hazard Incident Risk Assessments (HIRA) and Hazard and Operability Analysis (HAZOP) are continuously updated to track corrective and preventative actions

CAPITALS:

# Unpacking our value creation
# OUR LEADERS



## EXECUTIVE DIRECTORS

### 1 PD (PAUL) CRUICKSHANK (49)

**Chief Executive Officer**

*CA(SA)*

**Appointed:** December 2021

**Directorships:** RCL Foods Limited and its subsidiary companies

Paul is a Chartered Accountant, and began his career as an auditor with Deloitte South Africa before joining Rainbow Chicken Limited in 2004 as Group Financial Manager. In his 19 years with RCL FOODS he has gained extensive experience in commercial, supply chain and operational directorship roles across the business, culminating in his current position.

### 2 RH (ROB) FIELD (52)

**Chief Financial Officer**

*CA(SA)*

**Appointed:** July 2004

**Directorships:** RCL Foods Limited and its subsidiary companies

Rob is a Chartered Accountant who qualified with Deloitte & Touche in Durban. Prior to joining Rainbow Chicken Limited in May 2003, he spent four years as Commercial Director of Robertsons Homecare Proprietary Limited.

## NON-EXECUTIVE DIRECTORS

### 3 JJ (JANNIE) DURAND (56)

**Non-executive Chairman**

*BAcc (Hons), MPhil (Oxon), CA(SA)*

**Appointed:** March 2010

**Directorships:** Chief Executive Officer of Remgro Limited. He also serves as a non-executive director on a number of companies including Distell Group Limited; Rand Merchant Investment Holdings Limited, where he serves as Chairman; and Mediclinic International Limited where he serves as a non-executive director

Jannie is a Chartered Accountant and holds a M.Phil. in Management Studies from Oxford University. Previously, he served as the Chief Investment Officer of Remgro Limited, as well as the Financial Director and Chief Executive Officer of VenFin Limited. Prior to his appointment as Chairman, Jannie has served as Chairperson of the Board since June 2012.

### 4 HJ (HEIN) CARSE (62)

**Non-executive director**

*M Eng (US), MBA (UP)*

**Appointed:** February 2013

**Directorships:** Air Products SA Proprietary Limited, eMedia Investments Proprietary Limited, Seacom Limited, Historical Homes of South Africa Limited

Hein joined Rupert International in 1996 and continued to serve the Remgro Group as an investment executive, first of VenFin Limited and then Remgro Limited. He has gained extensive knowledge through holding positions on various boards and committees during his career.

### 5 GP (GUGU) DINGAAN (47)

**Independent non-executive director**

*BCom (Acc), Post Graduate Diploma in Accounting, CA(SA)*

**Appointed:** November 2022

**Directorships:** Various of WIPHOLD's investee companies

Gugu is a Chartered Accountant and holds executive development certificates from Stellenbosch Business School and INSEAD. Gugu is an investment executive at WIPHOLD, and has experience in corporate finance and investments spanning over 20 years.

### 6 GCJ (KEES) TIELENIUS KRUYTHOFF (55)*

**Independent non-executive director**

*Business Economics (Erasmus University, Rotterdam, Netherlands)*

**Appointed:** April 2020

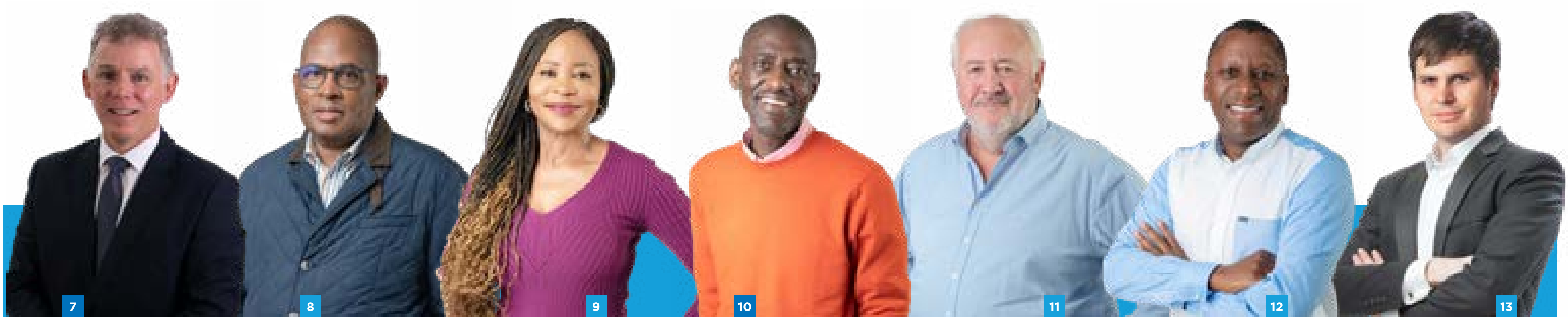
**Directorships:** Past Chairman and Chief Executive Officer for The LIVEKINDLY Collective, Chairman of MrGreenAfrica, Senior Advisor Bain Capital, Executive Chairman Nicoya, Founder – Imagine

Kees is a uniquely global leader with extensive experience in brand building, strategic direction and performance management, and strategically repositioning businesses for growth. He is a passionate believer in business as a force for good and is committed to global food transformation. He was previously General Manager of Unilever South Africa, General Manager of Unilever Brazil, President of Unilever North America and President of Unilever Home Care Division.

**Dutch*

AUDIT COMMITTEE · REMUNERATION AND NOMINATIONS COMMITTEE · RISK COMMITTEE · SOCIAL AND ETHICS COMMITTEE · C CHAIRPERSON

# OUR LEADERS CONTINUED




## 7 PR (PIETER) LOUW (54)

**Non-executive director**

*CA(SA)*

**Appointed:** December 2008

**Directorships:** Various wholly-owned subsidiaries within the Remgro Group and Heineken Beverages

Pieter is a Chartered Accountant who qualified with PricewaterhouseCoopers Inc. in Stellenbosch, before joining the Remgro Group in 2001. He is currently Head of Corporate Finance.

## 8 NP (PETER) MAGEZA (68)

**Independent non-executive director**

*ACCA (UK)*

**Appointed:** September 2009

**Directorships:** Anglo American Platinum Limited, Remgro Limited, SAPPI Limited

Peter was formerly the Chief Operations Officer of the Absa Group. He is a Chartered Certified Accountant and a Fellow of The Association of Chartered Certified Accountants (ACCA) UK. He has gained extensive experience through holding various executive positions in the audit, financial services and the transport and logistics sectors.

## 9 PM (PENNY) MOUMAKWA (59)

**Independent non-executive director**

*MBChB, MAP (Wits), GMP (Harvard)*

**Appointed:** January 2019

**Directorships:** Mohau Equity Partners, Growthpoint Healthcare Properties, Clicks Group and Wits Donald Gordon Medical Centre

Penny is the Chief Executive Officer and Founder of Mohau Equity Partners, a long-term investment vehicle, in partnership with Discovery.

Previously she worked in multiple senior executive roles within Discovery and served on the Central Executive Committee as well as on the board of Discovery Health.

## 10 DTV (DERRICK) MSIBI (54)

**Independent non-executive director**

*BBusSc (Hons), BCom (Hons), MCom, CA(SA)*

**Appointed:** August 2013

**Directorships:** STANLIB Asset Management Proprietary Limited, STANLIB Wealth Proprietary Limited, STANLIB Collective Investments Proprietary Limited, Real People Investment Holdings Proprietary Limited, Real People Assurance Company Limited and Bakwena Platinum Concessionaire Company Proprietary Limited

Derrick is currently Chief Executive Officer of STANLIB Asset Management and Executive for the Asset Management Cluster of Liberty Group Holdings Limited. He previously served as the managing director of Investment Solutions (now known as Alexander Forbes Investments), the investment services arm of the Alexander Forbes Group from 2009 to 2017. He was also joint head/leader of the Institutional Business Cluster of the Alexander Forbes Group. Derrick, a Chartered Accountant, serves on the boards and committees of entities forming the Asset Management Cluster of the Liberty Group. He is an independent investment committee member of Trinitas Private Equity Fund and was previously a board member of TSIBA Education, a scholarship-only tertiary institution registered with the Department of Higher Education.

## 11 GM (GEORGE) STEYN (64)

**Independent non-executive director**

*BA (Law) LLB*

**Appointed:** August 2013

**Directorships:** Du Toit Group Proprietary Limited (Chairman) and Kaap Agri Limited (Chairman)

George has extensive experience in the retail sector, having joined the Pepkor Group in 1986 and has served as an Executive Director of Pep Retail Limited and Pepkor Retail Limited from 1991 to 2005, and as Managing Director from 2005 to 2011. He served as a non-executive director of Pepkor Retail Limited until 2015. George also farms in the Karoo and is actively involved in the broader community, and served as Chairman of Stellenbosch University Council for more than ten years.

## 12 GC (GCINA) ZONDI (50)

C

**Independent non-executive director**

*BCompt (Hons), AGA (SA)*

**Appointed:** July 2008

**Directorships:** Imbewu Capital Partners, Isegen South Africa, Container Conversions, Icon Construction, International Facilities Services (SA), NPC-Intercement and Hulamin Limited

Gcina is the founding chief executive and shareholder of Imbewu Capital Partners. He is a qualified General Accountant and is an associate of the South African Institute of Chartered Accountants. He has more than 23 years' experience in the private equity industry, of which six years were spent with Nedbank Capital Private Equity as a Private Equity Manager. Prior to joining Nedbank, Gcina completed his articles of clerkship at KPMG Durban and worked for Hulamin Limited in the finance division for two and a half years prior to joining KPMG.

## 13 PJ (PAUL) NEETHLING (38)

**Alternate non-executive director**

*Alternate to JJ Durand*

*BCom (Hons)*

**Appointed:** June 2019

**Directorships:** Remgro Limited

He served as an investment executive at Remgro Management Services and has a BCom (Hons) in Financial and Investment Management. He also serves as a director on various agricultural, wine and distribution businesses.

AUDIT COMMITTEE  REMUNERATION AND NOMINATIONS COMMITTEE  RISK COMMITTEE  SOCIAL AND ETHICS COMMITTEE  C CHAIRPERSON

Unpacking our value creation

# OUR CORPORATE GOVERNANCE

We are committed to the highest standards of corporate governance, principles and practices as set out in the King IV Code of Corporate Governance (King IV). We advocate the ethical attributes of integrity, competence, responsibility, fairness, and transparency and our Board is tasked with ensuring that these values and characteristics are embodied within our business through ethical, effective leadership.

The Board is also held accountable for providing ethical and effective leadership, and an annual evaluation is performed to assess its effectiveness and that of its sub-committees and individual members. For the period under review, the Board is of the opinion that RCL FOODS has operated in accordance with the requirements of King IV. It is further satisfied that it has met the requirements of the Companies Act of South Africa and the JSE Listings Requirements and has fulfilled its responsibilities in accordance with its approved Board Charter. The Board confirms the Group's compliance with the Companies Act and the Company's Memorandum of Incorporation for the reporting period.


## OUR GOVERNANCE FRAMEWORK

RCL FOODS' governance framework consists of the Board, its sub-committees and various related structures and compliance processes. Together they ensure that the four governance outcomes espoused in King IV – ethical culture, effective control, legitimacy and good performance – are achieved across all aspects of the Group. The composition of the Board and its committees is in line with King IV requirements.

**RCL FOODS BOARD**

Gives strategic direction to RCL FOODS, whilst retaining full and effective control over the company and monitoring executive management in implementing plans and strategies. The roles and responsibilities of the Board are set out in a formal Board Charter, which is reviewed annually. In discharging its duties, the Board has delegated certain functions to its sub-committees below.

- AUDIT COMMITTEE
- SOCIAL AND ETHICS COMMITTEE
- REMUNERATION & NOMINATIONS COMMITTEE
- RISK COMMITTEE

# OUR CORPORATE GOVERNANCE CONTINUED

There is a clear balance of power within the Board and its sub-committees to ensure that no individual has undue decision-making powers. Each committee has its own terms of reference which set out its roles and responsibilities, as approved by the Board. In the case of the Risk Committee and the Social and Ethics Committee, where the Chairman is not independent, other Committee directors take responsibility for ensuring that the Chairman encourages proper deliberation on all matters requiring the Committee's attention. The composition of the Board and its committees is considered by the Remuneration and Nominations Committee, taking into account experience, skills, applicable regulations and committee mandates.

Our governance framework is reviewed regularly to ensure that our Board exercises effective and ethical leadership, conducts its affairs as a good corporate citizen and takes appropriate decisions to ensure sustainable value creation for all its stakeholders.

## MANAGING OUR BUSINESS SUSTAINABLY – ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FOCUS

The Board, via the Social and Ethics Committee and Risk Committee mandates, drives the advancement of economic and ESG oversight and transparency through key performance indicators and ongoing engagement with a diverse range of stakeholders. We also have a Food Governance Committee which includes our business unit managing directors and relevant functional heads and meets quarterly to discuss governance issues as a precursor to the Board Social & Ethics Committee and Risk Committee meetings.

Sustainability is a key element of RCL FOODS' strategy, and ESG risks and opportunities are taken into account in both strategic planning and execution. Examples of proactive ESG initiatives contributing to RCL FOODS' long-term sustainability are our energy, water and waste projects, our economic development partnerships and our DO MORE FOUNDATION's social development work in communities near our operations.

The Group's material ESG issues are identified based on an assessment of how we create value, the impact of the external operating context on value creation, the material interests of our stakeholders, and the principal risks facing the Group. ESG matters are addressed as part of an ongoing, structured approach to risk management, and are strongly embedded in the Group's strategy.

At an operational level, effective management systems are in place to mitigate ESG risks and respond to sustainability opportunities across the Group. The Group has adopted a combined assurance approach to monitoring and managing ESG risks and opportunities, including, but not limited to, internal audit site reviews, independent environmental audits and the ISO 14001 environmental management system at applicable sites.


## OUR STRATEGIC RESPONSE

The Group acknowledges that there are areas within its mandate that are evolving, and management's responses will need to adapt to changes in the environmental, social and governance agenda. Based on a detailed, multi-stakeholder materiality assessment, we have now revised our Sustainability Strategy and embedded it in our Business Strategy, where it underpins every pillar. We have articulated our long-term (2040) sustainability ambitions and are currently working towards shaping credible medium-term (2030) sustainability goals. Our new Sustainability Strategy provides a framework for our reporting on material ESG matters in our Sustainable Business Report.

In order to mount an effective strategic response to the dynamic market and industry in which it operates, the Group makes every effort to proactively engage with government and other stakeholders to identify and anticipate stakeholder trends and needs, as well as changes in legislation and regulations.

GOV *For more information on the Board and its sub-committees' roles and responsibilities, refer to the Governance section of our website at www.rclfoods.com/governance. Details of the Group's Corporate Governance structures and activities for the period under review are included in the Corporate Governance Report, available on our website at www.rclfoods.com/financial-results-and-reports-2023*



# OUR STRATEGIC PROGRESS

# RCL FOODS VALUE-ADDED BUSINESS

(Groceries, Baking and Sugar)

At a Group level we have continued to make progress with the strategic reshaping of our portfolio to create a sustainable value-added business. The disposal of our Vector Logistics business has now been finalised and Rainbow is operating as a virtually standalone entity in anticipation of a full separation when its turnaround is achieved. Below we unpack highlights of our strategic progress in our core business – the RCL FOODS Value-Added Business.

*For more information, refer to our CEO Report and Sustainable Business Report*

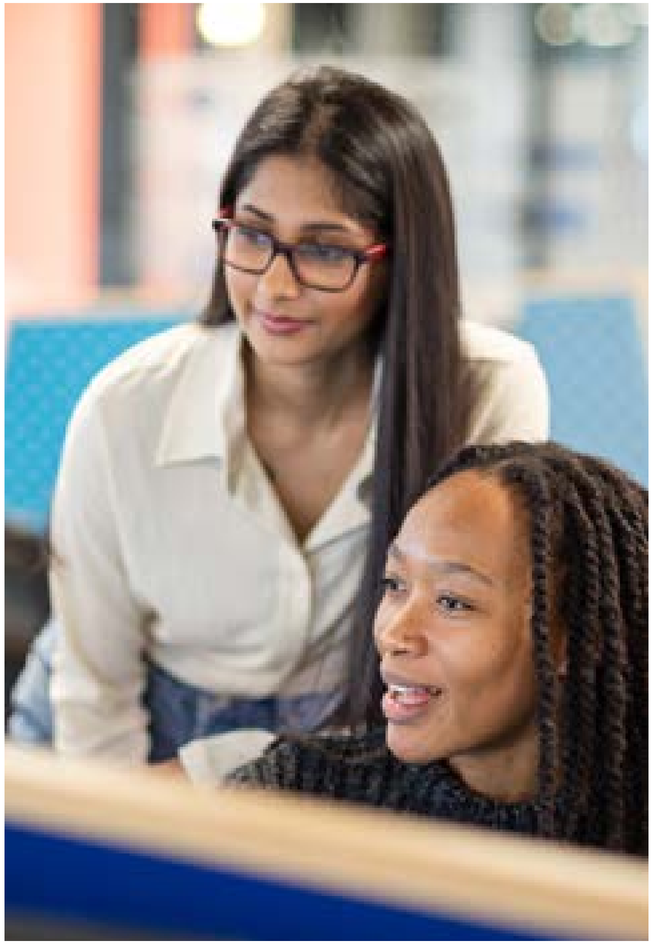
## PEOPLE FIRST

### *"Champion diversity and build an inclusive, high-performance culture"*

- We **identified and articulated our refreshed Purpose and Vision, integrated them and our Sustainability Strategy into our Business Strategy**, and updated Our Way to ensure alignment between our Purpose, Strategy and Culture (our "why, what and how"). These were launched internally from June 2023
- Supported by insights from our **second Diversity & Inclusivity (D&I) Employee Survey, we clarified our D&I intent and roadmap**, formed a **D&I steering committee** with members of our senior leadership team, and continued to facilitate stretching D&I Circle Conversations across the business to create a more inclusive culture
- We **continued to work towards improving diversity in our senior management**, achieving a 4% improvement in both female and African, Coloured and Indian representation
- Increasing numbers of **employees and their families** are benefiting from practical and psychological support provided through our recently introduced **YouMatter employee wellness programme**
- We **leveraged our digital communication platform**, the *Let's Talk* app, to engage employees at all levels in surveys on D&I, Safety and Purpose
- As part of our risk management, we increased our investment in employee education to **strengthen our controls around safety, cyber security and ethics**
- We are exploring options for **tangible value creation for employees**

**FOCUS AREAS FOR THE 2024 FINANCIAL YEAR:**

- **Embed Our Purpose** and our updated "**Our Way**" across the business
- **Activate our refreshed D&I framework** within our operations
- Develop a **shopfloor engagement strategy**
- **Align and integrate** our new Purpose, Values and existing D&I roadmap and framework into one comprehensive strategy
- Drive **rigour in performance management**
- Collaborate with key stakeholders to deliver new **employee value creation scheme**
- Continue to focus on **employee health, safety and wellbeing**
- Build **change management capability** for sustainability



# RCL FOODS VALUE-ADDED BUSINESS CONTINUED

## PEOPLE FIRST

### *"Strengthen community resilience through collaboration and investment"*

- Our **DO MORE FOUNDATION is catalysing deep systemic change** in the communities around our operations. Multi-stakeholder community development initiatives providing integrated support for young children, parents and caregivers have been **scaled from 4 to 8 communities**
- After a three-year hiatus, **we restarted the Selati Cup in partnership with the DO MORE FOUNDATION**, bringing much-needed social and economic support to the Nkomazi community
- We continued to **support our 1 200 small-scale sugar cane growers** through our Akwandze Agricultural Finance and TSGRO joint ventures. Following the devastating floods in Nkomazi in February 2023, we made a R25 million relief grant available to them, enabling the **restoration of 90% of affected small-scale grower infrastructure by the end of June 2023**

**FOCUS AREAS FOR THE 2024 FINANCIAL YEAR:**

- Drive **community resilience** to social, economic and climate challenges through a **proactive stakeholder engagement model and the DO MORE FOUNDATION**
- Complete remaining repairs to flood-damaged **small-scale grower irrigation infrastructure**
- **Strengthen relationships** with government and industry associations

### *"Invest in strategic capabilities to drive competitive advantage"*

- We **invested in establishing and growing strategic capabilities** in consumer marketing insights (CMI); data management and insights; digital marketing excellence; net revenue management (NRM) and exports. This is helping to develop an insights-driven, collaborative, digitally-enabled, growth culture
- We are **building a community of "citizen data analysts" across operating units and functions**, with more than 100 having completed peer-led skills development so far – accelerating our ability to derive insights across multiple areas

**FOCUS AREAS FOR THE 2024 FINANCIAL YEAR:**

- Continue our **change management and capability building journey**, focusing on enabling skills and mindsets
- Focus on **delivering value through our enhanced strategic capabilities** and cross-functional business partnering
- Strengthen our "intelligent core" by building **tools that deliver speed-to-value for identified business opportunities**

# RCL FOODS VALUE-ADDED BUSINESS CONTINUED

## RIGHT GROWTH

### *"Leverage dynamic platform through partnerships and acquisitions"*

- We **acquired the Sunshine Bakery business and successfully integrated** it into our Baking operating unit
- We continued to provide an **effective management service to our business services platform customers**, Siqalo Foods and LIVEKINDLY Collective Africa
- We assessed numerous **acquisition and partnership opportunities**

**FOCUS AREAS FOR THE 2024 FINANCIAL YEAR:**

- **Continue to seek inorganic expansion opportunities** that would be complementary to our portfolio
- **Deliver business services to Vector Logistics for the next 12 months** via our business services platform, as per our agreement with the acquiror
- **Develop plan** to manage **impact of Vector Logistics** and **Rainbow** separation
- **Complete** execution of the **Rainbow separation**

### *"Grow organically through strong brands"*

- Our **brands performed strongly** versus the market, despite lower volumes
- Based on insights regarding consumer needs and shopper behaviours, we **supported and accelerated value-focused innovations** – Nola Street Style Mayo, Yum Yum Peanut Spread and Yum Yum Instant Porridge
- In line with our test-and-learn approach, we **launched successful pilot innovations** in Sunbake Sourdough and Bobtail Specialised Diets
- We are working on **building meaningful consumer engagement through digital communities**, enabling us to deliver relevant offerings

**FOCUS AREAS FOR THE 2024 FINANCIAL YEAR:**

- **Recover volumes**, then **accelerate growth** in Pies, Pet and Culinary
- Continued support of **Value innovation growth**
- Grow into **adjacent and new categories**
- Develop plan for **Baking category opportunity**
- Continue to **grow cane supply to our mills by improving small-scale grower yield** through efficient irrigation infrastructure

## RCL FOODS VALUE-ADDED BUSINESS CONTINUED

### RIGHT GROWTH

### *"Scale up and enter new emerging channels and markets"*

- Aided by our enhanced **Exports** structure capability, **our exports grew strongly** with revenue increasing by 20.8% (excluding Sugar)
- Our **e-commerce channel had another excellent performance**, both via retailers and pureplay e-commerce platforms

**FOCUS AREAS FOR THE 2024 FINANCIAL YEAR:**

- Invest in and accelerate growth in **Exports** and **alternative Pet channels**

### *"Leverage consumer insight and partner with strategic customers"*

- We focused on **building our Net Revenue Management (NRM) programme** to unlock fuel for growth through **optimising our customer spend**
- We **exceeded our first-year NRM targets** by driving capability building, change management and embedding cross-functional ways of working across the business – supported by our **digital transformation journey**
- Work is under way to extend a **consumer data platform to harness consumer insights** more quickly and effectively.
- Our **engagement with LIVEKINDLY Collective Africa was simplified** and streamlined, benefiting both businesses

**FOCUS AREAS FOR THE 2024 FINANCIAL YEAR:**

- Execute **IT plans to support Growth and NRM initiatives** through delivery of toolsets and data insights capabilities
- Deliver on our F24 ambition for **NRM initiatives** and build the **F25 NRM plan**
- Leverage our **Food Partners brand and technical expertise** to drive growth in the **Out Of Home Channel**

# RCL FOODS VALUE-ADDED BUSINESS CONTINUED

## FUTURE FIT

### *"Deliver cost efficiencies and invest to become 'best in class'"*

- We launched **best-in-class efficiency programmes** across the business, with Pies and Milling yielding the biggest savings
- **Robotic Process Automation** has been introduced in various areas (such as accounts payable and customer claims) to enhance the control framework and improve speed
- **LIVEKINDLY Collective Africa has placed a focus on value engineering and exploring tiering opportunities** within the Fry's brand to enhance consumer affordability

**FOCUS AREAS FOR THE 2024 FINANCIAL YEAR:**

- Continue to **address affordability** through value innovation, tiering and efficiency focus
- Partner with teams to **step change best-in-class momentum**
- **Deliver business process automation** opportunities and **leverage digital tools** to enhance **control, compliance and efficiency**
- Responsibly manage business interruption **risk mitigation plans**
- Continue to drive **cash preservation**

### *"Build a 'net positive' business to secure our economic, social and environmental future"*

- We have **embedded our Sustainability Strategy in our Business Strategy** and developed long-term (2040) sustainability ambitions
- We have **developed an energy resilience plan** for key sites affected by loadshedding
- Significant work has been done to **finalise our Komati and Pongola mills' grid code compliance** to enable them to **export renewable energy** to the Eskom grid

**FOCUS AREAS FOR THE 2024 FINANCIAL YEAR:**

- **Deliver on our sustainability agenda for the 2024 financial year**, which includes framing credible medium-term (2030) goals
- Develop and execute on **energy and water risk mitigation plans**
- **Proactively manage the outcomes of the Tongaat business rescue process and engage with industry and government** to ensure the sustainability of local sugar industry
- **Enhance our SHERQ integrated management system culture** with an obsession around product quality and environmental practices
- Continue to **enhance our internal control framework**
- Make a **positive impact** by leading concrete, collaborative action to **Grow What Matters**, together

# RAINBOW

(Rainbow, Grain-based Animal Feed, Matzonox)

Rainbow's turnaround strategy focuses on delivering a sustainable operating profit by establishing a robust genetics, breeding, farming, processing, Waste-to-Value and feed milling core, which reduces the cost of production, and which can withstand the random nature of input cost, front-end market volatility and unforeseen events. It is in essence a return to 'brilliant basics' of poultry farming and agricultural performance. Steady progress was made during the 2023 financial year despite significant external headwinds.

- **Simply Chicken grew ahead of the market** and we introduced an **innovative new range in the Farmer Brown** brand
- The **integration of the feed, agricultural and processing operations into regional structures** is yielding positive results in terms of focus and teamwork
- **Cost management initiatives** have continued across the supply chain
- **Agricultural key performance indicators** have improved, and we achieved our targets with lower density feed
- **The rollout of the new breed is going well**, with the full benefit expected in the second half of the 2024 financial year
- **Good progress** was made towards **egg self-sufficiency**
- The **Hammarsdale plant and hatchery have been upgraded and production is already being increased**. The **on-boarding of additional contract growers** in the region has been delayed until the second quarter of the 2024 financial year due to regulatory and financial approvals on the growers' part taking longer than expected
- We **invested in upgrades at our Worcester feed mill** to better meet our own feed needs and to be able to service the external market where it makes sense
- It is a pillar of the poultry master plan to expand the market, and particularly to support exports. We have **continued to investigate options for export**. While we are ready to pursue EU opportunities, significant technical and phytosanitary support is required from Government to access these markets
- Our **Worcester Waste-To-Value (W2V) plant is performing well** and performance at our **Rustenburg Waste-to-Value (W2V) plant is improving slowly**, although still challenged

## FOCUS AREAS FOR THE 2024 FINANCIAL YEAR:

- Complete **rollout of new breed**
- Continue **growth** in the **value-add products**
- **Onboard contract growers in KwaZulu-Natal** and bring **second Hammarsdale shift to capacity**
- Continue to **engage with Government and industry on pillars of the Poultry Sector Master Plan**, including implementation of anti-dumping duties and support for exports
- **Resolve W2V technical challenges** in Rustenburg
- Responsibly manage business interruption **risk mitigation plans**
- Continue to drive **cash preservation**

# OUR **KEY REPORTS** AND REVIEWS



*Our CEO's report on page 4.*

# OUR CHAIRMAN'S REPORT

RCL FOODS is a deeply rooted South African business. We are inspired by the potential of our beautiful country, and remain committed to seeing its people thrive.

JANNIE DURAND
**Chairman**

We believe in bringing about meaningful change where it counts the most, namely, our people, communities, and the environment. Hence the launch of our newly articulated Purpose in 2023, which is: **We Grow What Matters**. Our Purpose not only reflects, but is also informed by, our long-standing commitment to making a positive impact for our stakeholders. Including going the extra mile to support both our people and communities, especially during tough times.

## A TOUGH OPERATING ENVIRONMENT

South Africa continues to face significant socio-economic challenges. These have contributed to the country's growing concerns about food supply and security, which is exacerbated by unprecedented stages of load-shedding; inflation; as well as high levels of poverty and unemployment. Further, the increase in soft commodity input costs, which resulted in food producers needing to raise prices, materially impacted consumer's spending abilities. That said, despite this tough operating environment, we have reason to be encouraged; there's been a gradual decline in food inflation, after reaching its highest levels since 2009.

Beyond our borders, the ongoing Russia-Ukraine War and resulting sanctions have disrupted international oil and food trade on a macroeconomic level. This has fuelled inflationary pressures across the world. South Africa's perceived allegiance to Russia has raised fears of the country possibly losing its African Growth and Opportunity Act (AGOA) benefits, which would negatively impact trade and our economy.

We believe that a strong and resilient organisation is defined by its capacity to embrace difficult situations. As a Board, we remain encouraged by RCL FOODS' resolve to help drive change, creatively innovate, as well as their commitment to deliver meaningful value to stakeholders while protecting and further growing our brands. This resolve has, despite the difficult operating environment, produced strong momentum in both strategic execution and financial performance.

# OUR CHAIRMAN'S REPORT CONTINUED

## RCL FOODS LENDS A HELPING HAND

Climate change has contributed to severe weather and flood-related damage in several parts of our country. For example: in Mpumalanga, following the Nkomazi floods, parts of the Group and our small-scale growers' infrastructure were seriously damaged.

Our assistance combined with the provision of R25 million in relief funding towards the small-scale growers, significantly aided their infrastructure repair process as well as the protection of both their crop and income.

Not limited to our environmental responsibility, RCL FOODS has also continued to support vulnerable communities through its DO MORE FOUNDATION, for which it produced 285 000 tons of DO MORE Porridge during the year, providing 5,7 million meals to young children at early learning centres. As a Board, we are immensely proud of the positive contribution the DO MORE FOUNDATION has made since its inception.

SBR *For more information on the DO MORE FOUNDATION, refer to our Sustainable Business Report available on our website at www.rclfoods.com/financial-results-and-reports-2023*

## STRATEGIC TRANSFORMATION

RCL FOODS has made steady progress in reshaping its portfolio in the past year to further enhance its through-the-cycle resilience and the delivery of sustainable value to all stakeholders. The Value-Added Business has been strengthened through selected bolt-on acquisitions in the form of Sunshine Bakeries, including the organic expansion of its product ranges and geographic reach. The disposal of the Vector Logistics segment was finalised on 28 August 2023 and we continue to make progress with Rainbow's separation from the Group and implementation of its turnaround strategy. We as a Group remain committed to our plans for a full separation of the Rainbow business. Significant steps have been taken to prepare the Rainbow business for independent operation. This will be done responsibly and without placing undue pressure on the business or our people.

## FINANCIAL PERFORMANCE

The Group's revenue from continuing operations, grew 17.3% to R37,8 billion. This was mainly due to both higher pricing, necessitated by rising input costs, as well as higher Sugar and Rainbow volumes. Earnings before interest, taxes, depreciation, amortisation and impairments (EBITDA) from continuing operations declined by 24.3% to R1 711,5 million. Further, the financial results for the year were materially affected by the impact of the special sugar levy of R234,4 million and unprecedented levels of load-shedding; which contributed to operating costs given the implementation of alternative power sources.

*Refer to the Our CEO's report on page 4.*

RCL FOODS' core Value-Added Business proved, again, its resilience in the toughest operating environment; and increased market shares, despite declines in the overall market. This is reflective of the enhanced strategic focus of the separated businesses as well as continued innovation and brand investment. While Rainbow made progress with its turnaround, it continues to be hampered by substantial soft commodity cost pressures. The Board recognises the notable advances being made in each of these businesses despite the challenging environment.

## REGULATORY ENVIRONMENT

Support for our local food producers, given growing food security and supply concerns, is paramount. This shared recognition by Government and the private sector resulted in the launch of the Poultry Sector and Sugarcane Value Chain Master Plans in recent years. Both Plans have been successful in garnering investment from industry participants, despite other aspects being slower to gain traction, due to our shared commitment to help increase production; create additional jobs; and improve efforts to buy local.

The Sugar Master Plan 2030 came to an end on 31 March 2023. Following this, and while much remains to be done to safeguard the industry, considerations for a further two-year rollover have been overtaken by the business rescue processes at Tongaat Hulett Sugar and Gledhow. RCL FOODS is working closely with the business rescue practitioners, Government and the South African Sugar Association (SASA) to help ensure the best possible outcome for the industry at large.

The Poultry Sector Master Plan is gradually progressing. Market expansion and the support of exports are integral components to the Master Plan. Access to new markets is aided with Government support. Reducing dumping is another key element of the Master Plan, with the introduction of the delayed anti-dumping duties in August 2023, following the end of the 12-month suspension period, a step forward in protecting the local poultry industry and the jobs it creates from unfair competition. Government's support in the implementation of the Poultry Sector Master Plan will significantly contribute towards the improvement of socio-economic conditions. Through the re-instatement of the second shift at our Rainbow P2 processing plant in Hammarsdale, we as RCL FOODS will contribute further towards employment in the area.

# OUR CHAIRMAN'S REPORT CONTINUED

## DIVIDEND DECLARATION

The Board of Directors has resolved not to declare a final dividend in order to preserve cash whilst the repositioning of the portfolio is in progress.

## BOARD MATTERS

As the underlying foundation to our governance framework, RCL FOODS' values, vision, and Purpose contribute to both responsible and sustainable value creation for all stakeholders. The Board, through its reinforcement of RCL FOODS' values in overseeing its structure and governance framework, sets the tone from the top.

There were two changes to the composition of the RCL FOODS Board in the past year. Cindy Hess stepped down as a non-executive director of the Group. Including as member and chairperson of the Audit Committee and member of the Risk Committee on 9 November 2022, after taking up a full-time management position at another listed company. The Board thanks Cindy for her valuable contribution. Following Cindy's departure, Gugu Dingaan was appointed as an independent non-executive director of the Group. The Board welcomes Gugu to the Group and looks forward to her contribution.

The RCL FOODS Board put events in motion as early as 2021 to comply with the mandatory audit firm rotation rule, which was issued by the Independent Regulatory Board for Auditors (IRBA). Following a comprehensive tender process, Ernst & Young Inc. (EY) was selected to be appointed as external auditors of RCL FOODS, with effect from the financial year ending June 2024, and this was approved by a non-binding shareholder resolution at the 2021 Annual General Meeting. Shareholders will be requested to vote on making this appointment binding at the 2023 Annual General Meeting.

*For further information, refer to the Corporate Governance section of this report, and the Corporate Governance Report available on our website at www.rclfoods.com/financial-results-and-reports-2023*

## PROSPECTS

Challenges persist in the trading and operational environment, and consumers remain under significant financial pressure. Green shoots are evident in the most recent moderation in inflation and commodity prices; however, they remain at elevated levels for the time being. Quick wins are possible in so far as the following can be achieved: delivering more consistent supply in categories impacted by load-shedding, recovering volumes through increased availability and through price adjustments where margin pressure subsides. Sustained profitability will also require a continuing focus on what is controllable, such as maximising efficiencies; driving further value innovation and portfolio tiering; and embedding Our Purpose to strengthen RCL FOODS' positioning and sustainability.

We are encouraged by the renewed willingness for collaboration and partnerships between Government and business to mutually address factors inhibiting economic growth and social development in South Africa.

RCL FOODS will continue to leverage its resilient portfolio of leading and well-loved brands, as well as its robust capital structure to support operating performance in the coming year. The business will drive value innovation in its tiered portfolio to offer consumers affordable and quality product options. The Board together with the executive will also continue to advance RCL FOODS' strategic transformation journey in the new financial year. The Group remains committed to making a positive impact by taking concrete and collaborative actions to **GROW WHAT MATTERS**.

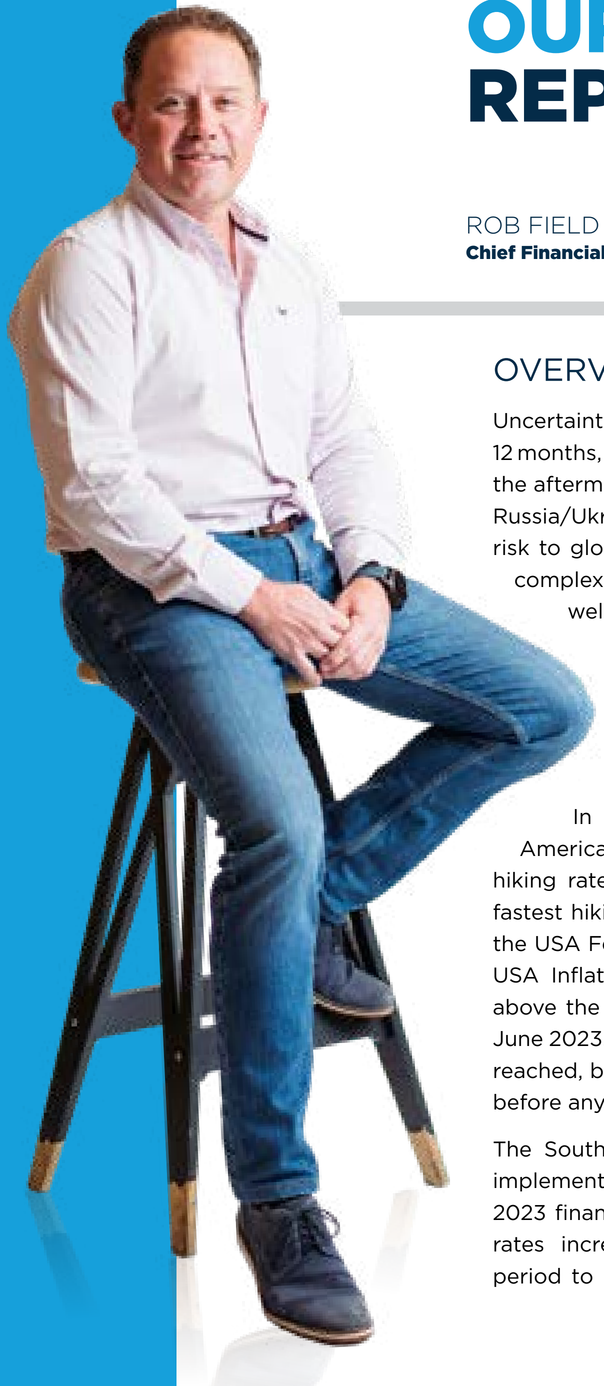
## ACKNOWLEDGEMENTS

As we reflect on the past year's journey together, I would like to thank each member of our executive and staff for the dedication and commitment displayed this year. Our collective efforts have transformed challenges into opportunities for growth and innovation. Our collective efforts have also made a positive impact on the lives of those we serve. Sincere appreciation is also extended to our Board members whose valuable counsel, knowledge and expertise have greatly contributed towards the Group and in keeping its strategic transformation on course. We thank our customers for their loyalty. We also acknowledge our shareholders for their ongoing support and interest in our Group. Together, we will continue to make this Group thrive, guided by a strong purpose that sets us apart.

**Jannie Durand**
*Chairman*

# OUR CFO'S REPORT

RCL FOODS has delivered a pleasing underlying result for the 2023 financial year amidst a tough economic environment.



ROB FIELD
**Chief Financial Officer**

## OVERVIEW OF MARKET CONDITIONS

Uncertainty across the globe prevailed during the past 12 months, as the global economy continues to grapple with the aftermath of the COVID-19 pandemic and the ongoing Russia/Ukraine conflict. The conflict continues to pose a risk to global economies as concerns around the energy complex, notably natural gas and crude oil supply, as well as agricultural supply chain disruptions remain. Whilst commodity input costs have started to stabilise, they remain at elevated levels. The local economy struggled, fuelled by inflation and unemployment, further exacerbated by record levels of load-shedding.

In an effort to combat high United States of America (USA) inflation, the USA Federal Reserve began hiking rates in April 2022 and has followed one of the fastest hiking cycles in history. From 0.25% in April 2022, the USA Fed Funds rate reached 5.5 % in July 2023. Core USA Inflation peaked at 6.6% in September 2022, well above the targeted rate of 2%, but decreased to 4.8% in June 2023. It would appear the interest rate peak has been reached, but rates are likely to remain elevated for a while before any cuts are considered.

The South African Reserve Bank (SARB) followed suit, implementing significant interest rate hikes during our 2023 financial year as a way to contain inflation. Interest rates increased from 4.75% at the beginning of the period to 8.25% at the end, representing a 74% change. Inflation slowed to 5.4% in June 2023, down from a high of 7.8% in July 2022, indicating that commodity prices have been easing in recent months.

South Africa's unemployment rate remains among the highest in the world, at 32.6% for the second quarter of calendar 2023. Real gross domestic product (GDP) contracted by a revised 1.1% in the fourth quarter of calendar 2022, highlighting the impact of constrained consumer spending and the lower levels of production resulting from load-shedding. GDP for the first quarter of calendar 2023 expanded by an estimated 0.4%, with the production of food and beverages being the main catalyst of the change.

South Africa's trade surplus has declined on the back of reducing commodity prices as well as logistical constraints to export commodities.

Emerging market currencies have remained volatile during the period under review. The USD/ZAR traded at a high of R19.62 and a low of R15.75, a range of R3.87. Whilst local political issues precipitated Rand weakness (Phala-Phala, Lady-R), the underlying strength of the Dollar was the primary driver of the Rand weakness. The US dollar index (DXY) strengthened from 104.1 at the start of the current financial year to a high of 114.8, before closing the year at 102.9, largely unchanged over the 12-month period. The ZAR, however, did not show the same level of resilience and closed almost 15% weaker than 12 months prior, largely due to the negative impact of load-shedding on our domestic growth.

# OUR CFO'S REPORT CONTINUED

## SOFT COMMODITY PROCUREMENT

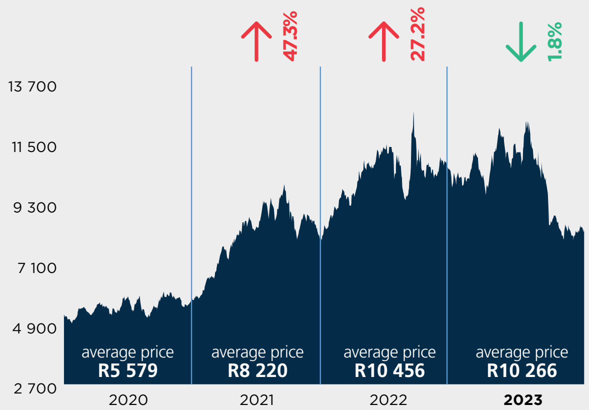
### SUNFLOWER SEED

The 2022/23 season produced 842 000 tons of sunflower seed off 671 000 hectares which, together with an opening stock of 32 000 tons and imports of 18 000 tons, resulted in a domestic supply of 892 000 tons, up 29% on the 2021/22 season.

Russia and Ukraine are major exporters of sunflower oil and account for more than 70% of global sunflower oil exports. Prior to the Russia/Ukraine conflict, international sunflower prices traded at sustained high levels within a US$1 300 to US$1 500 per ton range and spiked to US$2 500 per ton immediately after the invasion. International sunflower oil prices started to decline in the last quarter of the previous financial year and continued to fall to levels last seen in 2020 (US$849 per ton). Russia and Ukraine continued to supply sunflower oil to the world and the recovery of Canadian canola production contributed significantly to world vegetable oil supply. Demand for vegetable oils was lacklustre, notably from China and despite high levels of biodiesel production in the USA and European Union (EU). The fall in the price of imported sunflower oil (South Africa is a net importer) placed pressure on local crush margins. In addition, South Africa had a bumper soybean crop leading to elevated soymeal supply and diminished the price of local sunflower oilcake, further impacting local crush margins. Despite this, the local sunflower seed price remained elevated for the majority of the financial year with declines only seen at the end of the reporting period to lows of R8 048 per ton from a peak of R12 400 per ton.

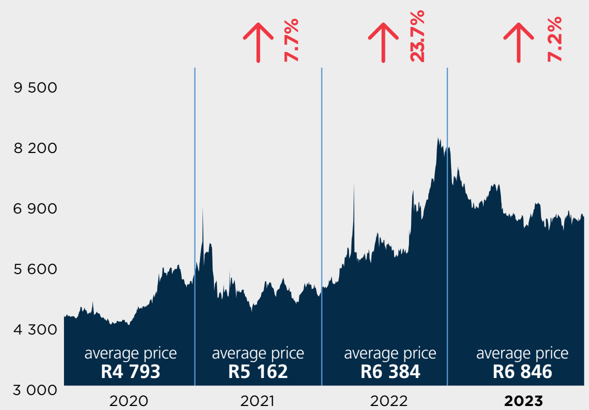
The average SAFEX sunflower seed price for this reporting period was slightly lower at R10 266 per ton compared to the previous period of R10 456 per ton.

**SAFEX SUNFLOWER** (R/ton)




*Source: Reuters*

**SAFEX WHEAT** (R/ton)




*Source: Reuters*

### WHEAT

Local SAFEX wheat prices started the period under review trading at R7 490 per ton on 4 July 2022, dropping to a low of R6 357 per ton in the beginning of May 2023. Despite expectations of lower stocks primarily due to drought conditions in the USA Midwest wheat area, the large Russian crop kept a lid on international FOB prices. Continued agreements to keep the Black Sea corridor open ensured a constant flow of Russian and Ukrainian wheat to the rest of the world during the reporting period. Recently, the agreement was not renewed by Russia leading to market jitters. Alternative export routes through Romania, Hungary and Poland have been established although not as efficient as via the Black Sea ports.

A zero-wheat import tariff was in force for the duration of our financial year. These regulated import tariffs are derived from USA Hard Red Winter wheat prices in the US Gulf and are applied on all imports.

South Africa remains a net importer of wheat, with local prices mostly import parity-based. The local crop of 2,1 million tons this past year was 8% smaller than the previous year's crop of 2,3 million tons.

Although closing wheat prices are lower than a year ago, the lack of high-quality wheat resulted in higher premiums supporting high prices.

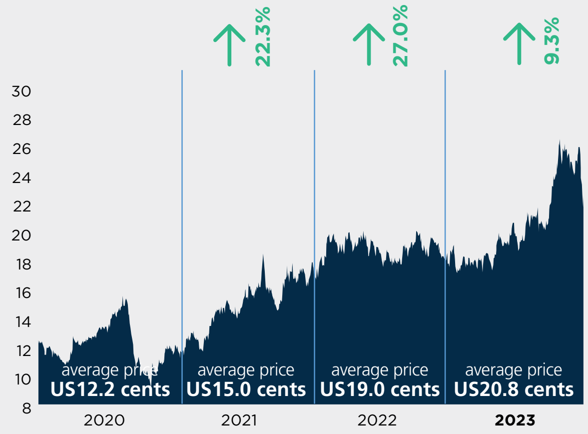
The average SAFEX wheat price for this reporting period was R6 846 per ton compared to the previous period of R6 384 per ton, an increase of R460 per ton (7.2%).

# OUR CFO'S REPORT CONTINUED

## PEANUTS

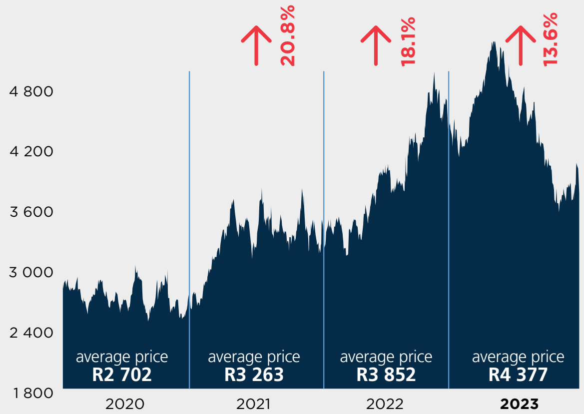
The local 2022/23 season produced 48 500 tons on 43 400 hectares, with a decrease in area planted in the 2023/24 season to 31 300 hectares. Tons produced for the 2023/24 season is expected to increase to 51 500 tons due to higher expected yields. South Africa remains a net importer of peanuts, importing 15% of its demand requirement in the 2022/23 season, but despite the expected increase in local production for the 2023/24 season imports will again be required to satisfy local demand. The historic trend in area planted continues to decline and is well below the 60 000 hectares required to balance local supply and demand. The need for imports continues to keep local prices supported toward import parity and places local processors (peanut butter and roasters) at a disadvantage to imported finished goods, as imported raw peanuts attract a 10% duty whilst finished goods attract a 1% or less *ad valorem* duty. The industry, under the guidance of the Groundnut Forum and with support from the Bureau for Food and Agricultural Policy (BFAP), have applied to the International Trade Administration Commission (ITAC) for the imposition of higher duties on imported peanut butter and roasted peanuts with the submission still in review by the Department of Trade, Industry and Competition (DTIC).

**SUGAR NO. 11** (US cents/pound)




*Source: Reuters*

**SAFEX YELLOW MAIZE** (R/ton)




*Source: Reuters*

## RAW SUGAR (NO. 11 ICE)

Prices opened the year at levels of 17.80 US cents per pound and ended the year at levels of 22.07 US cents per pound. The market peaked during the period at 27.41 US cents per pound due to restricted supply and speculator activity. A small deficit is still expected in 2023/24. China is expected to draw down stocks by 1,0 to 1,5 million tons this year and with India only expected to export 2 to 3 million tons, China will have to draw down even more next year. Even with a very large Brazilian crop, trade balance for 2024 remains in a deficit. The size of the deficit relies heavily on Thailand and India. Crops remain vulnerable to a possible El Niño. The average No. 11 sugar price for this reporting period was 20.8 US cents per pound compared to the previous period of 19.0 US cents per pound, an increase of 1.8 US cents per pound (9.3%).

## MAIZE (CORN)

Corn prices on the Chicago Board of Trade (CBOT) remain volatile, fluctuating in a wide range between US$216 and US$290 per ton during the year. The USDA surprised with a higher-than-expected acreage planted to corn (bearish) but a second round of dryness in the USA combined with Black Sea jitters caused another rally to the upside. The weather in the USA subsequently turned benign, alternative export routes from the Black Sea area were found and the soft demand from China eased international prices.

During October 2022, SAFEX yellow maize increased to the all-time high level of R5 251 per ton only to plummet towards R3 522 by the end of April 2023. After a brief spike in June 2023 due to the drought concerns in the USA, the price declined back to levels of around R3 600 per ton.

# OUR CFO'S REPORT CONTINUED

## SOYBEAN MEAL

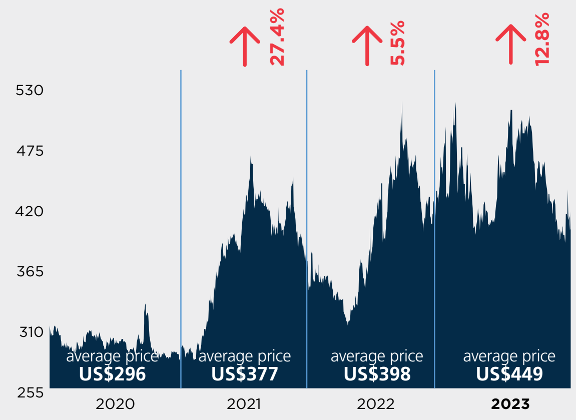
Brazil delivered a record soybean crop in excess of 156 million tons while Argentina had a historic crop failure at 25 million tons compared to the previous year of close to 45 million tons. Demand from China remained subdued.

CBOT Soymeal increased in August 2022 to a high of US$520 declining to levels of around US$420 during October to December 2022. After another rally to above US$500 it declined to the latest level of around US$412.

## BRENT CRUDE OIL

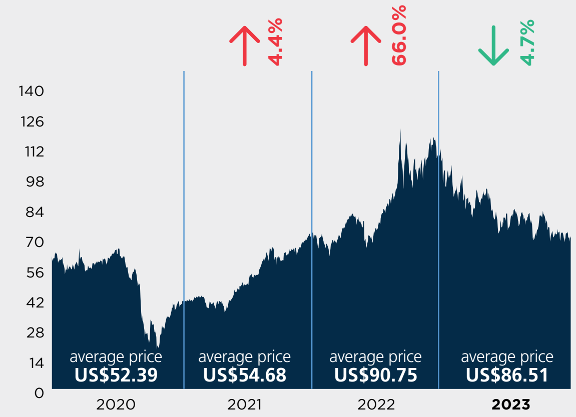
Brent Crude prices saw a steady decline from US$111 per barrel, ending the period at US$72 per barrel. Prices continued to decline due to subdued demand from China, struggling to start their economy from the extended pandemic lockdown versus the rest of the world. OPEC+ and Russia's effort to cut back on production did not have the desired effect on higher prices. The continued decline of oil prices will aid with the easing of global inflation.

**SME SOYBEAN MEAL** (US$/ton)




*Source: Reuters*

**BRENT CRUDE OIL** (US$)




*Source: Reuters*

## OUR CFO'S REPORT CONTINUED

# FINANCIAL REVIEW

### FINANCIAL HIGHLIGHTS – CONTINUING OPERATIONS

| | | June 2023 | June 2022 | % |
|---|---|---|---|---|
| Revenue | Rm | **37 782,9** | 32 200,8 | 17.3 |
| EBITDA | Rm | **1 711,5** | 2 265,4 | (24.5) |
| EBITDA margin | % | **4.5** | 7.0 | (2.5)ppts |
| Operating profit | Rm | **786,7** | 1 466,5 | (46.4) |
| Operating profit margin | % | **2.1** | 4.5 | (2.4)ppts |
| Net finance cost | Rm | **337,3** | 201,5 | 67.4 |
| Headline earnings | Rm | **539,6** | 991,2 | (45.6) |
| Headline earnings per share | cents | **60.6** | 111.5 | (45.7) |
| Capital expenditure (including intangibles) | Rm | **1 160,5** | 1 131,7 | 2.5 |
| Return on invested capital | % | **4.6** | 8.1 | (3.5)ppts |
| Cash generated by operations | Rm | **1 061,3** | 3 063,5 | (65.4) |

RCL FOODS' revenue for the year ended June 2023 from continuing operations increased 17.3% to R37,8 billion (2022: R32,2 billion). The increase was largely attributable to higher prices across all business units in response to higher input costs, coupled with higher volumes in Sugar and Rainbow.

EBITDA from continuing operations decreased R553,9 million (24.5%) to R1 711,5 million (2022: R2 265,4 million) at a margin of 4.5% (2022: 7.0%). Included in the result are material once-offs and accounting impacts, such as:

- negative fair value adjustments on the Group's commodity raw material procurement positions, which decreased EBITDA by R87,7 million (2022: R15,3 million positive adjustment);
- the special levy raised by SASA on the Sugar business unit as a result of Tongaat and Gledhow suspending payment of their industry obligations which had a net negative impact on EBITDA of R234,4 million in the current year;
- insurance proceeds of R60,0 million received in respect of the fire damage at our Komatipoort sugar warehouse during the 2022 financial year (2022: R25,4 million negative impact of the fire); and
- a reversal of a previously recognised impairment loss on a loan receivable of R57,4 million in the prior year, as a result of the counterparty to the loan being acquired as a subsidiary with a view to resale.

Excluding the above impacts, underlying EBITDA from continuing operations declined R240,1 million (10.8%) to R1 973,5 million (2022: R2 213,6 million) at a margin of 5.2% (2022: 6.9%).

The underlying EBITDA by business area is reflected in the table below:

| Rm | June 2023 | Margin % | June 2022 | Margin % | % Change | Margin change (ppts) |
|---|---|---|---|---|---|---|
| **Underlying EBITDA** | **1 973,6** | **5.2** | 2 218,1 | 6.9 | (11.0) | (1.7) |
| Groceries^ | **405,8** | **8.1** | 486,5 | 10.3 | (16.6) | (2.2) |
| Baking^ | **547,9** | **6.4** | 540,4 | 7.3 | 1.4 | (0.9) |
| Sugar | **1 053,8** | **9.5** | 785,0 | 8.7 | 34.3 | 0.8 |
| **Value-Added Business** | **2 007,5** | **8.2** | 1 811,8 | 8.7 | 10.8 | (0.5) |
| Rainbow | **86,0** | **0.6** | 342,8 | 3.0 | (74.9) | (2.4) |
| Group | **(63,8)** | | 82,8 | | (177.1) | |
| Unallocated restructuring costs | **(56,1)** | | (19,4) | | (188.7) | |

^ *In January 2023, the Pies operating unit was moved from the Groceries business unit to the Baking business unit and its results are reported on this basis in the current year for segmental purposes. Accordingly, the results of both the Groceries and Baking segments in the comparative periods have been restated to reflect this change.*

The RCL FOODS Value-Added Business (encompassing the Groceries, Baking and Sugar business units) has delivered a solid set of underlying results amidst challenging trading conditions. The 2023 financial year was characterised by sustained high commodity input costs, record levels of load-shedding and damage to Sugar agricultural infrastructure during the Nkomazi floods in February 2023, with statutory results significantly impacted by the sugar industry special levy. Underlying EBITDA increased by 10.8% to R2 007,5 million (2022: R1 811,8 million) driven mainly by a strong underlying performance in our Sugar business unit which was partially offset by lower volumes and margins in Grocery and Baking.

Rainbow's underlying EBITDA declined by 74.9% to R86,0 million (2022: R342,9 million), with revenue increases proving insufficient to offset the severe impacts of high feed costs, failing municipal infrastructure and load-shedding which, in addition to generator costs, also resulted in additional feed and labour requirements. The Animal Feed business was also challenged by load-shedding and by margin pressure arising from high commodity input costs and overcapacity in the industry.

# OUR CFO'S REPORT CONTINUED

Vector Logistics, which has been recognised as a discontinued operation for the current and prior year in the statement of comprehensive income, has continued its turnaround journey, driven by the completion of the supply chain network consolidation. Despite good revenue growth, their profitability was negatively affected by the direct cost of load-shedding, the impact of this challenge on brands supplying into the network, higher fuel, and insurance costs.

The Group line includes the negative fair value adjustment on revaluation of our minority shareholding in The LIVEKINDLY Collective (R127,0 million).

RCL FOODS' headline earnings for the year from continuing operations ended June 2023 decreased by 45.6% to R539,6 million (2022: R991,2 million).

## IMPAIRMENT

The Group has performed the mandatory impairment tests on the cash generating units (CGUs) with indefinite useful life assets and goodwill, as well on the 50% owned community-based joint venture (CBJV) and Rainbow CGUs due to the significant losses incurred in the current financial year. This resulted in an impairment of R68,9 million being recognised within the Sugar segment relating to the Sivunosetfu CBJV due to an ongoing decline in agricultural performance, compounded by the impact of load-shedding in the current financial year. No further impairments were required.

## NET FINANCE COSTS

Net finance costs increased by R135,8 million (67.4%) to R337,3 million (2022: R201,5 million) largely due to higher interest rates in the current year following the interest rate hikes over the past 12 months, and a higher net debt balance during the current year mainly resulting from increased cash utilisation. Further details on cash utilisation are provided in the cash flow section of this document.

Net finance costs paid for the period of R298,7 million are R38,6 million lower than net finance costs expensed in the income statement due to the non-cash IFRS 16 leases interest charge.

## EQUITY ACCOUNTED INVESTMENTS

For a description of the main business operations of our joint ventures and associates refer to notes 4 and 5 of the consolidated financial statements, available on our website at www.rclfoods.com/financial-results-and- reports-2023.

## ASSOCIATES

### THE ROYAL ESWATINI SUGAR CORPORATION (RES) (ESWATINI)

RCL FOODS' share of RES' after-tax results for the year ended June 2023 improved by R157,5 million to R186,7 million (2022: R29,2 million). The result was largely driven by higher selling prices within the Southern African Customs Union (SACU) market, which also drove a higher fair value adjustment on biological assets, coupled with higher volumes milled in the current year. The prior year results were negatively impacted by an almost month-long delay in the start of the crushing season due to heavy rains in Eswatini which hampered RES' ability to deliver sugarcane from the farms to the mill.

### HMH RAINBOW (HMH) (UGANDA)

HMH's after-tax contribution was R4,9 million (2022: R4,7 million loss). The investment in HMH was sold at the end of the 2023 financial year. Profits were equity-accounted to sale date, and the balance on the foreign currency translation reserve was recycled into profit and loss (R9,7 million positive impact). A loss of R2,0 million was recognised on the sale.

### LIVEKINDLY COLLECTIVE AFRICA (LKCA) (SOUTH AFRICA)

LKCA delivered an after-tax contribution of R1,7 million (2022: R6,7 million loss). The business is currently still in its development phase.

## JOINT VENTURES

### AKWANDZE AGRICULTURAL FINANCE (AKWANDZE) (SOUTH AFRICA)

Akwandze's equity-accounted share of after-tax profit was R1,8 million for the 12 months to June 2023 (2022: R9,2 million). The decline is mainly due to the prior year including an insurance recovery.

### MANANGA SUGAR PACKERS (MANANGA) (ESWATINI)

The Mananga investment contributed a share of after-tax profit of R34,4 million for the 12 months to June 2023 (2022: R16,9 million). The improvement was largely driven by higher sales pricing, despite a decline in volumes.

## TAXATION

The Group's effective tax rate for continuing operations, excluding joint ventures and associates, was 50.2% (2022: 30.7%).

The current year effective tax rate was impacted by deferred tax assets not recognised in our 50% owned sugar cane-grower companies (R45,7 million tax impact), non-deductible listed company expenses (R14,1 million tax impact) and the fair value loss on the remeasurement of the Group's investment in The LIVEKINDLY Collective which is not deductible for tax purposes (R34,4 million tax impact).

Excluding the above items, the effective tax rate for the current year was 29.2%.

# OUR CFO'S REPORT CONTINUED

## NON-CONTROLLING INTERESTS

Non-controlling interests relate mainly to the outside shareholders' share of profits in the CBJVs and the Waste-to-Value operation. 50% of the profit after tax of these entities are allocated to outside shareholders through the non-controlling interest line in the income statement. Losses allocated to non-controlling interests in the current year increased by R69,0 million to R106,2 million (2022: R37,1 million), mainly driven by losses in the cane grower companies due to the CGU impairment coupled with unrecovered energy and fertiliser input costs and higher interest costs.

## ACQUISITION OF SUNSHINE BAKERY

The acquisition of Sunshine Bakery was completed in February 2023, effective 1 March 2023 for a total upfront purchase price of R244,5 million. An additional R135,0 million is payable should certain EBITDA targets be met for Sunshine Bakery over their 2024 and 2025 financial years. For the year ended June 2023, four months of results relating to Sunshine Bakery have been consolidated. The accounting for the purchase price allocation is still provisional.

## STATEMENT OF FINANCIAL POSITION (COMPARISON TO JUNE 2022 *PRO FORMA* BALANCE SHEET)

Key statement of financial position items are highlighted below. In order to provide users with comparable information, a *pro forma* statement of financial position is presented on page 83 of this report for 2022 to reflect the Vector Logistics segment as held for sale. Commentary on movements within the statement of financial position balances below is provided against the *pro forma* statement of financial position for 2022, which exclude the Vector Logistics segment.

## NON-CURRENT ASSETS

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment increased by R401,4 million from June 2022 mainly driven by capital expenditure of R1 160,5 million. This was partially offset by depreciation of R646,0 million and impairment losses recognised on property, plant and equipment of R64,0 million in Sugar.

Capital expenditure (including intangibles of R25,2 million) for the year ended June 2023 was R1 160,5 million (2022: R1 131,7 million). The only significant spend items were:

- the reinstatement of the second shift at the Rainbow Hammarsdale P2 processing facility to build capacity (R124,5 million);
- the replant and irrigation at our Sugar farms (R64,9 million); and
- fire mitigation expenditure (R55,9 million).The remaining spend consists of smaller items individually less than R20,0 million.

An amount of R327,4 million (2022: R879,8 million) has been contracted and committed, but not spent, whilst a further R361,6 million (2022: R278,7 million) has been approved but not contracted. Major items included in these amounts relate to:

- replacements related to the fire at the Komatipoort warehouse (R146,6 million), with the majority expected to be funded by insurance proceeds to be received as the build progresses; and
- further expenditure related to the reinstatement of the second shift at the Rainbow Hammarsdale P2 processing facility (R17,2 million).

## RIGHT-OF-USE ASSETS

Right-of-use assets increased by R184,3 million from June 2022. The increase was mainly driven by additions of R157,8 million relating to vehicle leases within the Rainbow segment, which also drove the increase in lease liabilities.

## INVESTMENT IN ASSOCIATES

Investment in associates increased by R119,3 million to R942,3 million (June 2022: 823,0 million) driven mainly by profits capitalised in the Royal Eswatini Sugar Corporation (RES) of R186,7 million, offset by dividends received from RES of R29,6 million and the disposal of our shareholding in HMH Rainbow Limited in June 2023 which had a carrying value of R39,7 million at June 2022.

## INVESTMENT IN FINANCIAL ASSET

Investment in financial assets decreased by R92,0 million to R149,9 million (June 2022: R242,0 million) driven by the fair value revaluation of the Group's minority shareholding in The LIVEKINDLY Collective. The decline in value is largely attributable to the current challenging global economic environment.

## GOODWILL

Goodwill increased by R118,8 million due to the acquisition of Sunshine Bakery in the current year. The purchase price allocation is still provisional.

# OUR CFO'S REPORT CONTINUED

## CURRENT ASSETS AND CURRENT LIABILITIES

Net working capital (including biological assets) has increased by R901,3 million from the prior year and from 5.3% to 6.9% as a percentage of revenue. The increase was mainly due to higher inventory balances, up R658,5 million to R3 722,1 million, resulting from higher commodity and other input pricing, higher RV prices in Sugar and a stock build in Rainbow.

Biological assets increased by R85,6 million to R1 317,4 million mainly due to higher volumes and higher bird values as a result of increased input costs in Rainbow. This was partially offset by a decline in Sugar driven by a decrease in the cane yield, cane quality and cane age.

Trade and other receivables increased by R134,0 million, whilst trade and other payables was largely in line with the prior year. The increase in trade and other receivables is mainly driven by proceeds receivable in respect of the sale of HMH (R49,8 million, received on 5 July 2023), coupled with higher sugar trade debtors arising from higher June 2023 sales due to a pre-price increase buy-in.

Cash on hand, net of overdrafts, decreased by R2 135,9 million to a net overdraft of R640,6 million at June 2023. Detail on the drivers of the decline is provided in the cash flow and working capital section below.

## LONG- AND SHORT-TERM INTEREST-BEARING LIABILITIES

Total interest-bearing liabilities of R2 334,1 million are R316,2 million lower than last year mainly due to repayments of R337,5 million on the Group's term-funded debt package during the year.

## OTHER NON-CURRENT ASSETS AND LIABILITIES

Deferred tax liabilities of R1 006,3 million (2022: R1 040,2 million) arises from numerous temporary differences across the Group and, where applicable, are measured at the South African corporate tax rate of 27%.

The post-retirement medical obligation of R66,0 million (2022: R72,9 million) arises from the actuarial valuation of the Group's potential liability resulting from post-retirement medical aid contributions in respect of current and future retirees. This liability is unfunded. The obligation of the Group to pay medical aid benefits after retirement is no longer part of the conditions of employment of the Group.

Long-term trade and other payables of R10,9 million (2022: Rnil) relate to the Group's deferred bonus scheme which was implemented in the current financial year and replaced the Share Appreciation Rights Scheme. The new scheme is payable after 3 years based on the achievement of specific earnings targets.

## DISPOSAL OF VECTOR LOGISTICS

The disposal of the Vector Logistics segment which has been presented as held for sale at current reporting date, was finalised on 28 August 2023, resulting in a net cash receipt of R1 307,0 million, comprising the purchase price of R1 250,0 million, plus interest of R70,3 million from 1 March 2023 and less the post-tax share option liability of Vector Logistics of R13,4 million. The profit/loss on disposal of the Vector Logistics segment will be recognised in the 2024 financial year.

The purchase price is in excess of the net carrying value of the Vector Logistics segment and as a result no write-down to fair value was required in the 2023 results in accordance with IFRS 5. The purchase price is subject to certain EBITDA targets being met, which may result in a future adjustment of up to R100,0 million increase/decrease in the purchase price.

The shareholder loan advanced from RCL Foods Limited to Vector Logistics was converted to equity on disposal of the Vector Logistics segment, whilst the short-term borrowings/cash invested between Vector Logistics and the Group's treasury company was settled in cash.

The transition of Vector Logistics out of RCL FOODS and its shared service platform is expected to take place over the next 12 months.

# OUR CFO'S REPORT CONTINUED

## RETURN ON INVESTED CAPITAL

Return on invested capital (ROIC) remains a key metric used by the Group to measure its efficiency and effectiveness of capital allocation. ROIC is calculated using a rolling 12-month net operating profit after tax (including share of profits/losses of associates and joint ventures) divided by invested capital. The Group monitors ROIC at a divisional level and it is used in allocating resources between business units as part of the annual business planning process, in order to optimise the use of funding and maximise returns to shareholders. Group ROIC declined 3.5% from 8.1% in 2022 to 4.6% in 2023.

| ROIC (%) | Unadjusted June 2023 | Unadjusted June 2022 | % Change |
|---|---|---|---|
| Group (continuing operations) | **4.6** | 8.1 | (3.5)ppts |
| Group (continuing operations) excluding Rainbow | **8.2** | 10.9 | (2.7)ppts |
| Rainbow | **(3.6)** | 1.8 | (5.4)ppts |

In addition to the reported ROIC, an underlying view is presented below. The underlying view of ROIC excludes the material impact of once-offs and accounting adjustments. Underlying Group ROIC declined 1.9% from 8.1% in 2022 to 6.3% in 2023 largely driven by the lower Rainbow result, the negative fair value adjustment on the Group's investment in The LIVEKINDLY Collective, the impact of load-shedding and a higher investment in inventories.

| ROIC (%) | Underlying June 2023 | Underlying June 2022 | % Change |
|---|---|---|---|
| Group (continuing operations) | **6.3** | 8.2 | (1.9)ppts |
| Group (continuing operations) excluding Rainbow | **10.4** | 11.0 | (0.6)ppts |
| Rainbow | **(2.8)** | 1.7 | (4.5)ppts |

## CASH FLOW AND WORKING CAPITAL

### CONTINUING OPERATIONS

Cash generated by operations of R1 061,3 million (2022: R3 063,5 million) is R2 002,2 million lower than the prior year, mainly driven by working capital requirements increasing by R1 590,7 million, the payment of the sugar industry special levy and a decline in Rainbow's profitability in the current year. The increase in working capital requirements is mainly attributable to higher inventory balances at June 2023 and higher trade and other payables in the prior year.

Included in the non-cash items of R762,6 million are addbacks of depreciation, amortisation and impairment charges of R924,7 million, a fair value loss on revaluation of the investment in The LIVEKINDLY Collective of R127,4 million and non-cash IFRS 2 charges of R70,4 million. These were offset by deductions of positive fair value adjustments on biological assets within the Rainbow and Sugar business units of R19,7 million and R313,6 million respectively. Within the Sugar business unit, the entire biological assets balance is capitalised using a fair value adjustment, with the realisation of the prior year's biological assets expensed through cost of sales and reflected under working capital movements (R247,7 million), resulting in a net R40,2 million decrease in Sugar's biological assets for the year.

Cash outflows from investing activities increased by R319,2 million to R1 426,3 million in the current year. Material items included within investing activities relate to capital expenditure (including intangibles) of R1 160,5 million (2022: R1 131,7 million), the acquisition of Sunshine Bakery of R214,9 million (net of cash acquired) and proceeds on disposal of fixed assets of R19,5 million (2022: R21,4 million).

The net cash inflow from financing activities of R393,4 million relates mainly to the drawdown on the overdraft facility of R865,0 million, partially offset payments made on the Group's debt package of R337,5 million in line with the terms of the agreement, and payments on lease liabilities of R161,9 million.

## SUMMARISED CASH FLOW INFORMATION

| (Rm) | June 2023 | June 2022 |
|---|---|---|
| Opening balance* | **1 565,8** | 897,0 |
| Operating profit adjusted for non-cash flow items | **1 549,6** | 1 960,9 |
| Working capital changes | **(488,1)** | 1 102,5 |
| Net finance costs paid | **(298,7)** | (202,4) |
| Tax paid | **(292,3)** | (338,0) |
| Dividends paid | **(268,9)** | (402,9) |
| Dividends received | **40,9** | 66,4 |
| Capital expenditure (including intangibles) | **(1 160,5)** | (1 131,7) |
| Proceeds on sale of property, plant and equipment | **19,5** | 21,4 |
| Acquisition of businesses | **(214,9)** | (7,0) |
| Interest-bearing liabilities | **386,9** | (455,4) |
| Advances of loans to subsidiaries classified as held for sale | | |
| Other | **(63,9)** | 10,3 |
| Net movement in cash and cash equivalents from discontinued operation | **(501,3)** | 44,5 |
| Exchange rate translation | **1,9** | 0,2 |
| Closing balance* | **275,6** | 1 565,8 |

* *Net of overdrafts, includes cash of disposal group held for sale.*

# OUR CFO'S REPORT CONTINUED

## ACCOUNTING POLICIES

The Group's accounting policies are governed by International Financial Reporting Standards (IFRS). Guidance has been obtained from the International Financial Reporting Interpretations Committee (IFRIC) and circulars.

The Group maintains the view that the standards set the minimum requirements for financial reporting. The financial statements in this Abridged Integrated Annual Report have been prepared with the aim of exposing the reader to a summary view of the results, using a simplified approach, in the hope of facilitating a deeper and more informed understanding of the Group's performance.

## PRESENTATION DATE OF RESULTS

The Group reports its results on the retail calendar of trading weeks which treats each financial year as an exact 52-week period, incorporating trade from Monday to Sunday each week. This treatment effectively results in the loss of a day (or two in a leap year) per calendar year. These days are brought to account approximately every six years by including a 53rd week.

The financial statements and results for 2023 are presented for the 364-day period ended 2 July 2023, compared to a 364-day period in the previous financial year which ended on 3 July 2022.

## CASH DIVIDEND DECLARATION

The directors resolved not to declare an interim dividend due to the ongoing separation processes and external pressures impacting the Group. The challenges of high input inflation and load-shedding remain, and have been compounded by the business rescue proceedings within the sugar industry which resulted in a net R234,4 million cash cost burden for the Group in the second half of the financial year. Whilst progress has been made with the separation processes following the conclusion of the Vector Logistics disposal, the Rainbow separation remains in progress. The heightened focus on cash management in the second half of the financial year has resulted in an improvement in cash availability since interim reporting, however the Group remains in a net overdraft position. With the above context, the directors have resolved not to declare a final dividend in order to preserve cash whilst the repositioning of portfolio is in progress.

## INFORMATION SECURITY

The risks relating to a loss of data and leaking of sensitive information remain a key area of focus for the Group as cyber-attacks become increasingly common across the globe. These risks have the potential to cause material financial and reputational damage to many companies. The Group is committed to protecting the interests of its investors and stakeholders and ensuring it fully complies with the provisions of the Protection of Personal Information Act (POPIA). As a Group we are aware of the importance of safeguarding our information and currently have in place well-designed information systems and policies to control our data.

In response to the heightened level of information security risk, the Group has established procedures to ensure that business users are aware of all the risks associated with all the information they collate, change, store, share and manage. A Group-wide information security policy is in place which encompasses our information security approach and strategy and ensures compliance with the Protection of Personal Information Act.

The Group did not identify any material information security breaches in the current financial period. Cyber insurance cover has been renewed and is available in the event of a financial loss resulting from an information security breach subject to the terms of the policy.

## INSURANCE

The Group applies an umbrella approach to insurance and aims to insure all Group companies under the same insurance structure.

The Group strategy is to keep insurance to a minimum without exposing the Group's assets or profitability to unacceptable financial loss which could materially affect either trading results or cash flow. RCL FOODS' balance sheet has allowed more scope to self-insure predictable losses and less material risks which are not administratively cost effective to transfer to insurers. An annual assessment of the Group's risk bearing capacity is performed to identify opportunities to increase our self-insurance levels, in conjunction with our robust risk management programme that is in place. It is our intention to methodically increase these self-insurance levels over time to manage the absolute total cost of insurance to an optimal level.

# OUR CFO'S REPORT CONTINUED

The increased scale of the Group's assets has also allowed the underwriting to be broadened to include international insurance markets. A balanced placement of underwriting between local and international underwriters is considered to be more cost effective over the long-term, as it protects the Group should any market experience excessive claims.

The only major insurance event in the current financial year were the floods in the Nkomazi region which caused severe damage to farms, roads and irrigation infrastructure for both RCL FOODS and its small-scale growers. Insurance proceeds of R49,6 million were recognised in the current year and were utilised in order to provide relief funding to our small-scale growers in the area.

In October 2021, a fire at our Komatipoort sugar warehouse resulted in approximately 40 000 tons of raw sugar being lost as well as damage to property, plant and equipment. A claim for costs incurred and the lost inventory was settled in the 2022 financial year. Whilst the carrying value of the property, plant and equipment was negligible, the claim related to this loss is expected to be received as rebuild expenses are incurred, with the majority of the proceeds expected to flow in the 2024 financial year. An amount of R60,0 million in respect of the Komatipoort fire was recognised in the current financial year, of which R30,0 million relates to the rebuild.

The Group has comprehensive risk management processes in place and continues to work in conjunction with insurers in maintaining acceptable levels of insurance cover. Increased awareness around the tip- offs anonymous line and fraud indicators is being driven through Group-wide communications.

*Refer to page 49 of this report for a discussion over our material risks and responses.*

## CENTRAL TREASURY AND DEBT REFINANCE

The centralised treasury function is the Group's single point of reference with funders and is tasked with minimising the cost of funding across the Group.

The objective of the centralised treasury function is to:

- ensure that sufficient cash resources are available to meet working capital requirements across the Group;
- ensure that excess cash is pooled and invested optimally;
- determine and implement an optimal level of debt financing; and
- minimise transaction and interest costs.

The high cash flow requirements necessitated the Group activating additional temporary facilities of R1,0 billion during the 2023 financial year. Whilst the easing of commodity prices and receipt of cash on disposal of Vector Logistics will aid the cash burden, specific attention continues to be placed on the management of cash throughout the business with focus on cash profit delivery, working capital management and the delaying of non-critical capital expenditure, where appropriate. Individual borrowing limits are in place across the different segments, which are monitored on a daily basis.

### TERM-FUNDED DEBT PACKAGE

The Group has a R2 350,0 million debt package, with a five-year term expiring in December 2023, with interest at a rate of three-month JIBAR plus a margin of between 1.5% and 1.55%. Total repayments of R675,0 million have been made to date.

In the second half of the 2023 financial year, an agreement was reached with the Group's term-funded debt providers to defer repayments which were due in March, June and September 2023 (total of R675,0 million) to the expiry date in December 2023 in order to manage short term liquidity requirements and whilst the Rainbow separation remains in progress. The overall capital structure and funding requirements of the Group is expected to be impacted by the Rainbow separation, and with expiry of the term debt package in December 2023, the Group is engaging with lenders on refinancing and extension options.

Key covenants on the current debt package are net interest-bearing senior debt/adjusted EBITDA cover ratio of less than 3.0 and a senior interest cover ratio of greater than 3.5. All covenants have been met in the 2023 financial year.

## CONCLUSION

The 2023 financial year has been challenging, characterised by significant levels of load-shedding and high input prices. Despite this, RCL FOODS has delivered a pleasing underlying result demonstrating our resilience amidst a tough economic environment. We will continue to focus on what is controllable, such as maximising efficiencies, driving further value innovation and portfolio tiering, and embedding RCL FOODS' Purpose to strengthen its positioning and sustainability.

**RH Field**
*Chief Financial Officer*

# *PRO FORMA* FINANCIAL STATEMENTS

## BASIS OF PREPARATION

The underlying results show the impact of excluding material once-offs and accounting adjustments to the EBITDA, profit for the period attributable to equity holders of the Company, earnings per share (EPS), headline earnings and headline earnings per share (HEPS). The underlying results is considered *pro forma* financial information in terms of the Listings Requirements of the JSE Limited. The June 2022 statement of financial position, reflecting Vector Logistics as a disposal group held for sale also represents *pro forma* financial information in terms of the Listings Requirements of the JSE Limited.

The *pro forma* financial information has been presented for illustrative purposes only, to provide users with relevant information and measures used by the Group to assess performance for the period under review. The preparation and presentation of the *pro forma* financial information are the responsibility of the board of directors. The underlying view of results is a non-IFRS measure and, due to its nature, therefore may not fairly present the Group's financial position, changes in equity, results of operations or cash flows for the periods presented. EBITDA is a non-IFRS measure and is calculated as operating profit before depreciation, amortisation and impairments and represents earnings before depreciation, amortisation, impairments of property, plant and equipment and intangible assets, interest and tax. Shareholders are advised that this metric may not align with metrics used by other organisations. This *pro forma* financial information has been reported on by the Group's auditors, being PricewaterhouseCoopers Inc., and their independent reporting accountant's report is available for inspection at the Group's registered offices and on the RCL FOODS website, www.rclfoods.com/financial-results-and-reports-2023/

*All information in the table, except for IFRS 9, has been extracted from the Group Financial Results and Cash Dividend Declaration for the year ended June 2022, published on 5 September 2022. IFRS 9 adjustments have been extracted from the Group's accounting records for the year ended June 2022.*

## RECONCILIATION BETWEEN UNADJUSTED AND UNDERLYING RESULTS

Unadjusted information has been extracted without adjustment from the consolidated annual financial statements for the year ended June 2023. The underlying adjustments have been extracted from the Group's accounting records for the year ended June 2023.

| (Rm) | Unadjusted results | IFRS 9[1] | Special levy[2] | Komati fire[3] | CGU impairments[4] | Underlying results |
|---|---|---|---|---|---|---|
| **June 2023** | | | | | | |
| **EBITDA** | **1 711,5** | **87,7** | **234,4** | **(60,0)** | | **1 973,6** |
| RCL FOODS Value-Added Business | **1 796,6** | **36,5** | **234,4** | **(60,0)** | | **2 007,5** |
| Groceries | **389,3** | **16,5** | | | | **405,8** |
| Baking | **527,9** | **20,0** | | | | **547,9** |
| Sugar | **879,4** | | **234,4** | **(60,0)** | | **1 053,8** |
| Rainbow | **34,8** | **51,2** | | | | **86,0** |
| Group | **(63,8)** | | | | | **(63,8)** |
| Unallocated restructuring costs | **(56,1)** | | | | | **(56,1)** |
| **Profit for the period from continuing operations attributable to equity holders of the Company** | **542,8** | **64,0** | **171,1** | **(43,8)** | **34,4** | **768,5** |
| **EPS from continuing operations (cents)** | **61.0** | **7.2** | **19.2** | **(4.9)** | **3.9** | **86.4** |
| **Headline earnings from continuing operations** | **539,6** | **64,0** | **171,1** | **(21,9)** | | **752,8** |
| **HEPS from continuing operations (cents)** | **60.6** | **7.2** | **19.2** | **(2.5)** | | **84.5** |
| **June 2022** | | | | | | |
| **EBITDA** | **2 265,4** | **(15,3)** | | **25,4** | **(57,4)** | **2 218,1** |
| RCL FOODS Value-Added Business | **1 855,0** | **(11,1)** | | **25,4** | **(57,4)** | **1 811,9** |
| Groceries^ | **481,6** | **4,9** | | | | **486,5** |
| Baking^ | **556,4** | **(16,0)** | | | | **540,4** |
| Sugar | **817,0** | | | **25,4** | **(57,4)** | **785,0** |
| Rainbow | **347,1** | **(4,2)** | | | | **342,9** |
| Group | **82,7** | | | | | **82,7** |
| Unallocated restructuring costs | **(19,4)** | | | | | **(19,4)** |
| **Profit for the period from continuing operations attributable to equity holders of the Company** | **951,0** | **(11,0)** | | **18,3** | **1,4** | **959,7** |
| **EPS from continuing operations (cents)** | **107.0** | **(1.2)** | | **2.1** | **0.2** | **108.1** |
| **Headline earnings from continuing operations** | **991,2** | **(11,0)** | | **18,3** | **(57,4)** | **941,1** |
| **HEPS from continuing operations (cents)** | **111.5** | **(1.2)** | | **2.1** | **(6.5)** | **105.9** |

^ *The results for Groceries and Baking segments in the comparative periods have been restated to reallocate Pies operating unit, which now forms part of Baking for segmental reporting purposes. The Pies operating unit was previously included as part of the Groceries segment.*

# *PRO FORMA* FINANCIAL STATEMENTS CONTINUED

Underlying results represent the results after taking into account the below adjustments:

1. IFRS 9 fair value adjustments relate to the fair value gains and losses on commodity contracts entered into as part of the Group's raw material procurement strategy.
2. Special levy relates to the net impact of additional levies raised by SASA on the Sugar business unit as a result of Tongaat and Gledhow suspending payment of their industry obligations.
3. Komati fire relates to insurance proceeds received in respect of the fire damage at our Komatipoort sugar warehouse for the current year, and to the net negative impact of the fire in the prior financial year.
4. Cash generating unit (CGU) impairments relate to net impairments processed in the current and prior period. The current year impairment relates to the CGU impairment recognised in our Sugar business, for further details refer to the Impairment section above. The prior period impairments number was partially offset by a gain recognised on the reversal of a previously recognised impairment loss relating to a subsidiary acquired with a view to resale. The subsidiary was acquired, and an impairment loss thereon was recognised in accordance with IFRS 5. Due to the inter-relatedness of these transactions, the reversal of the impairment loss was offset against the impairment recognised.

The headline earnings impact of the underlying adjustments in the table above differs from EBITDA mainly due to the impact of taxation.

## *PRO FORMA* STATEMENT OF FINANCIAL POSITION

The *pro forma* statement of financial position for the year ended June 2022 has been prepared using the unadjusted statement of financial position extracted from the consolidated annual financial statements, published on 5 September 2022. The statement of financial position for the Vector Logistics segment has been deducted off the total Group result, and intercompany elimination entries have been processed to reflect a view of the statement of financial position as if the Vector Logistics segment were classified as held for sale for the year ended June 2022. These adjustments to the June 2022 unadjusted statement of financial position have been extracted from the Group's accounting records for the year ended June 2022.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 2 July 2023 R'000 | *Pro Forma* 3 July 2022 R'000 | Vector Logistics 3 July 2022 R'000 | Adjustments 3 July 2022 R'000 | Unadjusted 3 July 2022 R'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | **5 944 523** | 5 543 087 | 818 953 | | 6 362 040 |
| Right-of-use assets | **404 680** | 220 392 | 304 191 | | 524 583 |
| Intangible assets | **1 621 858** | 1 581 631 | 20 950 | | 1 602 581 |
| Investment in joint ventures | **211 240** | 186 295 | 120 840 | | 307 135 |
| Investment in associates | **942 333** | 822 991 | | | 822 991 |
| Deferred income tax asset | **42 289** | 17 417 | 28 018 | | 45 435 |
| Loans receivable | **12 000** | 31 095 | | | 31 095 |
| Trade and other receivables | | 5 000 | 21 289 | | 26 289 |
| Investment in financial asset | **149 936** | 241 976 | | | 241 976 |
| Goodwill | **1 950 551** | 1 831 766 | 53 824 | | 1 885 590 |
| | **11 279 410** | 10 481 650 | 1 368 065 | | 11 849 715 |
| **Current assets** | | | | | |
| Inventories | **3 722 105** | 3 063 576 | 83 601 | | 3 147 177 |
| Biological assets | **1 317 386** | 1 231 829 | | | 1 231 829 |
| Trade and other receivables | **2 157 318** | 2 023 280 | 4 273 558 | (197 261)[1] | 6 099 577 |
| Derivative financial instruments | **28 144** | 4 469 | 128 | | 4 597 |
| Tax receivable | **14 761** | 18 489 | 508 | | 18 997 |
| Loan receivable | **59 233** | | 972 827 | (972 827)[2] | |
| Cash and cash equivalents | **224 373** | 1 503 043 | 87 224 | | 1 590 267 |
| | **7 523 320** | 7 844 686 | 5 417 846 | (1 170 088) | 12 092 444 |
| **Assets of disposal group classified as held for sale** | **6 498 631** | 5 648 958 | 9 808 | (5 625 631)[3] | 33 135 |
| **Total assets** | **25 301 361** | 23 975 294 | 6 795 719 | (6 795 719) | 23 975 294 |

^ *The results for Groceries and Baking segments in the comparative periods have been restated to reallocate Pies operating unit, which now forms part of Baking for segmental reporting purposes. The Pies operating unit was previously included as part of the Groceries segment.*

# *PRO FORMA* FINANCIAL STATEMENTS CONTINUED

| | 2 July 2023 R'000 | *Pro Forma* 3 July 2022 R'000 | Vector Logistics 3 July 2022 R'000 | Adjustments 3 July 2022 R'000 | Unadjusted 3 July 2022 R'000 |
|---|---|---|---|---|---|
| **EQUITY** | | | | | |
| Capital and reserves | **11 721 305** | 11 389 332 | | | 11 389 332 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Deferred income | **3 277** | 4 474 | | | 4 474 |
| Interest-bearing liabilities | **371 066** | 1 538 829 | | | 1 538 829 |
| Lease liabilities | **436 134** | 314 494 | 415 988 | | 730 482 |
| Deferred income tax liabilities | **1 006 332** | 1 040 157 | | | 1 040 157 |
| Retirement benefit obligations | **65 974** | 72 918 | 42 807 | | 115 725 |
| Trade and other payables | **10 858** | | | | |
| | **1 893 641** | 2 970 872 | 458 795 | | 3 429 667 |
| **Current liabilities** | | | | | |
| Trade and other payables | **4 594 257** | 4 617 389 | 5 380 984 | (2 197 574)[4] | 7 800 799 |
| Deferred income | **2 211** | 2 768 | | | 2 768 |
| Interest-bearing liabilities | **1 963 037** | 1 111 475 | | | 1 111 475 |
| Lease liabilities | **160 255** | 106 485 | 48 645 | | 155 130 |
| Derivative financial instruments | **3 670** | 2 018 | | | 2 018 |
| Current income tax liabilities | **100 894** | 57 586 | 1 043 | | 58 629 |
| Loan payable to RCL FOODS | | | 539 155 | (539 155)[5] | |
| Bank overdraft | **865 000** | 7 741 | 16 718 | | 24 459 |
| | **7 689 324** | 5 905 462 | 5 986 545 | (2 736 729) | 9 155 278 |
| **Liabilities of disposal group classified as held for sale** | **3 997 091** | 3 709 628 | | (3 708 611)[6] | 1 017 |
| **Total liabilities** | **13 580 056** | 12 585 962 | 6 445 340 | (6 445 340) | 12 585 962 |
| **Total equity and liabilities** | **25 301 361** | 23 975 294 | 6 445 340 | (6 445 340) | 23 975 294 |

The adjustments column above includes intercompany elimination entries and the transfer to held for sale. The detail for each adjustment is provided below.

1. Intergroup trade and other receivables balances owing to Vector Logistics by the balance of the Group. Previously eliminated in preparing the 2022 consolidated statement of financial position.
2. Represents the Vector Logistics' loan receivable from the Group treasury company which has been eliminated as an intergroup balance within the disposal group held for sale. The balance on this loan at sale date was settled in cash between the parties.
3. Transfer of the net carrying value of Vector Logistics' assets, post intergroup elimination entries to the disposal group held for sale.
4. Intergroup trade and other payables balances owing by Vector Logistics to the balance of the Group. Previously eliminated in preparing the 2022 consolidated statement of financial position.
5. Represents the Vector Logistics' loan payable to RCL Foods Limited which has been eliminated as an intergroup balance within the disposal group held for sale. The loan from RCL Foods Limited is a shareholder loan which was converted to equity at the date of disposal.
6. Transfer of the net carrying value of Vector Logistics' liabilities, post intergroup elimination entries to the disposal group held for sale.

# DEFINITIONS AND RATIOS

## SHAREHOLDER RATIOS

### EARNINGS PER SHARE FROM CONTINUING OPERATIONS

Profit for the year from continuing operations attributable to equity holders of the Company divided by weighted average ordinary shares in issue

### DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS

Profit for the year from continuing operations attributable to equity holders of the Company divided by diluted weighted average ordinary shares in issue

### HEADLINE EARNINGS PER SHARE FROM CONTINUING OPERATIONS

Headline earnings from continuing operations divided by weighted average ordinary shares in issue

### DIVIDEND COVER

Headline earnings from continuing operations per share divided by dividends per share

### NET ASSET VALUE PER SHARE

Total equity divided by ordinary shares in issue at year-end

## RESULTS RATIOS

### EBITDA MARGIN

EBITDA expressed as a percentage of revenue

### OPERATING PROFIT MARGIN

Operating profit expressed as a percentage of revenue

### RETURN ON NET ASSETS

Profit before tax from continuing operations, expressed as a percentage of net assets

### NET ASSET TURNOVER

Revenue divided by net assets

### RETURN ON INVESTED CAPITAL

Net operating profit after tax plus equity-accounted profits from continuing operations divided by invested capital

## STATEMENT OF FINANCIAL POSITION

### TOTAL ASSETS

Non-current and current assets

### TOTAL LIABILITIES

Non-current and current liabilities

### NET ASSETS

Total assets less total liabilities

### INVESTED CAPITAL

Total equity and interest-bearing liabilities less non-operating assets and cash and cash equivalents for continuing operations

## INCOME STATEMENT

### OPERATING PROFIT BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENTS (EBITDA)

Operating profit before depreciation, amortisation and impairment is earnings before depreciation, amortisation, impairments of property, plant and equipment and intangible assets, interest and tax

### OPERATING PROFIT (EBIT)

Operating profit is earnings before interest and tax

### RETURN ON EQUITY

Profit from continuing operations attributable to equity holders of the Company expressed as a percentage of average total equity

## SHARE INFORMATION

### PE RATIO

Market share price at year-end divided by headline earnings per share from continuing operations

## DEBT RATIOS

### NET SENIOR DEBT

Total unsubordinated debt less cash and cash equivalents

### SENIOR LEVERAGE RATIO

Net senior debt divided by pre-IFRS 9 EBITDA adjusted for amounts attributable to non-controlling interests, asset revaluations, profits or losses on disposals of property, plant and equipment and the impact of leases capitalised in terms of IFRS 16 Leases

### SENIOR INTEREST COVER RATIO

Pre-IFRS 9 EBITDA adjusted for amounts attributable to non-controlling interests, asset revaluations, profits or losses on disposals of property, plant and equipment and the impact of leases capitalised in terms of IFRS 16 Leases

### SENIOR NET FINANCE CHARGES

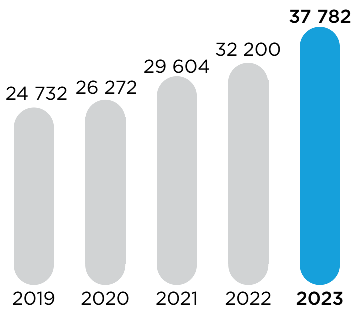
Finance charges on unsubordinated debt less interest income

### GEARING RATIO

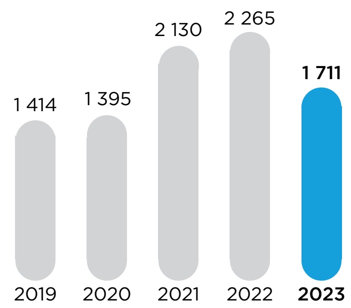
Total interest-bearing liabilities as a percentage of total equity

# OUR FIVE-YEAR REVIEW

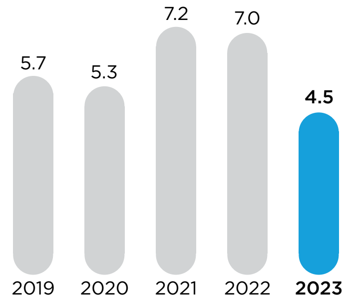
**REVENUE** (R million)



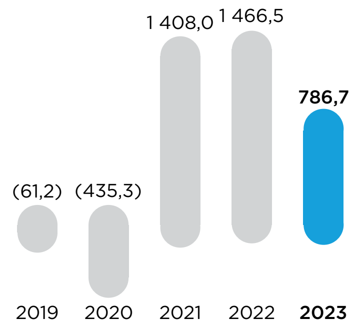

**EBITDA** (R million)



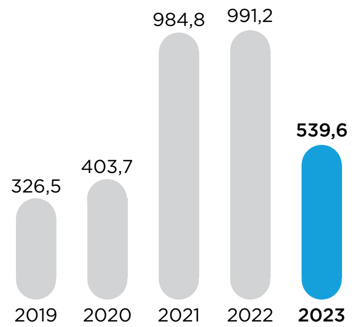

**EBITDA MARGIN** (%)



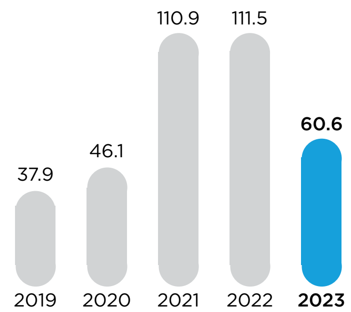

**EBIT** (R million)



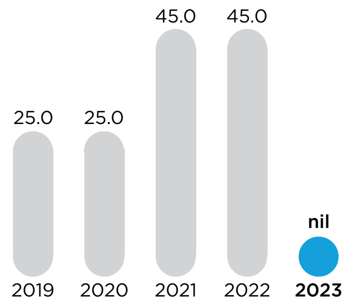

**HEADLINE EARNINGS** (R million)
from continuing operations attributable to the equity holders of the company



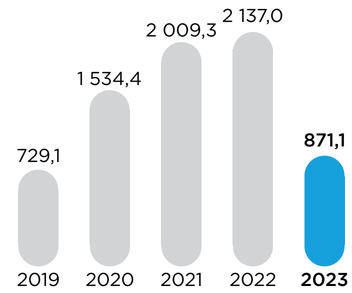

**HEADLINE EARNINGS PER SHARE** (cents)
from continuing operations attributable to equity holders of the company



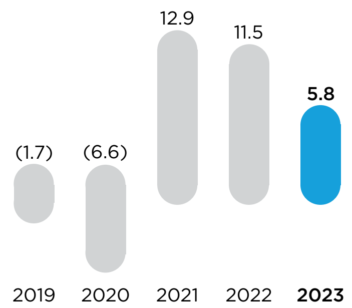

**DIVIDENDS PER SHARE** (cents)



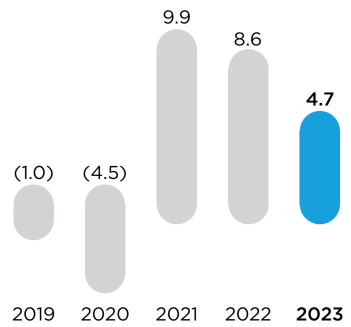

**CASH GENERATED** (R million)
by continuing operations



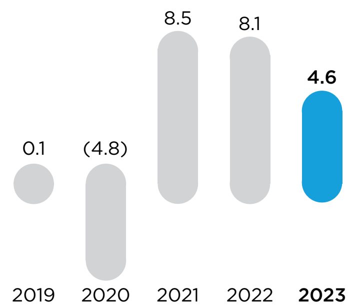

**RETURN ON NET ASSETS** (%)




**RETURN ON EQUITY** (%)




**RETURN ON INVESTED CAPITAL** (%)
continuing operations



# OUR FIVE YEAR REVIEW CONTINUED

| | 2023 R'000 | 2022 R'000 | 2021 R'000 | 2020 R'000 | 2019 R'000 |
|---|---|---|---|---|---|
| **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION** | | | | | |
| **ASSETS** | | | | | |
| Property, plant and equipment and right-of-use assets | **6 349 203** | 6 886 623 | 6 665 072 | 6 669 077 | 5 566 523 |
| Intangible assets | **3 572 409** | 3 488 171 | 3 659 965 | 3 677 055 | 4 639 232 |
| Investment in joint ventures | **211 240** | 307 135 | 287 828 | 310 309 | 288 241 |
| Investment in associates | **942 333** | 822 991 | 853 866 | 676 856 | 612 918 |
| Deferred income tax asset | **42 288** | 45 435 | 99 742 | 86 428 | 71 400 |
| Loans receivable | **12 000** | 31 095 | 49 375 | 66 964 | 91 561 |
| Investment in financial asset | **149 936** | 241 976 | 214 138 | 137 039 | |
| Trade and other receivables | | 26 289 | 24 597 | 23 060 | 127 025 |
| Current assets | **10 444 240** | 12 092 444 | 10 553 423 | 10 839 788 | 9 009 967 |
| Assets of disposal group classified as held for sale | **3 552 058** | 33 135 | | | |
| **Total assets** | **25 275 708** | 23 975 294 | 22 408 006 | 22 486 576 | 20 406 868 |
| **EQUITY AND LIABILITIES** | | | | | |
| Equity | **11 721 305** | 11 389 332 | 10 693 667 | 9 821 976 | 10 834 026 |
| Deferred income | **3 277** | 4 474 | | | |
| Interest-bearing liabilities | **807 200** | 2 269 311 | 3 525 331 | 3 959 958 | 2 639 363 |
| Deferred income tax liabilities | **1 006 332** | 1 040 157 | 1 051 565 | 1 034 622 | 1 211 607 |
| Retirement benefit obligations | **65 974** | 115 725 | 106 900 | 101 269 | 126 590 |
| Trade and other payables | **10 858** | | 461 | 3 059 | 6 326 |
| Current liabilities | **8 563 346** | 9 155 278 | 7 030 086 | 7 565 692 | 5 588 956 |
| Liabilities of disposal group classified as held for sale | **3 097 416** | 1 017 | | | |
| **Total equity and liabilities** | **25 275 708** | 23 975 294 | 22 408 006 | 22 486 576 | 20 406 868 |

[1] *Impairments relate only to impairments of property, plant and equipment, goodwill and intangible assets.*
* *The prior year numbers have been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation.*

# OUR FIVE YEAR REVIEW CONTINUED

| | 2023 R'000 | 2022 R'000 | 2021 R'000 | 2020 R'000 | 2019 R'000 |
|---|---|---|---|---|---|
| **CONSOLIDATED INCOME STATEMENTS** | | | | | |
| **Continuing Operations** | | | | | |
| **Revenue** | **37 782 947** | 32 200 777 | 29 604 901 | 26 272 842 | 24 732 119 |
| Operating profit before depreciation, amortisation and impairments (EBITDA)[1] | **1 711 457** | 2 265 370 | 2 130 340 | 1 395 789 | 1 414 913 |
| Depreciation, amortisation and impairments[1] | **(924 725)** | (798 853) | (722 303) | (1 831 044) | (1 476 068) |
| **Operating profit** | **786 732** | 1 466 517 | 1 408 037 | (435 255) | (61 155) |
| Finance costs | **(376 069)** | (241 019) | (225 561) | (427 544) | (310 610) |
| Finance income | **38 726** | 39 475 | 55 566 | 87 971 | 78 940 |
| Share of profits of joint ventures | **36 185** | 26 113 | 1 832 | 28 087 | 29 678 |
| Share of profits of associates | **193 360** | 17 752 | 134 847 | 116 884 | 84 366 |
| Impairment of associate | | | | (18 897) | |
| **Profit/(loss) before tax** | **678 934** | 1 308 838 | 1 374 721 | (648 754) | (178 781) |
| Income tax expense | **(242 325)** | (394 904) | (358 531) | 121 404 | (1 190) |
| Profit/(loss) for the year – continuing operations | **436 609** | 913 935 | 1 016 190 | (527 350) | (179 971) |
| Profit/(loss) for the year – discontinued operation | **76 299** | 63 749 | (20 433) | (431 688) | (3 991) |
| Profit for the period | **512 908** | 977 684 | 995 757 | (959 038) | (183 962) |
| Profit/(loss) for the year attributable to: | | | | | |
| Equity holders of the company | **616 237** | 1 013 361 | 992 909 | (901 396) | (110 541) |
| – from continuing operations | **542 788** | 951 068 | 1 013 812 | (469 708) | (106 550) |
| – from discontinued operation | **73 449** | 62 294 | (20 903) | (431 688) | (3 991) |
| Non-controlling interests | **(103 329)** | (35 677) | 2 848 | (57 642) | (73 421) |
| – from continuing operations | **(106 179)** | (37 132) | 2 378 | (57 642) | (73 421) |
| – from discontinued operation | **2 850** | 1 455 | 470 | | |

[1] *Impairments relate only to impairments of property, plant and equipment, goodwill and intangible assets.*

* *The prior year numbers have been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation.*

# OUR FIVE YEAR REVIEW CONTINUED

| | | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|
| **KEY STATISTICS** | | | | | | |
| Earnings per share from continuing operations* | cents | **61.0** | 107.0 | 114.1 | (53.7) | (12.3) |
| Diluted earnings per share from continuing operations* | cents | **60.5** | 106.1 | 114.0 | (53.6) | (12.1) |
| Headline earnings per share from continuing operations* | cents | **60.6** | 111.5 | 111.2 | 79.6 | 38.4 |
| Dividends per share | cents | **nil** | 45.0 | 45.0 | 25.0 | 25.0 |
| Dividend cover | times | **nil** | 2.4 | 2.4 | 0.5 | 1.5 |
| Cash generated by operations* | R million | **871** | 2 137 | 2 009 | 1 534 | 729 |
| Capital expenditure (excluding intangibles)* | R million | **1 135** | 1 273 | 900 | 785 | 1 131 |
| Net assets | R million | **11 721** | 11 389 | 10 694 | 9 822 | 10 834 |
| Net asset value per share | cents | **1 316.9** | 1 280.5 | 1 203.9 | 1 105.8 | 1 245.1 |
| **RESULTS RATIOS** | | | | | | |
| Continuing operations | | | | | | |
| EBITDA margin* | % | **4.5** | 7.0 | 7.2 | 5.3 | 5.7 |
| Operating profit margin* | % | **2.1** | 4.6 | 4.8 | (1.7) | (0.2) |
| Return on net assets* | % | **5.8** | 11.5 | 12.9 | (6.6) | (1.7) |
| Net asset turn* | times | **3.2** | 2.8 | 2.8 | 2.7 | 2.3 |
| Return on equity* | % | **4.7** | 8.6 | 9.9 | (4.5) | (1.0) |
| Return on invested capital* | % | **4.6** | 8.1 | 8.5 | (4.8) | 0.1 |
| **DEBT RATIOS** | | | | | | |
| Senior leverage ratio – total operations | times | **1.6** | 0.6 | 1.0 | 1.6 | 2.3 |
| Senior interest cover ratio – total operations | times | **5.4** | 10.5 | 10.2 | 4.7 | 4.8 |
| Gearing ratio – Continuing operations* | | **25.0** | 31.0 | 41.0 | 44.4 | 26.0 |
| **SHARE INFORMATION** | | | | | | |
| Number of ordinary shares | | | | | | |
| – weighted average in issue[1] | '000 | **889 990** | 888 700 | 888 246 | 875 497 | 868 897 |
| – diluted weighted average in issue[1] | '000 | **896 873** | 896 367 | 889 274 | 876 172 | 883 210 |
| – at year-end (statutory, includes BEE shares) | '000 | **890 097** | 953 298 | 959 004 | 959 004 | 940 902 |
| – at year-end (for accounting purposes)[1] | '000 | **890 097** | 889 468 | 888 246 | 888 246 | 870 143 |

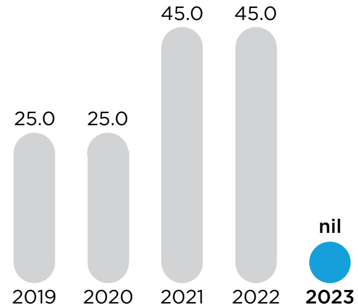
* *The prior year numbers have been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation.*
[1] *Excludes shares issued in terms of the B-BBEE schemes, refer to note 32 of the consolidated financial statements.*

AFS *For further details pertaining to shareholder information refer to note 12 of the consolidated financial statements.*

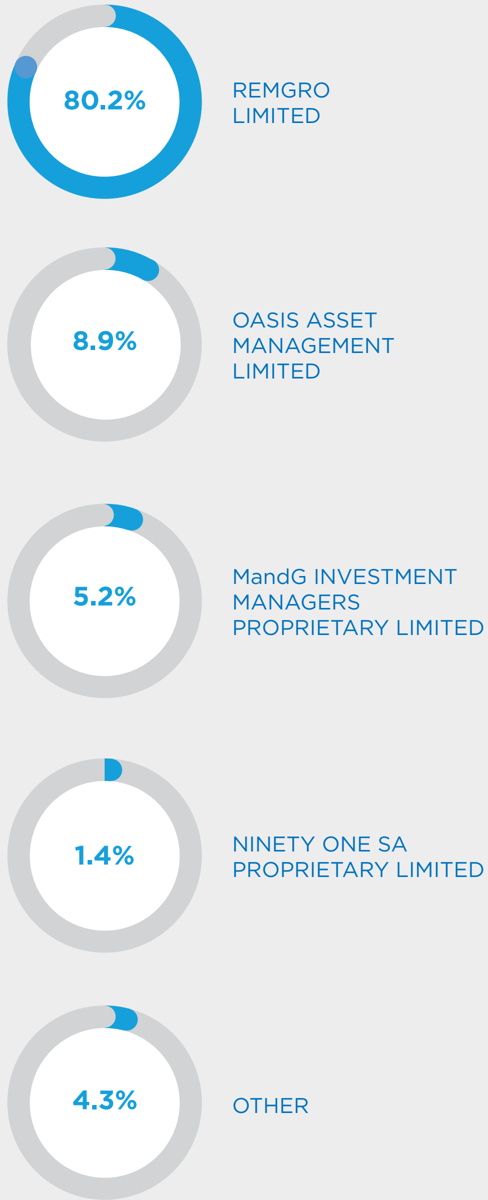
# SHARE INFORMATION

**RCL FOODS SHARE PRICE** (cents)


**DIVIDENDS PER SHARE** (cents)




**SHAREHOLDERS** (%)




## STOCK EXCHANGE PERFORMANCE

| 12 months | | 2023 | 2022 |
|---|---|---|---|
| Share price | | | |
| – lowest | cents | **895** | 881 |
| – highest | cents | **1 375** | 1 600 |
| – at year-end | cents | **1 000** | 1 021 |
| Number of shares traded | million | **45,0** | 26,1 |
| Value traded | R million | **493,0** | 305,0 |
| Number of shares in issue at year-end | ’000 | **890 097** | 953 298 |
| PE ratio at year-end | ratio | **16.5** | 9.2 |
| Market capitalisation | R billion | **8,9** | 9,7 |

## LISTING INFORMATION

| | |
|---|---|
| JSE share code: | RCL |
| Sector: | Consumer Goods – Food & beverages |
| Subsector: | Food Producers |

## REPORTING DATES

| | |
|---|---|
| Interim results | March 2024 |
| Year-end results | September 2024 |
| Annual report published | September 2024 |
| Annual general meeting | November 2024 |



# ABRIDGED **FINANCIAL STATEMENTS**

RCL FOODS Limited
Ten The Boulevard
Westway Office Park
Westville
3629

Dear shareholder,

Kindly note that the information contained in this printed version of the Abridged Integrated Annual Report represents a summary of the information contained in the full integrated annual report published on the RCL Foods website at https://rclfoods.com/financial-results-and-reports-2023/ on 29 September 2023.

Any investment decisions by investors and/or shareholders should be based on a consideration of the full annual report as a whole and shareholders are encouraged to review the full annual report which is available for viewing on the Company's website set out above.

Investors and/or shareholders may request copies of the full annual report by contacting the company secretary at lauren.kelso@rclfoods.com or on +27 31 242 8600.

Yours faithfully

**JJ Durand**
*Non-executive Chairman*

# REPORT OF THE AUDIT COMMITTEE

This report sets out how the Audit Committee discharged its responsibilities during the financial year ended June 2023 as required in terms of section 94 of the Companies Act.

## MANDATE AND TERMS OF REFERENCE

The responsibilities of the Audit Committee are incorporated into the Committee's charter which is reviewed annually and approved by the Board. The Committee has conducted its affairs in compliance with this charter and has discharged its responsibilities contained therein.

*A copy of the charter can be found on our website at www.rclfoods.com/governance/corporate-governance/governance-documents*

## AUDIT COMMITTEE MEMBERSHIP AND RESOURCES

The Audit Committee consists of four independent non-executive directors, and the Chairman of the Risk Committee *(ex officio)*, Mr GC Zondi. Mrs CJ Hess retired on 9 November 2022 and Ms GP Dingaan was appointed to the Board, and as the Chairperson of the Committee. All members of the Committee have the requisite financial literacy, knowledge and commercial skills and experience to contribute effectively to committee deliberations.

The Committee met four times during the year as per the Audit Committee charter. The Chief Executive Officer (CEO), Chief Financial Officer (CFO), Internal Audit Director (IAD), Group Finance Director (FD) and the external audit partners attend meetings by invitation. Other members of the Board and management team attend as required. The Committee meets separately with the external and internal auditors at least once a year without management present, to ensure that all relevant matters have been identified and discussed without undue influence.

| Members | | Appointed | 25/08/2022 | 02/09/2022 | 02/03/2023 | 22/06/2023 |
|---|---|---|---|---|---|---|
| GP Dingaan* | BCom (Acc), HDip (Acc), CA(SA) | November 2022 | **N/A** | **N/A** | **Present** | **Present** |
| CJ Hess* | BCom, PGDA, CA(SA) | June 2018 | **Present** | **Present** | **Retired** | **Retired** |
| NP Mageza | ACCA (UK) | September 2009 | **Present** | **Present** | **Present** | **Present** |
| DTV Msibi | BBusSc, BCom (Hons), MCom, CA(SA) | August 2013 | **Present** | **Present** | **Present** | **Present** |
| GM Steyn | BA (LLB) | March 2019 | **Present** | **Present** | **Present** | **Present** |
| GC Zondi# | BCompt (Hons), AGA(SA) | July 2018 | **Present** | **Present** | **Present** | **Present** |

* *Committee Chairperson.*
\# *Ex officio member.*

## ELECTION OF COMMITTEE MEMBERS

In terms of section 94(2) of the Companies Act, it was resolved at the Annual General Meeting held on 9 November 2022 that NP Mageza, DTV Msibi and GM Steyn be re-appointed as members of the Audit Committee until the next Annual General Meeting on 16 November 2023.

# REPORT OF THE AUDIT COMMITTEE CONTINUED

## ROLES AND RESPONSIBILITIES

The Audit Committee's roles and responsibilities include its statutory duties per the Companies Act and the responsibilities assigned to it by the Board. The Audit Committee fulfils an oversight role regarding integrated reporting, ensures application of the combined assurance model, reviews the finance function, forms an integral component of the risk management process and provides oversight of both external audit and internal audit.

The Audit Committee has discharged its key responsibilities as follows:

- reviewed the interim results, year-end financial statements and Integrated Annual Report, in the course of its review, the Committee:
  - took appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS);
  - considered and, when appropriate, made recommendations on financial statements, accounting practices and internal financial controls;
  - ensured that the Group has established appropriate financial reporting procedures and that those procedures operate effectively;
  - ensured that sustainability disclosures did not conflict with the financial information; and
  - took into consideration the process of proactive monitoring of financial statements for compliance with IFRS in terms of the JSE proactive monitoring report;
- provide oversight in respect of financial reporting risks, internal financial controls, fraud risk and IT risk as it relates to financial reporting;
- confirmed the Internal Audit charter and internal audit plan;
- reviewed the appropriateness of the combined assurance model in addressing all significant risks facing the Group;
- considered and recommended to the Board the appointment and retention of external auditors, and the external audit partner, in line with applicable legislation;
- approved the audit fees and engagement terms of the external auditors; and
- determined the nature and extent of allowable non-audit services, and approved the terms for the provision of non-audit services, by the external auditors.

## EXPERTISE AND EXPERIENCE OF THE CFO AND FINANCE FUNCTION

The Audit Committee performed an assessment of the CFO, Robert Field, and the Finance function. Based on the 2023 assessment, the Audit Committee is satisfied that Robert Field and his management team have the appropriate expertise and experience to service the Group's Finance function. It further considered and satisfied itself of the overall appropriateness of the expertise and adequacy of resources of the Group's Finance function. The Annual Financial Statements were compiled under the supervision of Robert Field, CA(SA).

## EXTERNAL AUDIT

PricewaterhouseCoopers Inc. (PwC) are the incumbent auditors for the Group for 2023. The Committee continually monitors the independence and objectivity of the external auditors, and satisfied itself in relation to the ethical requirements. PwC was considered independent with respect to the Group as required by the Codes endorsed and administered by the Independent Regulatory Board for Auditors and the South African Institute of Chartered Accountants. The Committee has satisfied itself that the external auditors' appointment of Rodney Klute as designated auditor complies with the JSE Listings Requirements, and that he is within his tenure and rotation requirements.

The Committee has reviewed the external audit process and has satisfied itself with the performance of the external auditors.

During the period, PwC provided certain non-audit services, including tax services and agreed-upon procedures compliance audits. Total fees incurred during the 2023 financial year to PwC were R24,9 million (2022: R26,2 million), R5,4 million (2022: R2,3 million) of which related to non-audit services.

Ernst & Young Inc (EY) conducted the external audit for certain subsidiaries of the Group for the year ended June 2023. Total fees incurred during the 2023 financial year to EY were R3,9 million.

The Group has defined levels of authority which require final approval for all non-audit services by the Audit Committee.

The Group will propose a resolution at the Annual General Meeting to rotate external auditors for the 2024 financial year. This follows the non-binding advisory vote which was passed at the 2021 AGM endorsing the potential appointment of EY as the Company's external auditor for the 2024 financial year. The Audit Committee has nominated, for appointment at the Annual General Meeting, EY as the external audit firm responsible for performing the functions of external auditor for the 2024 financial year.

The Audit Committee has requested the information detailed in section 22.15(h) of the JSE Listings Requirements from EY. The Audit Committee has satisfied itself that the audit firm and the designated auditor are accredited as such on the JSE list of auditors and has considered the information provided by EY in terms of section 22.15(h) of the JSE Listings Requirements in its assessment. During the year, the audit partner from EY has attended meetings of the Committee by invitation.

# REPORT OF THE AUDIT COMMITTEE CONTINUED

## INTERNAL AUDIT

The Audit Committee is responsible for ensuring that the RCL FOODS' Internal Audit function is independent and has the necessary resources and authority to enable it to discharge its duties.

Internal Audit comprises a dedicated team of appropriately qualified and technically experienced personnel. Where necessary, certain audits are outsourced to consultants with appropriate skills and technical expertise. The activities of the Internal Audit function are co-ordinated by the Internal Audit Director (IAD). To ensure independence, the IAD reports functionally to the Audit Committee and, only from an administrative perspective, to the CEO. The Committee reviewed the performance of the IAD and was satisfied that he has the necessary expertise and experience to fulfil this role and that he had performed appropriately during the year under review.

## INTERNAL FINANCIAL CONTROLS

The Committee is satisfied that the Group's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements. This is based on the review of the design, implementation and effectiveness of the Group's system of internal financial controls conducted by the Internal Audit function during the year under review, and reports made by the independent external auditors on the results of their audit, and management reports. No findings have come to the attention of the Committee to indicate that any material breakdown in internal controls has occurred during the past financial year.

## GOING CONCERN ASSESSMENT

The Audit Committee reviewed a documented assessment by management of the going concern premise of the Company and the Group before concluding to the Board that the Company and the Group will be a going concern in the foreseeable future.

**GP Dingaan**
*Audit Committee Chairperson*

1 September 2023

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 2 July 2023 R'000 | 3 July 2022 R'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | **5 944 523** | 6 362 040 |
| Right-of-use assets | **404 680** | 524 583 |
| Intangible assets | **1 621 858** | 1 602 581 |
| Investment in joint ventures | **211 240** | 307 135 |
| Investment in associates | **942 333** | 822 991 |
| Deferred income tax asset | **42 289** | 45 435 |
| Loans receivable | **12 000** | 31 095 |
| Trade and other receivables | | 26 289 |
| Investment in financial asset | **149 936** | 241 976 |
| Goodwill | **1 950 551** | 1 885 590 |
| | **11 279 410** | 11 849 715 |
| **Current assets** | | |
| Inventories | **3 722 105** | 3 147 177 |
| Biological assets | **1 317 386** | 1 231 829 |
| Trade and other receivables | **2 157 318** | 6 099 577 |
| Derivative financial instruments | **28 144** | 4 597 |
| Tax receivable | **14 761** | 18 997 |
| Loans receivable | **59 233** | |
| Cash and cash equivalents | **224 373** | 1 590 267 |
| | **7 523 320** | 12 092 444 |
| **Assets of disposal group classified as held for sale** | **6 498 631** | 33 135 |
| **Total assets** | **25 301 361** | 23 975 294 |

| | 2 July 2023 R'000 | 3 July 2022 R'000 |
|---|---|---|
| **EQUITY** | | |
| Capital and reserves | **11 721 305** | 11 389 332 |
| **LIABILITIES** | | |
| Non-current liabilities | | |
| Deferred income | **3 277** | 4 474 |
| Interest-bearing liabilities | **371 066** | 1 538 829 |
| Lease liabilities | **436 134** | 730 482 |
| Deferred income tax liabilities | **1 006 332** | 1 040 157 |
| Retirement benefit obligations | **65 974** | 115 725 |
| Trade and other payables | **10 858** | |
| | **1 893 641** | 3 429 667 |
| **Current liabilities** | | |
| Trade and other payables | **4 594 257** | 7 800 799 |
| Deferred income | **2 211** | 2 768 |
| Interest-bearing liabilities | **1 963 037** | 1 111 475 |
| Lease liabilities | **160 255** | 155 130 |
| Derivative financial instruments | **3 670** | 2 018 |
| Current income tax liabilities | **100 894** | 58 629 |
| Bank overdraft | **865 000** | 24 459 |
| | **7 689 324** | 9 155 278 |
| **Liabilities of disposal group classified as held for sale** | **3 997 091** | 1 017 |
| **Total liabilities** | **13 580 056** | 12 585 962 |
| **Total equity and liabilities** | **25 301 361** | 23 975 294 |

# CONSOLIDATED INCOME STATEMENT

| | Year ended June 2023 R'000 | *Restated Year ended June 2022 R'000 |
|---|---|---|
| **Continuing operations** | | |
| **Revenue from contracts with customers** | **37 782 948** | 32 200 777 |
| **Operating profit before depreciation, amortisation and impairments** (EBITDA)** | **1 711 457** | 2 265 370 |
| Depreciation, amortisation and impairments** | **(924 725)** | (798 853) |
| **Operating Profit** | **786 732** | 1 466 517 |
| Finance costs | **(376 069)** | (241 019) |
| Finance income | **38 726** | 39 475 |
| Share of profits of joint ventures | **36 185** | 26 113 |
| Share of profits of associates | **193 360** | 17 752 |
| **Profit before tax** | **678 934** | 1 308 838 |
| Income tax expense | **(242 325)** | (394 904) |
| **Profit for the period from continuing operations** | **436 609** | 913 934 |
| **Profit for the period from discontinued operation** | **76 299** | 63 750 |
| **Profit for the period** | **512 908** | 977 684 |
| **Attributable to:** | | |
| Equity holders of the Company | **616 237** | 1 013 361 |
| – from continuing operations | **542 788** | 951 066 |
| – from discontinued operation | **73 449** | 62 295 |
| Non-controlling interests | **(103 329)** | (35 677) |
| – from continuing operations | **(106 179)** | (37 132) |
| – from discontinued operation | **2 850** | 1 455 |
| **HEADLINE EARNINGS** | | |
| **Continuing operations** | | |
| Profit for the period attributable to equity holders of the Company | **542 788** | 951 066 |
| Profit on disposal of property, plant and equipment and assets held for sale | **(25 975)** | (9 614) |
| Loss on disposal of property, plant and equipment and assets held for sale | **24 447** | 10 260 |
| Insurance proceeds | **(29 634)** | (597) |
| Impairments of fixed assets and intangibles | **35 842** | 41 971 |
| Change in ownership of associate | | (2 768) |
| (Profit)/loss on disposal of property, plant and equipment included in equity-accounted earnings of associates | **(201)** | 927 |
| Foreign currency translation reserve recycled into profit and loss | **(9 654)** | |
| Loss on disposal of associate | **1 955** | |
| **Headline earnings from continuing operations** | **539 568** | 991 245 |

| | Year ended June 2023 R'000 | *Restated Year ended June 2022 R'000 |
|---|---|---|
| **HEADLINE EARNINGS** | | |
| **Discontinued operation** | | |
| Profit for the period attributable to equity holders of the Company | **73 449** | 62 295 |
| Profit on disposal of property, plant and equipment and assets held for sale | **(6 332)** | (10 336) |
| Loss on disposal of property, plant and equipment and assets held for sale | **1 493** | 6 447 |
| Insurance proceeds | | (65) |
| Impairments of fixed assets and intangibles | | 4 386 |
| **Headline earnings from discontinued operation** | **68 610** | 62 727 |
| **Headline earnings from total operations** | **608 178** | 1 053 972 |
| | **Cents** | Cents |
| **Earnings per share from continuing and discontinued operations attributable to equity holders of the Company** | | |
| **Basic earnings per share** | **69.3** | 114.0 |
| – from continuing operations | **61.0** | 107.0 |
| – from discontinued operation | **8.3** | 7.0 |
| **Basic earnings per share – diluted** | **68.7** | 113.1 |
| – from continuing operations | **60.5** | 106.1 |
| – from discontinued operation | **8.2** | 7.0 |
| **Headline earnings per share** | **68.3** | 118.6 |
| – from continuing operations | **60.6** | 111.5 |
| – from discontinued operation | **7.7** | 7.1 |
| **Headline earnings per share – diluted** | **67.8** | 117.6 |
| – from continuing operations | **60.2** | 110.6 |
| – from discontinued operation | **7.6** | 7.0 |

* *The prior year numbers have been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation.*

** *Impairments relate only to impairments of property, plant and equipment, goodwill and intangible assets.*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended June 2023 R'000 | *Restated Year ended June 2022 R'000 |
|---|---|---|
| Profit for the period from continuing operations | **436 609** | 913 934 |
| **Other comprehensive income** | | |
| ***Items that will not be reclassified to profit and loss*** | | |
| Remeasurement of retirement medical obligations – net of tax | **8 575** | (1 246) |
| Share of associates other comprehensive income | **229** | 1 354 |
| ***Items that may subsequently be reclassified to profit and loss*** | | |
| Currency translation differences | **7 102** | 1 674 |
| Foreign currency translation reserve recycled into profit and loss | **(9 654)** | (182) |
| Other comprehensive income for the period – net of tax | **6 252** | 1 600 |
| **Total comprehensive income for the period – continuing operations** | **442 861** | 915 534 |
| **Total comprehensive income for the period attributable to:** | | |
| Equity holders of the Company – continuing operations | **549 040** | 952 666 |
| Non-controlling interests – continuing operations | **(106 179)** | (37 132) |
| | **442 861** | 915 534 |
| Profit for the period from discontinued operation | **76 299** | 63 750 |
| **Other comprehensive income** | | |
| ***Items that will not be reclassified to profit and loss*** | | |
| Remeasurement of retirement medical obligations – net of tax | **1 738** | (398) |
| ***Items that may subsequently be reclassified to profit and loss*** | | |
| Currency translation differences | **3 059** | 954 |
| Other comprehensive income for the period – net of tax | **4 797** | 556 |
| **Total comprehensive income for the period – discontinued operation** | **81 096** | 64 306 |
| **Total comprehensive income for the period attributable to:** | | |
| Equity holders of the Company – discontinued operation | **77 938** | 63 459 |
| Non-controlling interests – discontinued operation | **3 158** | 847 |
| | **81 096** | 64 306 |

* *The prior year numbers have been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation.*

# CONSOLIDATED CASH FLOW INFORMATION

| | June 2023 R'000 | *Restated June 2022 R'000 |
|---|---|---|
| OPERATING PROFIT | **786 732** | 1 466 517 |
| Non-cash items | **762 646** | 494 405 |
| OPERATING PROFIT BEFORE WORKING CAPITAL REQUIREMENTS | **1 549 378** | 1 960 922 |
| Working capital requirements | | |
| Movement in inventories | **(649 529)** | 85 099 |
| Movement in biological assets | **247 719** | 83 468 |
| Movement in trade and other receivables | **(33 576)** | (30 472) |
| Movement in trade and other payables | **(52 716)** | 964 453 |
| CASH GENERATED BY OPERATIONS | **1 061 276** | 3 063 470 |
| Net finance cost | **(298 730)** | (202 427) |
| Tax paid | **(292 344)** | (337 951) |
| CASH AVAILABLE FROM OPERATING ACTIVITIES | **470 202** | 2 523 092 |
| Dividend received | **40 876** | 66 392 |
| Dividends paid | **(268 939)** | (402 876) |
| Net cash inflow from operating activities – continuing operations | **242 139** | 2 186 608 |
| Net cash (outflow)/inflow from operating activities – discontinued operation | **(197 158)** | 343 990 |
| **Net cash inflow from operating activities** | **44 981** | 2 530 598 |
| **Cash flows from investing activities** | | |
| Replacement property, plant and equipment | **(828 487)** | (657 909) |
| Expansion property, plant and equipment | **(306 864)** | (448 150) |
| Intangible asset additions | **(25 174)** | (25 662) |
| Acquisition of business | **(214 892)** | (7 024) |
| Receipts from loans receivable | **6 000** | 13 277 |
| Advances of interest-bearing loans | **(76 370)** | (2 998) |
| Proceeds on disposal of property, plant and equipment and intangible assets | **19 483** | 21 380 |

| | June 2023 R'000 | *Restated June 2022 R'000 |
|---|---|---|
| Net cash outflow from investing activities – continuing operations | **(1 426 304)** | (1 107 086) |
| Net cash outflow from investing activities – discontinued operation | **(178 591)** | (148 967) |
| **Net cash outflow from investing activities** | **(1 604 895)** | (1 256 053) |
| **Cash flows from financing activities** | | |
| Repayments of interest-bearing liabilities | **(554 027)** | (607 978) |
| Advances of interest-bearing liabilities (including bank overdraft in the current year) | **940 941** | 152 609 |
| Additional capital contribution by non-controlling interest | **8 692** | |
| Repurchase of shares | **(2 204)** | |
| Net cash inflow/(outflow) from financing activities – continuing operations | **393 402** | (455 369) |
| Net cash outflow from financing activities – discontinued operation | **(125 553)** | (150 487) |
| **Net cash inflow/(outflow) from financing activities** | **267 849** | (605 856) |
| **Net movement in cash and cash equivalents** | **(1 292 065)** | 668 689 |
| Cash and cash equivalents at the beginning of the period | **1 565 808** | 896 969 |
| Exchange rate translation from discontinued operation | **1 874** | 150 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD[1] | **275 617** | 1 565 808 |

* *The prior year numbers have been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation.*

[1] *Includes cash and cash equivalents disclosed as part of the disposal group held for sale at 2 July 2023 and excludes bank overdraft deemed a financing activity in the current financial year. The cash and cash equivalents at the end of the period of R275,6 million consists of R224,4 million as reported on the Statement of Financial Position and R51,2 million related to the Vector Logistics segment which has been classified as a disposal group held for sale at year-end.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stated capital R'000 | Share-based payments R'000 | Other reserves R'000 | Common control reserve R'000 | Retained earnings R'000 | Controlling interest total R'000 | Non-controlling interest R'000 | Total R'000 |
| **Balance at 4 July 2021** | 10 318 079 | 776 223 | (1 059) | (1 919 832) | 1 556 095 | 10 729 506 | (35 839) | 10 693 667 |
| Profit for the period | | | | | | | | |
| – from continuing operations | | | | | 951 066 | 951 066 | (37 132) | 913 934 |
| – from discontinued operation | | | | | 62 295 | 62 295 | 1 455 | 63 750 |
| Other comprehensive income for the period | | | | | | | | |
| – from continuing operations | | | 1 492 | | 108 | 1 600 | | 1 600 |
| – from discontinued operation | | | 1 562 | | (398) | 1 164 | (608) | 556 |
| BEE share-based payments charge | | 9 694 | | | | 9 694 | | 9 694 |
| Employee share option scheme: | | | | | | | | |
| Value of employee services | | 93 653 | | | | 93 653 | | 93 653 |
| Equity component of tax on share-based payments | | 231 | | | | 231 | | 231 |
| Exercise of employee share options | 16 057 | (16 057) | | | | | | |
| Shareholder loans converted to equity | | | | | | | 15 123 | 15 123 |
| Ordinary dividend paid | | | | | (399 926) | (399 926) | (2 950) | (402 876) |
| **Balance at 3 July 2022** | **10 334 136** | **863 744** | **1 995** | **(1 919 832)** | **2 169 240** | **11 449 283** | **(59 951)** | **11 389 332** |
| Profit for the period | | | | | | | | |
| – from continuing operations | | | | | **542 788** | **542 788** | **(106 179)** | **436 609** |
| – from discontinued operation | | | | | **73 449** | **73 449** | **2 850** | **76 299** |
| Other comprehensive income for the period | | | | | | | | |
| – from continuing operations | | | **(2 552)** | | **8 804** | **6 252** | | **6 252** |
| – from discontinued operation | | | **3 059** | | **1 738** | **4 797** | **308** | **5 105** |
| Shares repurchased | **(2 204)** | | | | | **(2 204)** | | **(2 204)** |
| Employee share option scheme: | | | | | | | | |
| Value of employee services | | **70 390** | | | | **70 390** | | **70 390** |
| Equity component of tax on share-based payments | | **(231)** | | | | **(231)** | | **(231)** |
| Exercise of employee share options | **8 833** | **(8 833)** | | | | | | |
| Additional capital contribution by non-controlling interest | | | | | | | **8 692** | **8 692** |
| Ordinary dividend paid | | | | | **(267 039)** | **(267 039)** | **(1 900)** | **(268 939)** |
| **Balance at 2 July 2023** | **10 340 765** | **925 070** | **2 502** | **(1 919 832)** | **2 528 980** | **11 877 485** | **(156 180)** | **11 721 305** |

# SUPPLEMENTARY INFORMATION

| | | June 2023 R'000 | *Restated June 2022 R'000 |
|---|---|---|---|
| Capital expenditure contracted and committed – continuing operations | | **327 375** | 879 766 |
| Capital expenditure approved but not contracted – continuing operations | | **361 640** | 278 677 |
| Capital expenditure contracted and committed – discontinued operation | | **86 458** | 142 971 |
| Capital expenditure approved but not contracted – discontinued operation | | **44 729** | 82 834 |
| **STATISTICS** | | | |
| Statutory ordinary shares in issue (includes B-BBEE shares in the prior year only) | (000's) | **890 097** | 953 298 |
| Ordinary shares in issue for accounting purposes | (000's) | **890 097** | 889 468 |
| Weighted average ordinary shares in issue | (000's) | **889 990** | 888 700 |
| Diluted weighted average ordinary shares in issue | (000's) | **896 873** | 896 367 |
| Net asset value per share | (cents) | **1 316.9** | 1 280.5 |
| Ordinary dividends per share: | | | |
| Interim dividend declared | (cents) | **nil** | 15.0 |
| Final dividend declared | (cents) | **nil** | 30.0 |
| Total dividends | (cents) | **nil** | 45.0 |

* *The prior year numbers have been restated to reflect the Vector Logistics segment separately.*

# SEGMENTAL ANALYSIS

| | June 2023 R'000 | *Restated June 2022 R'000 |
|---|---|---|
| **Continuing Operations** | | |
| **Revenue from contracts with customers** | **37 782 948** | 32 200 777 |
| RCL FOODS Value-Added Business | **24 761 037** | 21 155 856 |
| Groceries | **5 034 203** | 4 731 888 |
| Baking | **8 625 417** | 7 422 627 |
| Sugar | **11 101 417** | 9 001 341 |
| Rainbow | **13 463 861** | 11 384 801 |
| Group# | **197 910** | 189 707 |
| Sales between segments: | | |
| Groceries sales to Baking | **(7 999)** | (7 769) |
| Groceries sales to Sugar | **(3 064)** | (9 498) |
| Groceries sales to Rainbow | **(226 648)** | (132 627) |
| Groceries sales to Group | **(1 925)** | (940) |
| Baking sales to Groceries | **(79 192)** | (74 024) |
| Baking sales to Sugar | **(1 813)** | (1 076) |
| Baking sales to Rainbow | **(152 480)** | (128 640) |
| Sugar sales to Groceries | **(95 263)** | (83 220) |
| Sugar sales to Baking | **(34 749)** | (54 133) |
| Sugar sales to Rainbow | **(6 673)** | (4 843) |
| Rainbow sales to Groceries | **(22 768)** | (25 747) |
| Rainbow sales to Sugar | **(7 286)** | (7 070) |
| **Operating profit before depreciation, amortisation and impairments+ (EBITDA)** | **1 711 457** | 2 265 370 |
| RCL FOODS Value-Added Business | **1 796 602** | 1 854 933 |
| Groceries | **389 286** | 481 587 |
| Baking | **527 879** | 556 384 |
| Sugar | **879 437** | 816 962 |
| Rainbow | **34 814** | 347 111 |
| Group^z | **(63 847)** | 82 762 |
| Unallocated restructuring costs | **(56 112)** | (19 436) |
| Depreciation, amortisation and impairments+ | **(924 725)** | (798 853) |

| | June 2023 R'000 | *Restated June 2022 R'000 |
|---|---|---|
| **Operating profit** | **786 732** | 1 466 517 |
| RCL FOODS Value-Added Business | **1 177 216** | 1 436 936 |
| Groceries | **282 853** | 271 342 |
| Baking | **302 065** | 348 388 |
| Sugar | **592 298** | 817 206 |
| Rainbow | **(235 300)** | 89 667 |
| Group^z | **(99 072)** | 25 437 |
| Unallocated restructuring costs | **(56 112)** | (85 523) |
| Finance costs | **(376 069)** | (241 019) |
| Finance income | **38 726** | 39 475 |
| **Share of profits of joint ventures** | **36 185** | 26 113 |
| Sugar | **36 185** | 26 113 |
| **Share of profits/(loss) of associates** | **193 360** | 17 752 |
| Sugar | **186 717** | 29 226 |
| Livekindly Collective Africa | **1 741** | (6 745) |
| Ugandan Operation | **4 902** | (4 729) |
| **Profit before tax** | **678 934** | 1 308 838 |

* *The results for the Groceries and Baking segments in the comparative periods have been restated to reallocate the Pies operating unit, which now forms part of Baking for segmental reporting purposes. The Pies operating unit was previously included as part of the Groceries segment. The prior year numbers have been restated as required by IFRS 5 to reflect Vector Logistics as a discontinued operation.*

\# *Group revenue relates to management fees earned for shared services performed for Siqalo Foods Proprietary Limited and Livekindly Collective Africa Proprietary Limited.*

\+ *Impairments relate only to impairments of property, plant and equipment, right-of-use assets, goodwill and intangible assets.*

z *Includes the operating costs of RCL Foods Limited and RCL Group Services Proprietary Limited (shared services portion only), the fair value and foreign exchange adjustments relating to the Group's investment in The Livekindly Collective, losses/gains on the Group's self-insurance arrangement and profit from management fees earned on shared services functions for Siqalo Foods Proprietary Limited and Livekindly Collective Africa Proprietary Limited.*

# SEGMENTAL ANALYSIS CONTINUED

| | June 2023 R'000 | June 2022 R'000 |
|---|---|---|
| **Discontinued Operation**[1] | | |
| **Revenue from contracts with customers**[2] | **3 066 587** | 2 706 195 |
| **Operating profit before depreciation, amortisation and impairments**[+] **(EBITDA)** | **315 176** | 330 286 |
| Depreciation, amortisation and impairments[+] | **(154 602)** | (190 988) |
| **Operating profit** | **160 574** | 139 298 |
| Finance costs | **(111 123)** | (93 041) |
| Finance income | **31 067** | 23 359 |
| Share of profits of joint venture | **12 333** | 12 791 |
| **Profit before tax** | **92 851** | 82 407 |

[1] *Relates to the Vector Logistics segment.*
[2] *Excludes intercompany revenue which has been eliminated in accordance with the Group accounting policies.*
[+] *Impairments relate only to impairments of property, plant and equipment, right-of-use assets, goodwill and intangible assets.*

| | 2 July 2023 R'000 | 3 July 2022 R'000 |
|---|---|---|
| **ASSETS** | | |
| Groceries^ | **3 199 393** | 3 106 529 |
| Baking^ | **5 553 007** | 5 078 939 |
| Sugar | **5 216 967** | 4 685 752 |
| Rainbow | **6 547 735** | 5 804 772 |
| Unallocated Group assets[v] | **612 216** | 1 775 249 |
| Livekindly Collective Africa | **151 284** | 149 884 |
| Set-off of inter-segment balances | **(2 451 069)** | (2 441 895) |
| Vector Logistics[1] | | 5 816 064 |
| **Total per statement of financial position – continuing operations** | **18 829 533** | 23 975 294 |
| Vector Logistics[1] – disposal group held for sale | **6 471 828** | |
| **Total per statement of financial position** | **25 301 361** | 23 975 294 |
| **LIABILITIES** | | |
| Groceries^ | **1 076 436** | 1 018 796 |
| Baking^ | **1 649 314** | 1 443 986 |
| Sugar | **1 918 098** | 2 048 174 |
| Rainbow | **2 322 261** | 2 186 383 |
| Unallocated Group liabilities[v] | **2 892 720** | 2 433 709 |
| Set-off of inter-segment balances | **(274 847)** | (2 441 895) |
| Vector Logistics[1] | | 5 896 809 |
| **Total per statement of financial position – continuing operations** | **9 583 982** | 12 585 962 |
| Vector Logistics[1] – disposal group held for sale | **3 996 074** | |
| **Total per statement of financial position** | **13 580 056** | 12 585 962 |

^ *The results for the Groceries and Baking segments in the comparative periods have been restated to reallocate the Pies operating unit, which now forms part of Baking for segmental reporting purposes. The Pies operating unit was previously included as part of the Groceries segment.*
[v] *Includes assets and liabilities of the Group treasury company and consolidation entries.*
[1] *Classified as a disposal group held for sale in the current year.*

# NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 2 JULY 2023

## 1. BASIS OF PREPARATION

The Abridged Consolidated Annual Financial Statements have been extracted from the Audited Annual Financial Statements for the year ended June 2023, available at
www.rclfoods.com/financial-results-and-reports-2023/

The Abridged Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the information required by IAS 34 *Interim Financial Reporting*, IFRIC interpretations, SAICA financial reporting guides and in compliance with the Companies Act and the JSE Limited Listings Requirements, under the supervision of the Chief Financial Officer, Robert Field CA(SA). The accounting policies comply with IFRS and have been consistently applied to all years presented.

## 2. DIRECTORS' EMOLUMENTS

| | Basic salary R'000 | Pension contribution R'000 | Bonus[1] R'000 | Other benefits[2] R'000 | Total R'000 |
|---|---|---|---|---|---|
| **2023** | | | | | |
| PD Cruickshank | 7 420 | 606 | 9 000 | 232 | 17 258 |
| RH Field | 5 243 | 564 | 5 000 | 243 | 11 050 |
| | 12 663 | 1 170 | 14 000 | 475 | 28 308 |
| **2022** | | | | | |
| PD Cruickshank[3] | 4 203 | 343 | | 131 | 4 677 |
| RH Field | 5 032 | 541 | 4 000 | 224 | 9 797 |
| M Dally[4] | 4 021 | 244 | 31 521 | 322 | 36 108 |
| | 13 256 | 1 128 | 35 521 | 677 | 50 582 |

[1] *Bonus payments made in 2023 relate to the 2022 financial year. An amount of R12,2 million has been accrued for the 2023 financial year.*
[2] *Other benefits include company contributions to disability insurance, medical aid and UIF.*
[3] *PD Cruickshank was appointed as Chief Executive Officer with effect from 1 December 2021. Prior year remuneration disclosed is only included from appointment date.*
[4] *M Dally retired as Chief Executive Officer and director of the company on 30 November 2021.*

## 2. DIRECTORS' EMOLUMENTS CONTINUED

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Non-executives (for services as a director)** | | |
| HJ Carse[1] | 425 | 403 |
| JJ Durand[1] | 555 | 528 |
| GP Dingaan[2] | 653 | |
| CJ Hess[3] | 319 | 864 |
| PR Louw[1] | 425 | 403 |
| NP Mageza | 812 | 772 |
| PM Moumakwa | 646 | 574 |
| DTV Msibi | 638 | 606 |
| GM Steyn | 865 | 821 |
| GCJ Tielenius Kruythoff | 369 | 351 |
| GC Zondi[4] | 962 | 914 |
| MM Nhlanhla[5] | | 158 |
| Total | 6 669 | 6 394 |

[1] *Paid to Remgro Management Services Limited.*
[2] *Appointed 9 November 2022.*
[3] *Retired 9 November 2022.*
[4] *Paid to Imbewu Capital Partners Management Services Proprietary Limited.*
[5] *Retired 16 November 2021.*

# NOTES TO THE ABRIDGED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 2 JULY 2023

## 2. DIRECTORS' EMOLUMENTS CONTINUED

### LONG-TERM INCENTIVES (LTI) PAYABLE

The RCL FOODS Value Creation Plan (VCP) aims to incentivise eligible participants to drive particular financial measures linked to value creation to encourage a long-term focus on sustainable growth and to attract and retain suitably skilled and competent personnel. VCP allocations are made on an annual basis or when retention/attraction risks apply to executive directors and selected employees. A vesting period of 3 years applies. Upon lapsing of the 3-year period, and where a participant has remained employed for the duration of the vesting period, and the extent to which performance conditions have been made, cliff vesting of the award will occur and the participant will be entitled to settlement to the value of the vested award. The VCP has a vesting cap of 200% of Total Cost to Company for executives and prescribed officers.

Expected settlements on VCP allocations to executive directors for the year ended June 2023 are as follows:

| | Expected settlement on unvested awards[1] | Amounts paid in the current financial year |
|---|---|---|
| PD Cruickshank | 2 228 | |
| RH Field | 2 082 | |
| Expected payment on condition performance targets are achieved | 4 310 | |
| Liability included in long term trade and other payables | 1 437 | |

[1] *Expected future payments on vesting of open scheme. One third of the awards have been accrued for in the 2023 financial year.*

## 2. DIRECTORS' EMOLUMENTS CONTINUED

### INTERESTS OF DIRECTORS OF THE COMPANY IN SHARE APPRECIATION RIGHTS AWARDED IN TERMS OF THE RCL FOODS SHARE APPRECIATION RIGHTS SCHEME

Share appreciation rights awarded to executive directors and unexpired or unexercised as at June 2023 are as follows:

| | Award price Rand | Rights at June 2022 | Rights forfeited during the year | Rights at June 2023 | Fair value of rights awarded[1] R'000 | Rights exercisable at June 2023 |
|---|---|---|---|---|---|---|
| **PD Cruickshank** | | | | | | |
| | 15.92 | 181 809 | (181 809) | | | |
| | 14.05 | 704 282 | | 704 282 | 2 155 | 704 282 |
| | 15.36 | 366 020 | | 366 020 | 1 245 | 366 020 |
| | 16.97 | 323 507 | | 323 507 | 1 417 | 213 514 |
| | 9.93 | 2 068 897 | | 2 068 897 | 4 903 | 682 736 |
| | 8.55 | 714 010 | | 714 010 | 1 564 | |
| | 12.65 | 2 510 776 | | 2 510 776 | 11 524 | |
| Subtotal | | 6 869 301 | (181 809) | 6 687 492 | 22 808 | 1 966 552 |
| **RH Field** | | | | | | |
| | 15.92 | 319 448 | (319 448) | | | |
| | 14.05 | 1 087 325 | | 1 087 325 | 3 327 | 1 087 325 |
| | 15.36 | 669 653 | | 669 653 | 2 277 | 669 653 |
| | 16.97 | 620 061 | | 620 061 | 2 716 | 409 240 |
| | 9.93 | 1 217 339 | | 1 217 339 | 2 885 | 401 721 |
| | 8.55 | 1 188 869 | | 1 188 869 | 2 604 | |
| | 12.65 | 1 095 283 | | 1 095 283 | 5 027 | |
| Subtotal | | 6 197 978 | (319 448) | 5 878 530 | 18 836 | 2 567 939 |
| Total | | 13 067 279 | (501 257) | 12 566 022 | 41 644 | 4 534 491 |

[1] *Fair value of rights awarded represents the total fair value of rights outstanding at the end of the year. This cost is expensed over the right's vesting period.*

# NOTES TO THE ABRIDGED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 2 JULY 2023

## 2. DIRECTORS' EMOLUMENTS CONTINUED

Share appreciation rights awarded to executive directors and unexpired or unexercised as at June 2022 are as follows:

| | Award price Rand | Rights at June 2021 | Rights awarded during the year | Rights forfeited during the year | Rights at June 2022 | Fair value of rights awarded[1] R'000 | Rights exercisable at June 2022 |
|---|---|---|---|---|---|---|---|
| **PD Cruickshank[2]** | 15.93 | 197 884 | | (197 884) | | | |
| | 15.92 | 181 809 | | | 181 809 | 571 | 181 809 |
| | 14.05 | 704 282 | | | 704 282 | 2 155 | 704 282 |
| | 15.36 | 366 020 | | | 366 020 | 1 245 | 241 573 |
| | 16.97 | 323 507 | | | 323 507 | 1 417 | 106 757 |
| | 9.93 | 2 068 897 | | | 2 068 897 | 4 903 | |
| | 8.55 | 714 010 | | | 714 010 | 1 564 | |
| | 12.65 | | 2 510 776 | | 2 510 776 | 11 524 | |
| Subtotal | | 4 556 409 | 2 510 776 | (197 884) | 6 869 301 | 23 379 | 1 234 421 |
| **RH Field** | | | | | | | |
| | 15.93 | 559 397 | | (559 397) | | | |
| | 15.92 | 319 448 | | | 319 448 | 1 003 | 319 448 |
| | 14.05 | 1 087 325 | | | 1 087 325 | 3 327 | 1 087 325 |
| | 15.36 | 669 653 | | | 669 653 | 2 277 | 441 970 |
| | 16.97 | 620 061 | | | 620 061 | 2 716 | 204 620 |
| | 9.93 | 1 217 339 | | | 1 217 339 | 2 885 | |
| | 8.55 | 1 188 869 | | | 1 188 869 | 2 604 | |
| | 12.65 | | 1 095 283 | | 1 095 283 | 5 027 | |
| Subtotal | | 5 662 092 | 1 095 283 | (559 397) | 6 197 978 | 19 839 | 2 053 363 |
| **M Dally[3]** | | | | | | | |
| | 15.93 | 1 014 820 | | (1 014 820) | | | |
| | 15.92 | 540 869 | | | 540 869 | 1 698 | 540 869 |
| | 14.05 | 1 962 930 | | | 1 962 930 | 6 007 | 1 962 930 |
| | 15.36 | 1 284 422 | | | 1 284 422 | 4 367 | 847 718 |
| | 16.97 | 1 153 718 | | | 1 153 718 | 5 053 | 380 726 |
| | 9.93 | 2 189 069 | | | 2 189 069 | 5 188 | |
| | 8.55 | 2 168 330 | | | 2 168 330 | 4 749 | |
| Sub total | | 10 314 158 | | (1 014 820) | 9 299 338 | 27 062 | 3 732 243 |
| Total | | 20 532 659 | 3 606 059 | (1 772 101) | 22 366 617 | 70 280 | 7 020 027 |

1 *Fair value of rights awarded represents the total fair value of rights outstanding at the end of the year. This cost is expensed over the right's vesting period.*

2 *PD Cruickshank was appointed as Chief Executive Officer with effect from 1 December 2021.*

3 *M Dally retired as Chief Executive Officer and director of the Company on 30 November 2021.*

# NOTES TO THE ABRIDGED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 2 JULY 2023

## 2. DIRECTORS' EMOLUMENTS CONTINUED

### INTERESTS OF DIRECTORS OF THE COMPANY IN STATED CAPITAL

The aggregate beneficial holdings as at June of those directors of the company holding issued ordinary shares are detailed below:

| | 2023 Direct beneficial | 2023 Indirect beneficial | 2022 Direct beneficial | 2022 Indirect beneficial |
|---|---|---|---|---|
| **Executive directors** | | | | |
| PD Cruickshank | **447 811** | | 447 811 | |
| RH Field | **1 675 030** | | 1 675 030 | |
| **Non-executive directors** | | | | |
| NP Mageza | | **386** | | 386 |
| GC Zondi* | | | | 667 252 |
| | **2 122 841** | **386** | 2 122 841 | 667 638 |

* *Assumed 100% vesting in terms of B-BBEE transaction.*

There has been no change in the interest of the directors in the stated capital of the company since the end of the financial year to the date of this report.

The above interests of directors represents the aggregate interests of directors. No interest is held by a director's associate.

## 2. DIRECTORS' EMOLUMENTS CONTINUED

### DIRECTORS' EMOLUMENTS PAID BY REMGRO LIMITED

| June 2023 | Fees R'000 | Salaries R'000 | Retirement fund R'000 | Other benefits* R'000 | Total R'000 |
|---|---|---|---|---|---|
| **Executive** | | | | | |
| HJ Carse | | **2 652** | **526** | **378** | **3 556** |
| JJ Durand | **413** | **12 819** | **2 625** | **442** | **16 299** |
| PR Louw | | **3 221** | **639** | **455** | **4 315** |
| Subtotal | **413** | **18 692** | **3 790** | **1 275** | **24 170** |
| **Independent non-executive** | | | | | |
| NP Mageza | **657** | | | | **657** |
| Subtotal | **657** | | | | **657** |
| Total | **1 070** | **18 692** | **3 790** | **1 275** | **24 827** |

| June 2022 | Fees R'000 | Salaries R'000 | Retirement fund R'000 | Other benefits* R'000 | Total R'000 |
|---|---|---|---|---|---|
| **Executive** | | | | | |
| HJ Carse | | 2 529 | 501 | 321 | 3 351 |
| JJ Durand | 390 | 12 107 | 2 479 | 418 | 15 394 |
| PR Louw | | 3 037 | 598 | 432 | 4 067 |
| Subtotal | 390 | 17 673 | 3 578 | 1 171 | 22 812 |
| **Independent non-executive** | | | | | |
| NP Mageza | 620 | | | | 620 |
| Subtotal | 620 | | | | 620 |
| Total | 1 010 | 17 673 | 3 578 | 1 171 | 23 432 |

* *Other benefits include medical aid contributions and vehicle benefits.*

# NOTES TO THE ABRIDGED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 2 JULY 2023

## 2. DIRECTORS' EMOLUMENTS CONTINUED

### VARIABLE PAY – LONG-TERM INCENTIVE PLANS

#### Remgro Equity Settled Share Appreciation Right Scheme (SARs) – 2023

| Participant | Balance of SARs accepted as at June 2022 | SARs accepted during the period | Offer date | Offer price Rand | Number of SARs exercised/ (forfeited) | Date exercising/ forfeiting SARs | Balance of SARs accepted as at June 2023 | Fair value of SARs granted[1] R'000 |
|---|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | | |
| HJ Carse | 7 546 | | | 90.97 | | | 7 546 | 434 |
| | 11 767 | | | 123.80 | | | 11 767 | 313 |
| | 17 775 | | | 160.29 | | | 17 775 | 63 |
| | 8 273 | | | 166.08 | | | 8 273 | 18 |
| | 9 988 | | | 122.38 | | | 9 988 | 278 |
| | 16 972 | | | 114.92 | | | 16 972 | 723 |
| | 5 915 | | | 107.67 | | | 5 915 | 303 |
| | 14 494 | | | 89.21 | | | 14 494 | 954 |
| | 14 502 | | | 89.69 | | | 14 502 | 999 |
| | 11 172 | | | 121.63 | | | 11 172 | 642 |
| | | 15 000 | 2022/12/05 | 141.64 | | | 15 000 | 806 |
| JJ Durand | 271 258 | | | 90.97 | | | 271 258 | 15 615 |
| | 93 128 | | | 123.80 | 93 128 | 2022/11/29 | | |
| | 108 468 | | | 160.29 | | | 108 468 | 386 |
| | 192 676 | | | 166.08 | | | 192 676 | 414 |
| | 150 872 | | | 122.38 | 150 872 | 2022/11/29 | | |
| | 132 309 | | | 114.92 | | | 132 309 | 5 637 |
| | 235 427 | | | 89.21 | 68 272 | 2022/12/05 | 167 155 | 6 600 |
| | 235 454 | | | 89.69 | | | 235 454 | 9 733 |
| | 181 378 | | | 121.63 | | | 181 378 | 6 251 |
| | | 172 168 | 2022/12/05 | 141.64 | | | 172 168 | 5 548 |
| PR Louw | 22 646 | | | 90.97 | 22 646 | 2023/06/22 | | |
| | 12 944 | | | 123.80 | 12 944 | 2023/06/22 | | |
| | 5 952 | | | 160.29 | | | 5 952 | 21 |
| | 9 497 | | | 166.08 | | | 9 497 | 20 |
| | 91 120 | | | 122.38 | 91 120 | 2023/06/22 | | |
| | 20 301 | | | 114.92 | | | 20 301 | 865 |
| | 46 428 | | | 89.21 | 13 464 | 2022/12/05 | 32 964 | 1 302 |
| | 46 448 | | | 89.69 | | | 46 448 | 1 920 |
| | 35 796 | | | 126.99 | | | 35 796 | 1 234 |
| | | 37 780 | 2022/12/05 | 141.64 | | | 37 780 | 1 218 |
| Total | 2 010 506 | 224 948 | | | 452 446 | | 1 783 008 | 62 297 |

[1] *Fair value of rights awarded represents the total fair value of all rights outstanding at the end of the year. This cost is expensed over the rights' vesting period.*

# NOTES TO THE ABRIDGED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 2 JULY 2023

## 2. DIRECTORS' EMOLUMENTS CONTINUED

### Remgro Equity Settled Share Appreciation Right Scheme (SARs) – 2022

| Participant | Balance of SARs accepted as at June 2021 | SARs accepted during the period | Offer date | Offer price Rand | Number of SARs exercised/ (forfeited) | Date exercising/ forfeiting SARs | Balance of SARs accepted as at June 2022 | Fair value of SARs granted[1] R'000 |
|---|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | | |
| HJ Carse | 7 546 | | | 94.22 | | | 7 546 | 295 |
| | 11 767 | | | 127.40 | | | 11 767 | 202 |
| | 17 775 | | | 164.57 | | | 17 775 | 88 |
| | 8 273 | | | 170.38 | | | 8 273 | 35 |
| | 9 988 | | | 125.95 | | | 9 988 | 145 |
| | 16 972 | | | 118.86 | | | 16 972 | 470 |
| | 5 915 | | | 112.38 | | | 5 915 | 218 |
| | 28 996 | | | 93.82 | | | 28 996 | 1 613 |
| | | 11 172 | 2021/12/05 | 126.99 | | | 11 172 | 550 |
| JJ Durand | 271 258 | | | 94.22 | | | 271 258 | 10 614 |
| | 93 128 | | | 127.40 | | | 93 128 | 1 597 |
| | 108 468 | | | 164.57 | | | 108 468 | 535 |
| | 192 676 | | | 170.38 | | | 192 676 | 823 |
| | 150 872 | | | 125.95 | | | 150 872 | 2 193 |
| | 132 309 | | | 118.86 | | | 132 309 | 3 662 |
| | 87 135 | | | 112.38 | (87 135) | 2021/12/06 | | |
| | 470 881 | | | 93.82 | | | 470 881 | 26 191 |
| | | 181 378 | 2021/12/05 | 126.99 | | | 181 378 | 8 937 |
| PR Louw | 22 646 | | | 94.22 | | | 22 646 | 886 |
| | 12 944 | | | 127.40 | | | 12 944 | 222 |
| | 5 952 | | | 164.57 | | | 5 952 | 29 |
| | 9 497 | | | 170.38 | | | 9 497 | 41 |
| | 91 120 | | | 125.95 | | | 91 120 | 1 325 |
| | 20 301 | | | 118.86 | | | 20 301 | 562 |
| | 17 881 | | | 112.38 | (17 881) | 2021/12/06 | | |
| | 92 876 | | | 93.82 | | | 92 876 | 5 166 |
| | | 35 796 | 2021/12/05 | 126.99 | | | 35 796 | 1 764 |
| Total | 1 887 176 | 228 346 | | | (105 016) | | 2 010 506 | 68 163 |

[1] *Fair value of rights awarded represents the total fair value of all rights outstanding at the end of the year. This cost is expensed over the rights' vesting period.*

# NOTES TO THE ABRIDGED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 2 JULY 2023

## 2. DIRECTORS' EMOLUMENTS CONTINUED

### Remgro Equity Settled Conditional Share Plan (CSPs) – 2023

| Participant | Balance of CSPs accepted as at June 2022 | CSPs accepted during the period | Offer date | Offer price Rand | Additional CSPs from dividends | Number of CSPs vested/ (forfeited) | Date vested/ forfeited CSPs | Balance of CSPs accepted as at June 2023 | Fair value of CSPs[1] R'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | | | |
| H Carse | 14 494 | 318 | 2022/10/12 | 93.82 | 62 | (7 860) | 2022/12/05 | 7 014 | 619 |
| | 14 502 | 318 | 2022/10/12 | 93.82 | | | | 14 820 | 1 308 |
| | 2 662 | 59 | 2022/10/12 | 93.82 | 25 | | | 2 746 | 404 |
| | 11 172 | 245 | 2022/10/12 | 126.99 | | | | 11 417 | 1 007 |
| | | 15 000 | 2022/12/05 | 141.64 | | | | 15 000 | 1 323 |
| JJ Durand | 235 427 | 5 156 | 2022/10/12 | 93.82 | 996 | (127 703) | 2022/12/05 | 113 876 | 10 047 |
| | 235 454 | 5 157 | 2022/10/12 | 93.82 | | | | 240 611 | 21 229 |
| | 95 672 | 2 096 | 2022/10/12 | 93.82 | 855 | | | 98 623 | 14 503 |
| | 181 379 | 3 973 | 2022/10/12 | 126.99 | | | | 185 352 | 16 354 |
| | | 172 168 | 2022/12/05 | 141.64 | | | | 172 168 | 15 190 |
| PR Louw | 46 428 | 1 017 | 2022/10/12 | 93.82 | 197 | (25 184) | 2022/12/05 | 22 458 | 1 981 |
| | 46 448 | 1 018 | 2022/10/12 | 93.82 | | | | 47 466 | 4 188 |
| | 7 988 | 175 | 2022/10/12 | 93.82 | 72 | (8 235) | 2023/06/22 | | |
| | 35 796 | 784 | 2022/10/12 | 126.99 | | | | 36 580 | 1 936 |
| | | 37 780 | 2022/12/05 | 141.64 | | | | 37 780 | 3 333 |
| Total | 927 422 | 245 264 | | | 2 207 | (168 982) | | 1 005 911 | 93 422 |

### Remgro Equity Settled Conditional Share Plan (CSPs) – 2022

| Participant | Balance of CSPs accepted as at June 2021 | CSPs accepted during the period | Offer date | Offer price Rand | Number of CSPs vested/ (forfeited) | Date vested/ forfeited CSPs | Balance of CSPs accepted as at June 2022 | Fair value of CSPs[1] R'000 |
|---|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | | |
| H Carse | 8 154 | | | 205.07 | (8 154) | 2021/12/06 | | |
| | 31 658 | | | 93.82 | | | 31 658 | 3 827 |
| | | 11 172 | 2021/12/05 | 126.99 | | | 11 172 | 1 370 |
| JJ Durand | 120 107 | | | 205.07 | (120 107) | 2021/12/06 | | |
| | 566 553 | | | 93.82 | | | 566 553 | 65 555 |
| | | 181 379 | 2021/12/05 | 126.99 | | | 181 379 | 22 240 |
| PR Louw | 24 648 | | | 205.07 | (24 648) | 2021/12/06 | | |
| | 100 864 | | | 93.82 | | | 100 864 | 12 224 |
| | | 35 796 | 2021/12/05 | 126.99 | | | 35 796 | 4 389 |
| Total | 851 984 | 228 347 | | | (152 909) | | 927 422 | 109 605 |

[1] *Fair value of rights awarded represents the total fair value of all rights outstanding at the end of the year. This cost is expensed over the rights' vesting period.*

# NOTES TO THE ABRIDGED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 2 JULY 2023

| | 2023 R'000 | Restated* 2022 R'000 |
|---|---|---|
| **3. FINANCE COSTS** | | |
| **Continuing Operations** | | |
| Interest – financial institutions | **264 515** | 134 205 |
| Fair value adjustment on interest rate collar option | | 3 667 |
| Transaction costs on term-funded debt | **2 512** | 1 014 |
| Interest – Holding company, joint ventures and associates | **65 486** | 41 844 |
| Interest on lease liabilities | **38 619** | 37 892 |
| Interest – other | **4 937** | 22 397 |
| | **376 069** | 241 019 |
| **4. INTEREST-BEARING LIABILITIES** | | |
| **Long-term** | | |
| Institutional borrowings | **24 963** | 27 473 |
| Loan from Facility for Investments in Renewable Small Transactions (RF) Proprietary Limited | **128 461** | 142 585 |
| Lease liabilities | **436 134** | 730 482 |
| Term-funded debt package | | 1 225 000 |
| Loan from Green Create W2V SA Proprietary Limited | **110 519** | |
| Loan from Inclusive Farming Partnership Proprietary Limited | **23 790** | 27 104 |
| Loans from Akwandze Agricultural Finance Proprietary Limited | **83 333** | 116 667 |
| | **807 200** | 2 269 311 |
| **Short-term** | | |
| Institutional borrowings | **2 511** | 2 511 |
| Lease liabilities | **160 255** | 155 130 |
| Loan from Facility for Investments in Renewable Small Transactions (RF) Proprietary Limited | **13 301** | 11 370 |
| Current portion of Term-funded debt package | **1 675 000** | 787 500 |
| Loan from Green Create W2V SA Proprietary Limited | | 94 578 |
| Current portion of long-term loan from Akwandze Agricultural Finance Proprietary Limited | **33 333** | 33 334 |
| Current portion of long-term loan from Inclusive Farming Partnership Proprietary Limited | **3 496** | 3 326 |
| Short-term loans from Akwandze Agricultural Finance Proprietary Limited | **235 396** | 178 856 |
| | **2 123 292** | 1 266 605 |

## 4. INTEREST-BEARING LIABILITIES CONTINUED

### INSTITUTIONAL BORROWINGS

Institutional borrowings are loans from Futuregrowth Asset Management Proprietary Limited with a carrying value in non-current liabilities of R25,0 million (2022: R27,5 million) and an amount of R2,5 million included in short-term institutional borrowings (2022: R2,5 million). These loans were used to fund certain contract grower operations in the Rainbow business unit. These loans bear interest at the three-month JIBAR with a margin of between 1.5% and 4.25% per annum (2022: 1.5% and 4.25% per annum). The outstanding loan together with the accrued interest is required to be repaid in instalments based on the contract growers operating cycle at intervals of between 40 to 50 days between payments.

The loans are unsecured. The carrying amount of institutional borrowings approximate its fair value.

### LOAN FROM GREEN CREATE W2V SA PROPRIETARY LIMITED

Green Create W2V SA Proprietary Limited is a 50% shareholder in Matzonox Proprietary Limited which houses the Group's Waste-to-Value operations.

Green Create W2V SA Proprietary Limited has provided finance related to the construction of a Waste-to-Value plant in Rustenburg.

The repayment date for the loans were revised during the 2023 financial year which resulted in the loan balance being a non-current liability at year-end (2022: R94,6 million balance reflected as a current liability).

The loan is unsecured. Interest accrues at the prime rate plus 5% per annum. The loan is repayable by September 2024.

The funding to Matzonox Proprietary Limited has been provided in equal proportions by Green Create W2V SA Proprietary Limited and the RCL FOODS Group. The Group's portion of the funding (R110,5 million) has been eliminated on consolidation.

The carrying amount of the loan approximates its fair value.

### LOANS FROM FACILITY FOR INVESTMENTS IN RENEWABLE SMALL TRANSACTIONS (RF) PROPRIETARY LIMITED

The Facility for Investments in Renewable Small Transactions (RF) Proprietary Limited (FIRST) is a debt funding platform created through a partnership between international development funding and a South African commercial bank to unlock funding for small renewable projects.

This loan relates to the Group's Waste-to-Value operations and was granted in 2 tranches. The first tranche was obtained in 2020 and accrues interest at 3 month JIBAR plus 4.08%.

During 2022 a further loan from the FIRST was obtained in Matzonox Proprietary Limited (second tranche).

# NOTES TO THE ABRIDGED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 2 JULY 2023

## 4. INTEREST-BEARING LIABILITIES CONTINUED

### LOANS FROM FACILITY FOR INVESTMENTS IN RENEWABLE SMALL TRANSACTIONS (RF) PROPRIETARY LIMITED CONTINUED

This loan accrues interest at 3 month JIBAR plus 3.95%. The total loan is repayable quarterly over a ten year term.

The loan is secured by:

- a notarial bond registered over the Worcester Waste-to-Value (first tranche) and Rustenburg Waste-to-Value (second tranche) plants;
- certain bank accounts held with First National Bank (Debt-service and Maintenance Reserve Accounts); and
- the shares held by shareholders in Matzonox Proprietary Limited.

The carrying amount of the loan approximates its fair value with a carrying value in non-current liabilities of R128,5 million (2022: R142,6 million) and an amount of R13,3 million (2022: R11,4 million) is included in short-term borrowings.

### TERM-FUNDED DEBT PACKAGE

The debt package has a five-year term expiring in December 2023, with interest at a rate of three-month JIBAR plus a margin of between 1.5% to 1.55%.

In the second half of the 2023 financial year, an agreement was reached with the Group's term-funded debt providers to defer repayments which were due in March, June and September 2023 to the expiry date in December 2023 in order to manage short term liquidity requirements and whilst the Rainbow separation remains in progress. The overall capital structure and funding requirements of the Group is expected to be impacted by the Rainbow separation, and with expiry of the term debt package in December 2023, the Group is engaging with lenders on refinancing and extension options.

The details of the loans and the effective interest rate for the year is shown below:

| Type | Amount R'000 | Term | Effective % |
|---|---|---|---|
| Facility A | **837 500** | **5 years** | **8.06%** |
| Facility B | **837 500** | **5 years** | **8.11%** |
| Total | **1 675 000** | | |

## 4. INTEREST-BEARING LIABILITIES CONTINUED

### TERM-FUNDED DEBT PACKAGE CONTINUED

The loan profile for each financial year-ended is as follows:

| Financial year-ending | Capital repayments R'000 | Balance R'000 |
|---|---|---|
| 4 July 2021 | | **2 350 000** |
| 3 July 2022 | **(337 500)** | **2 012 500** |
| 2 July 2023 | **(337 500)** | **1 675 000** |
| 30June 2024 | **(1 675 000)** | |

Management have assessed the impact of the modification on the fair value of term-debt package and on the Group's financial statements and have concluded that it is not material.

In the event of default on the term-funded debt package, the applicable interest rate will be increased by 2.0% until the default no longer exists.

The terms of the term-funded debt package require lender pre-approval for the following – but not limited to – specified events:

- any acquisition that does not have a positive 12 month EBITDA or cash flow and the purchase price is less than R500,0 million;
- any loan or financial support to a community-based joint venture (as defined) as well as Akwandze Agricultural Finance Proprietary Limited is in excess of R1 350,0 million during the term of the debt package;
- more than three dividends paid in a financial year;
- entering into acquisitions and the payment of dividends requires the Group to meet the financial covenants specified in the term-funded debt package agreement both immediately after the proposed transaction and on a look-forward basis for the next interim and year-end reporting date after the proposed transaction; and
- in addition, there are various transactions in the normal course of business which require that the Group remain within the specified financial covenants.

The term-funded debt package requires that the Group comply with the following financial covenants:

| | Required | June 2023 | June 2022 |
|---|---|---|---|
| Senior leverage ratio | **<3.00:1** | **1.6** | 0.6 |
| Senior interest cover | **>3.50:1** | **5.4** | 10.5 |

For the year ended June 2023, the Group was within the limits of its financial covenants.

# NOTES TO THE ABRIDGED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 2 JULY 2023

## 4. INTEREST-BEARING LIABILITIES CONTINUED

### TERM-FUNDED DEBT PACKAGE CONTINUED

The obligations in respect of the debt package discussed above, have been guaranteed by each of Foodcorp Proprietary Limited, RCL Foods Treasury Proprietary Limited, RCL Foods Sugar & Milling Proprietary Limited, RCL Foods Consumer Proprietary Limited, Rainbow Farms Investments Proprietary Limited, RCL Group Services Proprietary Limited and Vector Logistics Proprietary Limited.

The above loans of the term-funded debt package are unsecured.

The fair value of the term-funded debt package at June 2023 amounted to R1,68 billion (2022: R2,04 billion). The fair value is calculated by discounting the future cash flows over the period of the loan and is within level 2 of the fair value hierarchy. The discount rate is based on the South African Sovereign Zero-Coupon Swap Curve with the contractual margin charged by the lenders as a credit spread.

### LONG-TERM LOAN FROM AKWANDZE AGRICULTURAL FINANCE PROPRIETARY LIMITED

Akwandze Agricultural Finance Proprietary Limited is a joint venture of the Group. Akwandze Agricultural Finance Proprietary Limited provides production finance and management services to sugarcane growers. Certain funding has been channelled through the Group to small-scale production growers.

The long-term loans amounting to R83,3 million (2022: R116,6 million) are from Akwandze Agricultural Finance Proprietary Limited. The capital portion is repayable half yearly over a period of 6 years in equal instalments whilst interest is payable quarterly. The loan bears interest at a prime interest rate less 1.0% per annum. The current portion of R33,3 million (2022: R33,4 million) is included in short-term borrowings.

### SHORT-TERM LOANS FROM AKWANDZE AGRICULTURAL FINANCE PROPRIETARY LIMITED

The R150,0 million financing facility (2022: R150,0 million) from Akwandze Agricultural Finance Proprietary Limited bears interest at prime rate less 1.0%. The facility is repayable on demand.

These loans have been guaranteed by RCL Foods Sugar & Milling Proprietary Limited.

The short-term loan amounting to R28,1 million (2022: R28,9 million) from Akwandze Agricultural Finance Proprietary Limited is unsecured, payable on demand and bears interest at a variable rate of 8.05% (2022: 3.65%) per annum.

The R56,3 million loan from Akwandze Agricultural Finance Proprietary Limited bears interest at prime rate less 1.0%. The facility is repayable by 30 June 2024.

These loans have been guaranteed by RCL Foods Sugar & Milling Proprietary Limited.

The carrying amount of these loans approximate their fair values.

## 4. INTEREST-BEARING LIABILITIES CONTINUED

### LOANS FROM INCLUSIVE FARMING PARTNERSHIP PROPRIETARY LIMITED

During the previous financial year, a loan of R36,0 million was granted by Inclusive Farming Partnership Proprietary Limited. The capital portion of the loan is repayable annually over a period of eight years in equal instalments and interest is payable annually. The loan bears interest at 3.0% per annum. The loan was revalued at a fair value interest rate of 7.25% per annum and the corresponding deferred income of R4,2 million (2022: R5,6 million) was recognised in the statement of financial position at year-end. The outstanding balance at the end of the year is R27,3 million (2022: R30,4 million).

## 5. RELATED PARTY TRANSACTIONS

Related party relationships exist between RCL Foods Limited, its subsidiaries, associates, joint ventures and Remgro Limited and its subsidiaries, associates and joint ventures. Remgro Management Services Limited provides treasury services to the Group. The transactions and balances below relate to total operations, i.e. continuing and discontinued operations.
The ultimate controlling party of the Group is Remgro Limited.

### GROUP

As detailed in note 1 to the Company financial statements included in the Annual Financial Statements for the year ended June 2023, available on our website at www.rclfoods.com/financial-results-and-reports-2023/, the Group has concluded certain lending transactions with these related parties. In addition the following transactions were concluded:

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Transactions and balances with ultimate holding company** | | |
| Interest paid | **8 591** | |
| Administration and other fees paid | **28 349** | 25 860 |
| Service fees received | | 1 010 |
| Other expenses paid | **3 009** | 492 |
| Amounts owing included in trade and other payables | **5 301** | 7 527 |
| Directors' fees | **1 405** | 1 334 |

# NOTES TO THE ABRIDGED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 2 JULY 2023

## 5. RELATED PARTY TRANSACTIONS CONTINUED

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Transactions and balances with subsidiaries of the holding company** | | |
| Sales | **531 331** | 491 714 |
| Purchases | **59** | 2 617 |
| Amounts owing to subsidiaries of the holding company included in trade and other receivables | **52 642** | 91 788 |
| Amounts owing by subsidiaries of the holding company included in trade and other payables | **838 427** | 784 228 |
| **Transactions and balances with associates of the holding company** | | |
| Purchases | **116 584** | 78 722 |
| Sales | **89 641** | 6 730 |
| Amounts owing to associates of the holding company included in trade and other payables | **8 858** | 17 880 |
| Amounts owing by associates of the holding company included in trade and other receivables | **145** | 1 299 |
| **Transactions and balances with associates and joint ventures within the Group** | | |
| Interest paid | **29 976** | 21 585 |
| Interest received | **3 538** | 1 638 |
| Management fees received | **1 437** | 1 368 |
| Service fees paid | **13 177** | 10 144 |
| Dividends received | **46 874** | 70 420 |
| Sales | **172 858** | 147 541 |
| Purchases | **1 250 025** | 1 219 984 |
| Amounts owing by associates and joint ventures within the Group included in receivables | **32 985** | 24 817 |
| Amounts owing to associates and joint ventures within the Group included in non-current interest-bearing liabilities | **83 333** | 116 667 |
| Amounts owing to associates and joint ventures within the Group included in current interest-bearing liabilities | **268 729** | 212 190 |
| Amounts owing to associates and joint ventures within the Group included in payables | **144 476** | 160 799 |
| Amounts owing by associates and joint ventures within the Group included in loans receivable | **75 931** | 31 095 |

## 5. RELATED PARTY TRANSACTIONS CONTINUED

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Key management of RCL Foods Limited** | | |
| In terms of IAS 24: Related party disclosures, key management are considered to be related parties. The following transactions were carried out with key management individuals within the Group: | | |
| Executive management and the senior leadership team are classified as key management: | | |
| – short-term employee benefits | **704 691** | 733 002 |
| – post-employment benefits | **53 020** | 50 238 |
| – termination benefits | **5 173** | 6 259 |
| – share-based payments settled | **8 833** | 16 057 |
| – share-based payments expense | **70 390** | 93 653 |
| Total | **842 108** | 899 209 |

## 6. SUBSEQUENT EVENTS

The disposal of the Vector Logistics segment, which has been presented as held for sale at current reporting date, was finalised on 28 August 2023, resulting in a net cash receipt of R1 307,0 million, comprising the purchase price of R1 250,0 million, plus interest of R70,3 million from 1 March 2023 and less the post-tax share option liability of Vector Logistics of R13,4 million. The proceeds and profit/loss on disposal of the Vector Logistics segment will be recognised in the 2024 financial year. A reasonable estimate of the profit/loss on disposal of the Vector Logistics segment cannot be made as at 1 September 2023, due to the statement of financial position for the Vector Logistics segment not yet being available.

The purchase price is in excess of the net carrying value of the Vector Logistics segment and as a result no write-down to fair value was required in the 2023 results in accordance with IFRS 5. The purchase price is subject to certain EBITDA targets being met, which may result in a future adjustment of up to R100,0 million increase/decrease in the purchase price.

The shareholder loan advanced from RCL Foods Limited to Vector Logistics (R539,2 million as at 2 July 2023) was converted to equity on disposal of the Vector Logistics segment, whilst the short-term borrowings/cash invested between Vector Logistics and the Group's treasury company (R678,2 million as at 2 July 2023) was settled in cash. The transition of Vector Logistics out of RCL FOODS and its shared service platform is expected to take place over the next 12 months.

# NOTICE OF ANNUAL GENERAL MEETING

## RCL FOODS LIMITED

(Incorporated in the Republic of South Africa)
Registration number: 1966/004972/06
Share code: RCL
ISIN: ZAE000179438
("RCL FOODS" or "the Company" or "the Group")

Notice is hereby given that the 57th Annual General Meeting ("AGM") of shareholders of RCL FOODS will be held at Ten The Boulevard, Westway Office Park, Westville, KwaZulu-Natal on Thursday, 16 November 2023 at 08:30am subject to any cancellation, postponement or adjournment to consider and, if deemed fit, to pass the ordinary and special resolutions set out in this notice of AGM ("Notice").

In terms of section 59(1)(a) of the Companies Act, No 71 of 2008, as amended, ("the Companies Act") the record date for the purpose of determining which shareholders of the Company are entitled to receive this Notice is Friday, 22 September 2023. In terms of section 59(1)(b) of the Companies Act, the record date for the purpose of determining which shareholders of the Company are entitled to attend, participate in and vote at the Annual General Meeting is Friday, 10 November 2023. Accordingly, the last day to trade in order to be registered in the securities register of the Company and therefore be eligible to attend, participate in and vote at the Annual General Meeting is Tuesday, 7 November 2023.

## ORDINARY BUSINESS

### PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements of the Company and the Group for the year ended June 2023, including the Report of the Directors, Report of the Audit Committee and the Independent Auditors Report are presented to shareholders in terms of the MOI, Companies Act and JSE Limited Listings Requirements. The auditors have issued an unqualified audit opinion in terms of the International Standards on Auditing. The Abridged Financial Statements are set out on pages 96 to 114. The complete audited Annual Financial Statements are available on our website at www.rclfoods.com/financial-results-and-reports-2023/.

## ORDINARY RESOLUTIONS

### 1. ELECTION AND RE-ELECTION OF DIRECTORS

#### ORDINARY RESOLUTION NUMBER 1.1

Resolved that Mr PR Louw, who retires by rotation in accordance with the Memorandum of Incorporation of the Company and who, being eligible, has offered himself for re-election, be re-elected as a non-executive director of the Company.

#### ORDINARY RESOLUTION NUMBER 1.2

Resolved that Dr PM Moumakwa, who retires by rotation in accordance with the Memorandum of Incorporation of the Company and who, being eligible, has offered herself for re-election, be re-elected as an non-executive director of the Company.

#### ORDINARY RESOLUTION NUMBER 1.3

Resolved that Mr GM Steyn, who retires by rotation in accordance with the Memorandum of Incorporation of the Company and who, being eligible, has offered himself for re-election, be re-elected as a non-executive director of the Company.

#### ORDINARY RESOLUTION NUMBER 1.4

Resolved that Mr GC Zondi, who retires by rotation in accordance with the Memorandum of Incorporation of the Company and who, being eligible, has offered himself for re-election, be re-elected as a non-executive director of the Company.

#### ORDINARY RESOLUTION NUMBER 1.5

Resolved that the appointment of Ms GP Dingaan as a director of the Company, who was co-opted onto the board of directors ("Board") since the last Annual General Meeting, be and is hereby confirmed.

Biographical details of the above directors can be found on pages 56 and 57. The Board supports the re-election of all the aforementioned directors.

### 2. APPOINTMENT OF EXTERNAL AUDITORS

#### ORDINARY RESOLUTION NUMBER 2

Resolved that Ernst & Young Inc. ("EY") (with Ms Merisha Kassie as the individual registered auditor who will perform the function of auditor) be and are hereby appointed as the company's auditors.

#### ADDITIONAL INFORMATION

*Shareholders are reminded that at the 2021 AGM, a non-binding advisory vote was passed endorsing the proposed appointment of EY as the Company's auditors for the financial year ending June 2024.*

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED

## 3. ELECTION OF MEMBERS OF THE AUDIT COMMITTEE

### ORDINARY RESOLUTION NUMBER 3.1

Resolved that, subject to the passing of ordinary resolution 1.5, Ms GP Dingaan, an independent non-executive director of the Company, be elected as a member of the Audit Committee until the next Annual General Meeting.

### ORDINARY RESOLUTION NUMBER 3.2

Resolved that, Mr NP Mageza, an independent non-executive director of the Company, be re-elected as a member of the Audit Committee until the next Annual General Meeting.

### ORDINARY RESOLUTION NUMBER 3.3

Resolved that, Mr DTV Msibi, an independent non-executive director of the Company, be re-elected as a member of the Audit Committee until the next Annual General Meeting.

### ORDINARY RESOLUTION NUMBER 3.4

Resolved that, subject to the passing of ordinary resolution 1.3, Mr GM Steyn, an independent non-executive director of the Company, be re-elected as a member of the Audit Committee until the next Annual General Meeting.

Biographical details of the above directors can be found on pages 56 and 57.

## 4. GENERAL AUTHORITY TO PLACE 10% OF THE UNISSUED ORDINARY SHARES UNDER THE CONTROL OF THE DIRECTORS

### ORDINARY RESOLUTION NUMBER 4

Resolved that the unissued ordinary shares in the authorised share capital of the Company be placed under the control of the directors, who are hereby authorised, by way of a general authority in terms of the Company's Memorandum of Incorporation, to issue such shares at such times and upon such terms and conditions as they in their sole discretion may determine, subject to the provisions of the Companies Act, the Memorandum of Incorporation and the JSE Listings Requirements, to the extent applicable, provided that this approval shall be valid only until the next Annual General Meeting of the Company and that the aggregate number of ordinary shares to be allotted and issued in terms of this ordinary resolution number 4 is limited to 10% of the number of the unissued ordinary shares in the authorised share capital of the Company at the date of this Notice (being 110 989 477 ordinary shares).

### EXPLANATION

*Clause 6.7 of the Memorandum of Incorporation provides that the Board may resolve to issue authorised shares, but only to the extent that such issue has been approved by the shareholders in a general meeting, either by way of a general or specific authority. The purpose of Ordinary Resolution Number 4 is to provide such general authority, which shall remain subject to the provisions of the Companies Act, the Memorandum of Incorporation and the JSE Listings Requirements, to the extent applicable. The authority in terms of Ordinary Resolution Number 4 cannot be used to effect a specific issue for cash as contemplated in the JSE Listings Requirements.*

## 5. ENABLING RESOLUTION

### ORDINARY RESOLUTION NUMBER 5

Resolved that any director of the Company and/or the Company Secretary be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of any of the ordinary and special resolutions adopted at the meeting.

## 6. NON-BINDING ADVISORY VOTE IN RESPECT OF THE REMUNERATION POLICY

### ORDINARY RESOLUTION NUMBER 6

Resolved that the Remuneration Policy, as described in the Remuneration Report on pages 4 to 12, available on our website at www.rclfoods.com/financial-results-and-reports-2023/, is hereby endorsed by way of a non-binding advisory vote, as recommended in the King IV Report on Corporate Governance for South Africa 2016 ("King IV").

## 7. NON-BINDING ADVISORY VOTE IN RESPECT OF THE REMUNERATION IMPLEMENTATION REPORT

### ORDINARY RESOLUTION NUMBER 7

Resolved that the Implementation Report contained in the Remuneration Report on pages 13 to 15, available on our website at www.rclfoods.com/financial-results-and-reports-2023/, is hereby endorsed by way of a non-binding advisory vote, as recommended in King IV.

# SPECIAL RESOLUTIONS

## 1. GENERAL AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTION 44 OF THE COMPANIES ACT

### SPECIAL RESOLUTION NUMBER 1

Resolved as a special resolution (which will be in place for a period of two years from the date of adoption of this special resolution number 1) that the Board be and is hereby authorised, subject to section 44 of the Companies Act, the Memorandum of Incorporation of RCL FOODS and the JSE Listings Requirements, to authorise RCL FOODS to provide direct or indirect financial assistance as contemplated by section 44 of the Companies Act, by way of loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by RCL FOODS, or any related or inter-related company, or for the purchase of any securities of RCL FOODS, or of any related or inter-related company, on the terms and conditions and for the amounts that the Board may determine.

### EXPLANATION

*Section 44 of the Companies Act empowers the board of a company to provide direct or indirect financial assistance for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company or corporation pursuant to a special resolution of the shareholders of the company adopted within the previous two years.*

*The reason for and effect of special resolution number 1 is to grant the directors of the Company the authority to enable the Company to provide financial assistance in appropriate circumstances. The financial assistance will be provided where the board of directors of the Company is satisfied that immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test, and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.*

## 2. GENERAL AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTION 45 OF THE COMPANIES ACT

### SPECIAL RESOLUTION NUMBER 2

Resolved as a special resolution (which will be in place for a period of two years from the date of adoption of this special resolution number 2) that the Board may, subject to section 45 of the Companies Act, the Memorandum of Incorporation of RCL FOODS and the JSE Listings Requirements, authorise RCL FOODS to provide direct or indirect financial assistance as contemplated in section 45 of the Companies Act to a related or inter-related company or corporation, on the terms and conditions and for the amounts that the Board may determine.

### EXPLANATION

*Section 45 of the Companies Act empowers the board of a company to authorise the company to provide financial assistance to related and inter-related companies and corporations pursuant to a special resolution of the shareholders of the company adopted within the previous two years. The Company and its subsidiaries provide loan financing, guarantees, and other support as envisaged in section 45 of the Companies Act, from time to time in the ordinary course of the Group's business.*

*The reason for and effect of special resolution number 2 is to enable the Company and its subsidiaries to effectively manage their internal financial administration. It would be impractical to obtain shareholder approval each time the Company wished to provide financial assistance as contemplated above. The financial assistance will be provided where the board of directors of the Company is satisfied that immediately after providing the financial assistance, the solvency and liquidity test is satisfied, and that the terms under which the financial assistance is proposed to be given are fair and reasonable.*

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED

## 3. APPROVAL OF NON-EXECUTIVE DIRECTORS' REMUNERATION

### SPECIAL RESOLUTION NUMBER 3

Resolved as a special resolution that the annual fees (excluding VAT where applicable), payable by the Company to its non-executive directors with effect from 1 October 2023 be approved as follows:

| | Current Rands per annum | Proposed Rands per annum |
|---|---|---|
| **Board** | | |
| Chairperson | 374 059 | **396 503** |
| Members | 374 059 | **396 503** |
| **Audit Committee** | | |
| Chairperson | 312 252 | **330 987** |
| Members | 156 894 | **166 308** |
| **Remuneration and Nominations Committee** | | |
| Chairperson | 184 582 | **195 657** |
| Members | 115 363 | **122 285** |
| **Risk Committee** | | |
| Chairperson | 184 582 | **195 657** |
| Members | 115 363 | **122 285** |
| **Social and Ethics Committee** | | |
| Chairperson | 132 284 | **140 221** |
| Members | 79 986 | **84 785** |

### EXPLANATION

*Section 66(9) of the Companies Act provides that a company may pay remuneration to its directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous two years.*

*The reason for and effect of special resolution number 3 is to grant the Company the authority to pay fees to its non-executive directors for their services as directors.*

## 4. GENERAL AUTHORITY TO REPURCHASE SHARES

### SPECIAL RESOLUTION NUMBER 4

Resolved as a special resolution that the Company and its subsidiaries be and are hereby authorised, by way of a general authority in terms of the JSE Listings Requirements, to acquire the Company's issued shares from time to time on such terms and conditions and in such amounts as the Board may determine, subject to the Companies Act, the Company's Memorandum of Incorporation and the JSE Listings Requirements provided that:

1. this general authority shall be valid until the Company's next Annual General Meeting or for 15 months from the date of passing of this special resolution number 4, whichever period is shorter;
2. the ordinary shares be purchased through the order book operated by the JSE Limited trading system and done without any prior understanding or arrangement between the Company and/or the relevant subsidiary and the counterparty (reported trades are prohibited);
3. an announcement complying with paragraph 11.27 of the JSE Listings Requirements be made by the Company (i) when the Company and/or its subsidiaries have cumulatively acquired 3% of ordinary shares in issue as at the time when this general authority was given (the initial number) and (ii) for each 3% in aggregate of the initial number of the ordinary shares acquired thereafter by the Company and/or its subsidiaries;
4. the acquisition of shares shall not in aggregate in any one financial year exceed 10% of the Company's issued ordinary share capital as at the beginning of the financial year, provided that in the case of acquisitions by subsidiaries, such acquisitions, together with shares held by all subsidiaries of the Company, shall be limited to an aggregate maximum of 10% (ten percent) of the Company's issued ordinary shares;
5. acquisitions may not be made at a price more than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date on which the transaction is effected;
6. at any point in time the Company may only appoint one agent to effect any acquisition on the Company's behalf or on behalf of any subsidiary of the Company; and

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED

7. the Company and its subsidiaries will not acquire ordinary shares during a prohibited period (as defined in the JSE Listings Requirements) unless they have in place a repurchase programme where the dates and quantities of the shares to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme (as required by the JSE Listings Requirements) have been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company will instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by the Company, prior to the commencement of the prohibited period to execute the repurchase programme.

## STATEMENT OF THE BOARD'S INTENTION

The Board has no specific intention at present to use this authority to repurchase any of the Company's shares, however, the Board is of the opinion that this authority should be in place should it become appropriate, in its opinion, to undertake a share repurchase in the future.

## STATEMENT BY THE DIRECTORS

In accordance with paragraph 11.26 of the JSE Listings Requirements, the board states that:

1. having considered the effect of the maximum number of ordinary shares that may be acquired pursuant to the general authority under special resolution number 4, a resolution has been passed by the Board authorising the repurchase and confirming that the Company and its subsidiaries have passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group; and
2. having considered the effect of the maximum number of ordinary shares that may be acquired pursuant to the general authority under special resolution number 4, for a period of at least 12 months following the date of this Notice:
   - the Company and the Group will be able, in the ordinary course of business, to pay its debts;
   - the assets of the Company and the Group will exceed their liabilities. For this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies used in the latest audited Annual Financial Statements;
   - the Company and the Group will have adequate share capital and reserves for ordinary business purposes; and
   - the working capital of the Company and the Group will be adequate for ordinary business purposes.

## ADDITIONAL INFORMATION

For the purposes of considering this special resolution number 4 and in compliance with paragraph 11.26 of the JSE Listings Requirements, the information listed below has been included on the pages indicated below:

- Major shareholders of the Company – page 90 of this report;
- Share capital of the Company – page 101 of this report;

The directors collectively and individually, accept full responsibility for the accuracy of the information contained in this special resolution number 4 and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in relation to this special resolution number 4 false or misleading, and that they have made all reasonable enquiries in this regard and that this special resolution number 4 contains all information required by law and the JSE Listings Requirements.

### EXPLANATION

*The purpose of special resolution number 4 is to grant a general authority for the Company or its subsidiaries to acquire ordinary shares in the Company on the terms and conditions and in such amounts to be determined from time to time by the Board, subject to the terms of this special resolution number 4.*

## NOTES TO NOTICE OF ANNUAL GENERAL MEETING

### APPROVALS REQUIRED FOR RESOLUTIONS

Ordinary resolutions numbers 1 to 5 contained in this Notice require the approval of more than 50% of the voting rights exercised on each such resolution by Shareholders present or represented by proxy at the Annual General Meeting.

Ordinary resolutions numbers 6 and 7 contained in this Notice are non-binding advisory votes. In the event of either of the resolutions being voted against by 25% or more of the votes exercised on each such resolution by Shareholders present or represented by proxy at the Annual General Meeting, the Company shall engage with Shareholders as to the reasons therefore, as set out in the Remuneration Report available on our website at
www.rclfoods.com/financial-results-and-reports-2023/

Special resolutions numbers 1 to 4 contained in this Notice require the approval of at least 75% of the voting rights exercised on each such resolution by Shareholders present or represented by proxy at the Annual General Meeting.

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED

## ATTENDANCE AND VOTING BY SHAREHOLDERS OR PROXIES

Shareholders who have not dematerialised their ordinary shares or who have dematerialised their ordinary shares with own name registration, are entitled to attend and to vote at the AGM. Any such Shareholder may appoint a proxy/proxies to attend, speak and vote in their stead (on a poll) at the AGM. A proxy need not be a Shareholder. Forms of proxy should be completed and returned to the transfer secretaries Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to Private Bag X9000, Saxonwold, 2132, or emailed to proxy@computershare.co.za  to be received by 08:30am on Tuesday, 14 November 2023 for administrative purposes, or alternatively handed to the Company Secretary of the Company or the Chairperson of the Annual General Meeting in sufficient time prior to the appointed proxy exercising any of the Shareholders' rights at the AGM to enable the transfer secretaries to verify to their reasonable satisfaction the right of the person to attend at and participate in the meeting (in accordance with section 63(1) of the Companies Act).

Any ordinary shares held by a Company share trust or scheme will not have their votes at the Annual General Meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements. In terms of section 48(2)(b)(ii) of the Companies Act, no voting rights may attach to any shares held in treasury.

Voting will take place by way of a poll, and accordingly every Shareholder shall have one vote for every share held in the Company.

Shareholders who have dematerialised their ordinary shares other than with "own name" registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement:

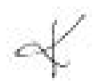
- to furnish them with their voting instructions, or
- in the event that they wish to attend the AGM, to obtain the necessary authority to do so.

Shareholders or their proxies may participate in the AGM by electronic means, if they wish to do so must contact the transfer secretaries, Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or proxy@computershare.co.za by no later than 08:30am on Tuesday, 14 November 2023, in order to enable the identity of the shareholder to be verified, and if verified further details on using the electronic communication facility will be provided. The costs of participation in the AGM by electronic communication will be for the expense of the Shareholders or their proxies, and by choosing to participate electronically the participant acknowledges that he/she will have no claim against the Company or its representatives arising out of the use of the electronic services and/or connections linking the participant to the AGM, or any failure thereof.

We encourage certificated Shareholders and dematerialised Shareholders with "own-name" registration attending either in-person or via electronic communication to cast their votes in respect of the resolutions set out in this Notice in advance by completing and returning a proxy form. This will ensure that your vote will be counted whether or not you attend the AGM.

## PROOF OF IDENTIFICATION REQUIRED

The Companies Act requires that any person who wishes to attend or participate in a shareholders' meeting must present reasonably satisfactory identification at the meeting. Any shareholder or proxy who intends to attend or participate at the Annual General Meeting must be able to present reasonably satisfactory identification for such shareholder or proxy to attend at and participate in the meeting. A valid identification document (green ID book or smart ID card) issued by the South African Department of Home Affairs, a valid driver's licence or a valid passport will be accepted as sufficient identification.



**LG Kelso**
*Company Secretary*

1 September 2023

**Registered office**
Ten The Boulevard, Westway Office Park, Westville, 3629

# FORM OF PROXY

## RCL FOODS LIMITED

Incorporated in the Republic of South Africa
Registration number: 1966/004972/06
Share code: RCL
ISIN: ZAE000179438
("the Company")

This form of proxy is only for use by:

1. Registered shareholders who have not yet dematerialised their ordinary shares
2. Registered shareholders who have already dematerialised their ordinary shares and registered them in their own name*

* See explanatory note 3 overleaf

I/We (name in block letters)

Of (address)

Telephone number Cellphone number

being a shareholder/shareholders of RCL Foods Limited (registration number: 1966/004972/06) and the registered holder/s of ordinary shares in the Company, hereby appoint

(see instruction 1 overleaf)

1. or failing him/her

2. or failing him/her

3. the Chairperson of the Annual General Meeting,

as my/our proxy to attend, speak and vote for me/us and on my/our behalf or to abstain from voting at the Annual General Meeting of the Company to be held at Ten The Boulevard, Westway Office Park, Westville, KwaZulu-Natal on Thursday, 16 November 2023 at 08:30am and at any postponement or adjournment thereof as follows:

| ORDINARY RESOLUTIONS | | For | Against | Abstain |
|---|---|---|---|---|
| 1. | Election and re-election of directors | | | |
| 1.1 | Mr PR Louw | | | |
| 1.2 | Dr PM Moumakwa | | | |
| 1.3 | Mr GM Steyn | | | |
| 1.4 | Mr GC Zondi | | | |
| 1.5 | Ms GP Dingaan | | | |
| 2. | Appointment of external auditors | | | |
| 3. | Election of members of the Audit Committee | | | |
| 3.1 | Ms GP Dingaan | | | |
| 3.2 | Mr NP Mageza | | | |
| 3.3 | Mr DTV Msibi | | | |
| 3.4 | Mr GM Steyn | | | |
| 4. | General authority to place 10% of the unissued ordinary shares under the control of the directors | | | |
| 5. | Enabling resolution | | | |
| 6. | Non-binding advisory vote in respect of the Remuneration Policy | | | |
| 7. | Non-binding advisory vote in respect of the Remuneration Implementation Report | | | |
| **SPECIAL RESOLUTIONS** | | | | |
| 1. | General authority to provide financial assistance in terms of section 44 of the Companies Act | | | |
| 2. | General authority to provide financial assistance in terms of section 45 of the Companies Act | | | |
| 3. | Approval of non-executive directors' remuneration | | | |
| 4. | General authority to repurchase shares | | | |

(Indicate instructions to proxy by way of a cross in the space provided). Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this day of 2023.

Signature

(Please read the notes and instructions overleaf)

# NOTES TO THE FORM OF PROXY

1. A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the Company. Satisfactory identification must be presented by any person wishing to attend the Annual General Meeting, as set out in the notice.
2. Every shareholder present in person or by proxy and entitled to vote at the Annual General Meeting of the Company shall, on a show of hands, have one vote only, irrespective of the number of shares such member holds. In the event of a poll, each member shall be entitled to one vote in respect of each ordinary share held in the Company by him/her.
3. Shareholders with own name registration are shareholders who elected not to participate in the Issuer-Sponsored Nominee Programme and who appointed Computershare Custodial Services as their Central Securities Depository Participant (CSDP) with the express instruction that their uncertificated shares are to be registered in the Company's securities register in their own names.

## INSTRUCTIONS ON SIGNING AND LODGING THE FORM OF PROXY:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided on the form of proxy, with or without deleting "the Chairperson of the Annual General Meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the shareholder's voting rights will be exercised by the Chairperson of the Annual General Meeting. The person whose name appears first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes exercisable by the shareholder, in the appropriate spaces provided in the form of proxy. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting on each resolution as he/she thinks fit. A shareholder or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid, the completed form of proxy should be completed and returned to the transfer secretaries, Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to Private Bag X9000, Saxonwold, 2132, or emailed to proxy@computershare.co.za to be received by 08:30am on Tuesday, 14 November 2023 for administrative purposes, or alternatively handed to the company secretary or the Chairperson of the Annual General Meeting in sufficient time prior to the appointed proxy exercising any of the Shareholder's rights at the AGM, to enable the transfer secretaries to verify to their reasonable satisfaction the right of the person to attend at and participate in the meeting (in accordance with section 63(1) of the Companies Act).
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the Chairperson of the Annual General Meeting.
6. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. The completion of any blank spaces on the form of proxy need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
8. The provisions of the Companies Act in relation to the revocation of the appointment of a proxy apply. A shareholder may accordingly revoke a proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of such revocation to the proxy and the Company.
9. The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed other than in accordance with these instructions provided that he/she is satisfied as to the manner in which a shareholder wishes to vote.

# SHAREHOLDERS' DIARY

| | |
|---|---|
| Financial year-end | June |
| Annual general meeting | November |

## FINANCIAL REPORTS

| | |
|---|---|
| Announcement of results for the year | September |
| Annual financial statements posted | September |
| Interim report for half year to December | March |

## FUTURE ORDINARY DIVIDENDS

### INTERIM DIVIDEND

| | |
|---|---|
| Declaration | March |
| Payment | April |

### FINAL DIVIDEND

| | |
|---|---|
| Declaration | September |
| Payment | October |

# CORPORATE INFORMATION

| | |
|---|---|
| Company registration number | 1966/004972/06 |
| JSE Share code | RCL |
| ISIN code | ZAE000179438 |
| Registered office/street address | Ten The Boulevard<br>Westway Office Park<br>Westville<br>3629 |
| Postal address | PO Box 2734<br>Westway Office Park<br>Westville<br>3635 |
| Transfer secretaries | Computershare Investor Services Proprietary Limited<br>Rosebank Towers<br>15 Biermann Avenue<br>Rosebank<br>2196 |
| Company secretary | LG Kelso |
| Group Auditors | PricewaterhouseCoopers Inc. |
| Listing | Johannesburg Securities Exchange South Africa |
| Sector | Food Producers |
| Sponsor | Rand Merchant Bank (a division of FirstRand Bank Limited) |
| Bankers | Absa Bank Limited<br>FirstRand Bank Limited<br>Investec Bank Limited<br>Nedbank Limited<br>The Standard Bank of South Africa Limited |
| Website | www.rclfoods.com |

BEHIND THE
POSITIVE IMPACT
**IS A COMMITMENT**
**THAT MATTERS.**


RCL FOODS™

**WE GROW**
**WHAT MATTERS**