



*Remgro*  
*Limited*

**2018**  
**SUSTAINABLE**  
**DEVELOPMENT**  
**REPORT**

# SUSTAINABLE DEVELOPMENT REPORT

A GOOD DEFINITION OF A CORPORATE CITIZEN IS AN INSTITUTION WHICH SERVES THE COMMUNITY HONOURABLY, WHILE CREATING VALUE FOR ITS STAKEHOLDERS IN A SUSTAINABLE WAY.

## INTRODUCTION

Remgro's value system incorporates the guidelines for doing business successfully drawn up by its founder, Dr Rupert, nearly 60 years ago. These guidelines include the following:

- **Honesty** – because it lasts the longest
- **Correctness** – because it creates trust with friends and opponents
- **Courtesy** – which means dignity without pride and friendliness without subservience
- **Service** – in every respect to your client, your fellow man, your country
- **Mutual support** – so that you push others up the ladder of success while climbing yourself, because if you pull others down, you will also fall
- **Trust** – the belief that all will work out well if everyone is doing their duty

Remgro believes that these values incorporate the spirit in which it strives to be a good corporate citizen. From the above it is evident that the three pillars of sustainable development, namely economic, social and environmental

sustainability practices, have always been part of Remgro's core values. Remgro intentionally interacts and responds to the opportunities and challenges presented by the dynamic system created by these three pillars and the capitals that Remgro uses, including the financial, manufactured, intellectual, human, social and relationship and natural capitals and, as part of its oversight function, the Remgro Board is alert to the viability of Remgro with regard to its reliance on the aforementioned capitals.

Remgro is fully committed to managing its business in a sustainable way and upholding the highest standards of ethics and corporate governance practices. While corporate governance, risk and opportunities management and technology and information governance are addressed in the Corporate Governance and Risk and Opportunities Management Reports, the Sustainable Development Report provides a better understanding of Remgro's efforts on the social and environmental front in order to achieve its key objectives of maximising value creation over the short, medium and long term; while doing business ethically. Refer to the table below for Remgro's external recognition and achievements during the reporting period in this regard.

## Sustainability highlights

1

Successful participation in the FTSE/JSE Responsible Investment Index

2

Continued participation in the Carbon Disclosure Project (CDP)

3

Continued membership of the Ethics Institute of South Africa

4

Obtaining our level 8 contributor status in terms of the BBBEE scorecard

## COMBINED ASSURANCE

ASSURANCE OUTPUT	BUSINESS PROCESSES ASSURED	PROVIDER
Independent external auditor's report	Financial reporting	PricewaterhouseCoopers Inc.
Internal audit reports	Risk-based selection of audit areas	Remgro Risk and Opportunities Management and Internal audit
Internal risk and opportunities management	All key business risk and opportunities areas	Internal management reviews, assisted by Remgro Risk and Opportunities Management and Internal audit
Broad-based black economic empowerment (BBBEE) contributor verification	BBBEE	Empowerdex
External calculation of carbon footprint	Carbon footprint calculation	Carbon Calculated, assisted by an independent consultant

### EXTERNAL ASSURANCE

We acknowledge the increasing requirements from investors and regulatory and other guidelines, such as the King IV Report on Corporate Governance for South Africa (2016) (King IV) and the integrated reporting guidelines, for the external assurance of selected non-financial information. We further acknowledge our accountability to our stakeholders to present information that is relevant, accurate and reliable. In this regard it should be noted that Remgro follows a combined assurance model, incorporating management, internal audit and external assurance (e.g. BBBEE scorecard verification, Carbon Disclosure Project (CDP) verification), as illustrated in the table above. We believe that these assurance methods provide the necessary assurance over the quality and reliability of the information presented. The different options and levels of external assurance available are continuously being reassessed to determine the way forward on external assurance.

### MANAGEMENT'S APPROACH TO SUSTAINABILITY

Remgro's Board is ultimately accountable for the performance of the Company, appreciating that strategy, risk, performance and sustainability are inseparable. In this regard the Board has delegated the general oversight and reporting of sustainability to the Audit and Risk Committee, assisted by the Social and Ethics Committee. The role and function of these committees are dealt with in more detail in the Corporate Governance Report and the Social and Ethics Committee Report on pages 55 and 75 of the Integrated Annual Report respectively.

### ETHICS, COMPETITION AND COMPLIANCE

#### ETHICS

The Board believes that ethical behaviour stems from appropriate value systems inherent to the people in the Company's employ as directed and supported by visual ethical leadership and a value-driven corporate culture. Leadership based on ethical foundations results in a culture

of ethical and moral behaviour and compliance with laws, rules, codes and standards. The Board therefore retains the responsibility to establish and maintain a culture of honesty, integrity, competence, transparency, fairness, responsibility and accountability in order to position the Company as an investment partner of choice. This is underscored by ethical leadership as ethics cannot be regulated but stems from personal conviction.

In this regard the Company has adopted a Code of Ethics (the code) that provides a framework of ethical practices and business conduct that are applicable to all directors and employees. The code is available to all employees on Remgro's in-house intranet and a copy is provided to all new employees. The code as well as a formal Gifts Policy also provide strict policies regarding gifts, invitations or favours received from suppliers or any other parties. The offering of favours to gain unfair commercial advantages is also strictly prohibited.

The Audit and Risk Committee monitors compliance with the code and addresses instances of fraud or irregularities. The Group has an effective fraud prevention and detection process and ensures compliance and risk mitigation. No material investigations were concluded during the reporting period.

The Company has implemented an **Ethics hotline** to enable any employee or other stakeholder to report knowledge of perceived and alleged irregular or unethical behaviour in a confidential and controlled environment. The Ethics hotline is managed by an independent third party and is available on a 24-hour basis. During the year under review no calls were received through the Ethics hotline which related to alleged governance breaches or ethical anomalies at Remgro. Where calls are received which relate to alleged irregularities at investee companies, such calls are directed to the appropriate governance structures at the respective investee companies via the Remgro representatives serving on the boards of these companies.

Remgro Ethics Hotline 0800 222 536  
or email [remgro@tip-offs.com](mailto:remgro@tip-offs.com)

## COMPETITION

The Group supports and adheres to the relevant competition and anti-trust laws applicable in the various jurisdictions in which the Group operates. During the year under review no enquiries regarding anti-competitive, anti-trust or similar conduct were received which resulted in fines being levied.

## COMPLIANCE

During the year under review there were no incidents of material non-compliance with any laws, regulations, accepted standards or codes, and no fines were imposed in this regard.

## STAKEHOLDER RELATIONS

Our relationship with all our stakeholders is based on the following values that are entrenched and supported by Remgro's Code of Ethics, and which values assist the effective leadership by the Remgro Board in achieving strategic objectives and positive outcomes over time:

- **Integrity**, in acting ethically beyond mere compliance
- **Competence**, in ensuring due care, skill and diligence are exercised
- **Responsibility**, for the assets and actions of the Company
- **Accountability**, for justifying its decisions and actions to shareholders and other stakeholders
- **Fairness**, in considering the legitimate interest of stakeholders
- **Transparency**, in disclosing information in a manner that enables stakeholders to make informed decisions about the Company's performance and sustainability

Remgro's Board is the ultimate custodian of its corporate reputation and stakeholder relationships. In this regard a formal Stakeholder Policy sets out the approach and strategy of Remgro with respect to stakeholder engagements, ensuring that the approach takes into account appropriate corporate governance guidelines.

Remgro utilises a wide variety of communication methods to ensure that its communication with stakeholders is clear and understandable, as well as transparent, balanced and truthful, and sets out all relevant facts, whether positive or negative. Care is taken to ensure that engagement with stakeholders is, where appropriate, not just one-way communication but constructive, partnership-based engagement. This ensures that all legitimate stakeholder expectations are identified and addressed as far as possible.

Remgro, like other organisations, has an economic impact on our stakeholders through, amongst other things, the generation and distribution of value, the creation of employment opportunities, remunerating our employees fairly and competitively, and our corporate social investment. We continuously manage these matters and engage with our stakeholders on matters relevant to them, as reported on elsewhere in this report.



## SHAREHOLDERS AND THE INVESTMENT COMMUNITY

Remgro's primary objective is to maximise value creation and sustainable growth and in this regard particular care is taken to ensure that all shareholders, or classes of shareholders, are treated equitably. Special care is taken to protect minority shareholders from actions by or in the interest of the principal shareholders that may be to their detriment. In this regard the Lead Independent Director acts as chairman during meetings in situations where the independence of the existing Chairman may be potentially conflicted.

Communication with investors is based on the principles of timely, balanced, clear and transparent information. In this regard the investment community has access to the same information as Remgro shareholders. Firm protocols are in place to control the nature, extent and frequency of communication with investors. Shareholders and the investment community are encouraged to attend Remgro's general meetings where topical matters are discussed openly. Further interactions with institutional investors take place twice a year at the dial-in interim and final results presentations, where questions can be directed to the Chief Executive Officer and Chief Financial Officer. The investment community is also welcome to contact senior management directly.

The most recent and historic financial and other information is published on the Company's website at [www.remgro.com](http://www.remgro.com).

## EMPLOYEES

In order for Remgro to be able to achieve its main objectives, it is essential to attract and retain employees of the highest calibre. Our employees are treated fairly and remunerated competitively and Remgro strives to afford all staff the opportunity to realise their full potential. During corporate actions special care is taken to ensure that employees belonging to the Remgro Equity Settled Share Appreciation Right Scheme are not treated more favourably than ordinary shareholders.

As Remgro is an investment holding company with a small staff complement at head office level, communication with employees is kept informal and is conducted through a variety of channels, including email updates, the in-house intranet, Remgro website, information sessions and notice boards. Care is taken that all communication with shareholders is also communicated to employees.

## INVESTEE COMPANIES AND OTHER SHAREHOLDERS OF SUCH INVESTEE COMPANIES

Remgro's performance is directly linked to the performance of its underlying investee companies and accordingly communication with those entities and co-shareholders is regarded as very important. Relationships with investee companies are managed

principally through board representation, with Remgro directors or senior management acting as non-executive directors on the investee companies' boards. These representatives interact with the directors and senior management of investee companies at investee companies' board meetings and, as and when necessary, representatives of investee companies are encouraged to arrange to meet with Remgro senior management to discuss their business. All dealings with co-shareholders in the investee companies are done fairly in terms of the underlying shareholders' agreements and Remgro strives to add value to these investments.

## COMMUNITY

Corporate citizenship, the commitment of a business to contribute to sustainable economic development, endorses the principle that no business exists in isolation but undeniably forms an integral part of the environment in which it operates and to which it owes certain responsibilities.

In its relationship with the community Remgro strives to be a value partner and in this regard its involvement in the community focuses on eradicating the effects of poverty and investing in young people from disadvantaged communities in the belief that such an investment will provide sound dividends far into the future. Remgro's corporate social investment initiatives and donations are discussed in more detail on pages 8 to 11.

## SUPPLIERS AND SERVICE PROVIDERS

Remgro believes in building long-term partnerships with service providers through establishing a relationship of mutual trust and respect. Various criteria play a role in selecting suitable service providers, such as compliance to quality standards, the stability and proven track record of the organisation, BBBEE status and available support network.

As Remgro is an investment holding company its cost structure is constantly measured against that of unit trusts to ensure that its shareholders are not prejudiced. As part of managing corporate costs good relationships are maintained with suppliers and service providers.

## SOUTH AFRICAN GOVERNMENT AND REGULATORY BODIES

An open and honest relationship is maintained with the Government and relevant regulatory bodies. In this regard communication is on an *ad hoc* basis as and when the need arises, and is usually in the form of formal meetings. Regulatory bodies such as the National Treasury, the South African Reserve Bank (SARB) and the JSE are kept up to date regarding corporate actions in accordance with all applicable laws and regulations. Annual meetings are held with the SARB in order to keep them up to date regarding Remgro's offshore activities.

Figure 1

### BBBEE SCORECARD

Element	Indicator	Weighting	Score
Equity ownership	Percentage share of economic benefits	25	17.45
Management and control	Percentage black persons in executive management and/or executive board committees	19	7.37
Skills development	Skills development expenditure as a proportion of total payroll	20	12.18
Enterprise and supplier development	Procurement from black-owned and empowered enterprises as a proportion of total assets, as well as the average value of supplier development and enterprise development contributions as a percentage of net profit after tax	40	24.48
Socio-economic development	Corporate social investment for the benefit of black persons	5	5.00
<b>Total score</b>		<b>109</b>	<b>66.48</b>

## BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

### INTRODUCTION

The Board believes that BBBEE is a social, political and economic imperative and it supports and encourages the Company's subsidiaries, associates and joint venture initiatives in this regard. To the extent that Remgro's subsidiaries, joint ventures and associates implement BBBEE, Remgro's shareholders effectively participate in BBBEE initiatives and the associated benefits and costs thereof.

Remgro measures its BBBEE status against the generic scorecard criteria set by the Department of Trade and Industry. In terms of the latest assessment of Remgro's BBBEE status performed during September 2018, Remgro obtained a score of 66.48 (2017: 55.19), thereby obtaining a level 8 contributor status. The details of the assessment are fully set out in Figure 1 and includes the BBBEE initiatives of Remgro's main independent operating subsidiaries, RCL Foods Limited (RCL Foods), Distell Group Holdings Limited (Distell) and Wispeco Holdings Proprietary Limited (Wispeco).

### EQUITY OWNERSHIP

Verification of BBBEE ownership is governed by the amended Codes of Good Practice on BBBEE, which were gazetted on 11 October 2013 in terms of Section 9(1) of the Broad-Based Black Economic Empowerment Act (No. 53 of 2003).

It should be noted that there is black ownership included in the shareholdings in Remgro held by institutional investors (refer to page 125 of the Integrated Annual Report where Remgro's major shareholders are disclosed). An annual exercise is undertaken to determine and accordingly include the indirect black ownership through these mandated investments. Furthermore, the provisions of Code Series 100, Statement 102 – Recognition of

Sale of Assets, as well as the exclusion of foreign operations, are also taken into account.

Remgro's equity ownership score is as follows:

Verified equity ownership score	Target score	30 June 2018	30 June 2017
Voting rights black people	4.00	2.93	1.60
Voting rights black women	2.00	1.72	0.90
Economic interest black people	4.00	2.98	1.70
Economic interest black women	2.00	1.84	1.02
Economic interest of black designated groups	3.00	3.00	–
Net value	8.00	4.98	3.38
	<b>25.00</b>	<b>17.45</b>	8.60

Remgro's equity ownership score for 2018 improved substantially mainly due to the exclusion of Remgro's foreign operations (for the first time) and the inclusion of certain old Sale of Assets transactions, which were not taken into account in the prior year.

Although Remgro's BBBEE score includes the initiatives of RCL Foods, Distell and Wispeco, the discussion below regarding the other elements of the generic scorecard criteria only relates to the activities at Remgro's head office in Stellenbosch. For more detail regarding the BBBEE initiatives at investee company level, refer to the section "BBBEE at investee companies" on the next page.

### MANAGEMENT CONTROL

The Board transformed considerably during the past years, with five of the ten non-executive directors (50%) being black persons. On Management Board level, two of the six members are black persons.

## EMPLOYMENT EQUITY

Employment equity represents Remgro's most significant transformation challenge. An annual labour plan is submitted to the Department of Labour where Remgro's transformation objectives are set out in detail. Although efforts are focused on improving the Company's black representation at management level, low staff turnover and limited organic growth remain limiting factors. More detail regarding employment equity is presented on page 7.

Remgro's summarised employment equity as at 30 June 2018 is presented in Figure 2 and sets out the distribution by race of permanent employees per occupation level.

## SKILLS DEVELOPMENT

Remgro complies with the requirements of the Skills Development Act, No. 97 of 1998 in terms of which a fixed percentage of its payroll is paid as a training levy to the South African Revenue Service. An annual report concerning all the training which has taken place in the Company is also submitted to the relevant SETA.

## PREFERENTIAL PROCUREMENT

As Remgro is not an operating company it has a small procurement function and its procurement profile is characterised by a high service component as opposed to materials purchased. Remgro purchases more than half of its goods and services from BBBEE accredited vendors. The improvement of the preferential procurement score remains a focus area for Remgro.

## ENTERPRISE AND SOCIO-ECONOMIC DEVELOPMENT

A considerable amount of time and resources are spent internally on business development and corporate social investment (CSI) initiatives. Further details regarding the Company's CSI initiatives are provided on page 8.

## BBBEE AT INVESTEE COMPANIES

Remgro monitors and contributes to its investees' BBBEE performance through its board representation and participation and facilitation of corporate actions in these investee companies. The BBBEE status of Remgro's investee companies is presented in the "Investment reviews" section on page 32 of the Integrated Annual Report.

Further details regarding the BBBEE status of Remgro's operating subsidiaries are provided in the section dealing with "Sustainability at operating subsidiaries" on page 11.

## OUR PEOPLE

### EMPLOYEE COMPOSITION

Remgro believes that the quality of its staff represents an important sustainable advantage. Being an investment holding company, it has a relatively small staff complement, with only 182 people being employed as at 30 June 2018 (2017: 172 employees). Refer to Figure 3 where more detail regarding the composition of our employees by race, gender and age is illustrated.

Figure 2

### SUMMARISED EMPLOYMENT EQUITY REPORT (AS AT 30 JUNE 2018)

Occupational levels	Male				Female				Foreign nationals		
	A	C	I	W	A	C	I	W	Male	Female	Total
Top management	1	1	-	3	-	-	-	1	-	-	6
Senior management	-	2	-	13	-	-	-	3	-	-	18
Professionally qualified and experienced specialists and mid-management	-	-	2	19	1	3	-	10	-	-	35
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	3	10	-	12	2	7	1	28	-	-	63
Semi-skilled and discretionary decision-making	23	22	-	-	6	9	-	-	-	-	60
Unskilled and defined decision-making	-	-	-	-	-	-	-	-	-	-	-
<b>Total permanent</b>	<b>27</b>	<b>35</b>	<b>2</b>	<b>47</b>	<b>9</b>	<b>19</b>	<b>1</b>	<b>42</b>	-	-	<b>182</b>
Temporary employees	-	-	-	-	-	-	-	-	-	-	-
<b>Grand total</b>	<b>27</b>	<b>35</b>	<b>2</b>	<b>47</b>	<b>9</b>	<b>19</b>	<b>1</b>	<b>42</b>	-	-	<b>182</b>

A = African C = Coloured I = Indian W = White

For the year under review Remgro's employee turnover rate was 6.0%, compared to 5.2% for the comparative year to 30 June 2017. The turnover rates were calculated by using the total number of employees at year-end. By only taking into account resignations (thus avoidable employee turnover), the above numbers reduce to 3.3% for 2018 and 0.6% for 2017.

### RECRUITMENT AND SELECTION POLICY

In order to ensure that Remgro remains an investment partner of choice, it is imperative to attract, select and retain employees of the highest calibre. In this regard the Company at all times endeavours to appoint the best candidate in a position. In an effort to mitigate the transformation challenge, the Company attempts to consider all opportunities presented through staff turnover to appoint suitably qualified and experienced individuals from the designated group. The Company recruitment and selection process is designed to have no inherent characteristics that could lead to unfair discrimination against employees or applicants based on gender, race, religion or any other factor as defined in employment legislation.

### EMPLOYMENT EQUITY

Remgro endorses the principles of the Employment Equity (EE) Act, No. 55 of 1998 and in this regard its employment equity policy strives to offer equal opportunities to all employees and aims at identifying suitable individuals and developing and compensating them in line with their performance, dedication and loyalty. Special attention is given to those groups which, because of historic reasons, may be in a disadvantaged position.

During this financial year a process was concluded to revitalise and enhance the consultative EE structures in preparation of the consultation process to develop a new EE plan as required by the Act. The consultation process, through these newly established structures, neared completion by year-end and ensured a much more inclusive engagement process.

### EMPLOYEE REMUNERATION

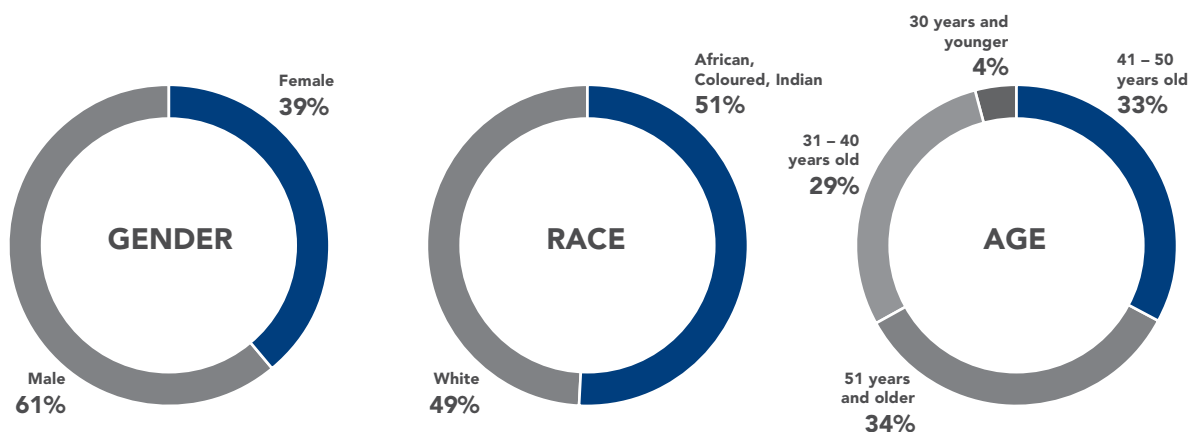
Our objective is to reward our employees fairly and competitively, according to their capabilities, skills, responsibilities and performance levels. The level of salaries we pay is one of a number of elements in our strategy to retain, motivate and, where necessary, recruit high-quality people. In addition, Remgro also offers its staff a stimulating working environment. Remgro has a formal Remuneration Policy that sets out the remuneration principles for the organisation as a whole. Refer to the Remuneration Report on page 86 of the Integrated Annual Report where Remgro's remuneration principles are set out in detail.

Remgro offers retirement benefits to its employees in the form of a defined-benefit (closed fund) and a defined-contribution fund that are administered independently of the finances of the Company. In addition, employees are also offered medical insurance and study assistance.

### TRAINING AND SKILLS DEVELOPMENT

The main purpose of training is to equip employees in such a way that they can realise their full potential to benefit the Company and themselves. Due to the specialised nature of

Figure 3  
COMPOSITION OF EMPLOYEES (AS AT 30 JUNE 2018)





Remgro's workforce resulting from it being an investment holding company, no prescribed training programmes are promoted. Individuals are, however, encouraged to attend training programmes which will better equip them to do their jobs. During the past few years numerous workshops and training sessions on King IV, Anti-corruption practices, the pending Protection of Personal Information legislation and the Competition Act, No. 89 of 1998 were held to ensure that Remgro's directors and management are equipped to implement and practise sound corporate governance at all levels where they are involved.

### HEALTH AND SAFETY

The Company has a duly constituted Health and Safety Committee, as required by the Occupational Health and Safety Act, No. 85 of 1993. The committee is a subcommittee of the Risk, Opportunities, Technology and Information Governance Committee and ensures that the Company provides and maintains a safe and healthy risk-free environment for staff and visitors by identifying risks and ensuring that controls designed to mitigate these risks are effective and complied with.

### HIV/AIDS

From an investment holding company perspective, the risk of HIV/Aids comprises two elements:

#### GROUP RISK

Given the potential impact of HIV/Aids on the markets, on human capital, cost of employment and on the operational processes of the various businesses invested in, this risk is managed within the governance structures of the various investee companies. The progress of these relevant policies and strategies is monitored against best practice standards.

#### COMPANY RISK

Remgro has a formal HIV/Aids Policy and is committed to actively manage the pandemic, and the business risks associated with it. The policy makes provision, *inter alia*, for the following:

- Compliance with all legal requirements as far as HIV/Aids is concerned
- No discrimination against employees or potential employees based on their HIV status
- Strict confidentiality of information on the HIV status of employees
- General measures to prevent accidental infection

Remedi Medical Aid Scheme, of which most of Remgro's staff are members, has a management plan for HIV/Aids in which employees may choose to participate.

### INVESTING IN THE COMMUNITY

Remgro's corporate social investment (CSI) initiatives and donations programme covers a broad spectrum of society and can be summarised as follows:

- Community development
- Cultural development
- Entrepreneurship, training and education
- Environment
- Healthcare
- Sport development

Remgro aims to maintain a CSI spending of approximately 2.5% of its net free cash flow annually. In this regard, an official CSI committee meets regularly to consider and approve grants to institutions in need. Donations to qualifying institutions are made on an annual basis for a specific period and, although such contributions cover a wide range, there are two noticeable exceptions: political parties and religious institutions. Remgro respects its employees' choice to participate in these institutions, but does not exercise a choice itself.

During the year under review Remgro's CSI spend amounted to R27 million (2017: R23 million), as set out in the table below.

	Year 30 June 2018 R million	Year 30 June 2017 R million
<b>Summary of CSI spend</b>		
Community development	6	6
Cultural development	4	3
Entrepreneurship, training and education	13	10
Environment	2	2
Healthcare	1	1
Sport development	1	1
	<b>27</b>	<b>23</b>

During the year under review the most notable initiatives Remgro has been involved in, were the following:

#### COMMUNITY DEVELOPMENT

**Strengthen our Society (SOS)** – was founded by Remgro, together with the Greater Stellenbosch Development Trust, to broaden the scope of a selected group of charitable organisations in the region. Most community institutions are not lacking leadership or enthusiasm, but they are often hamstrung by a lack of structural capacity which prevents them from breaking through and realising their full potential.

The SOS initiative aims to bridge the gap between interested business enterprises and charitable organisations and endeavours to assist beneficiaries with funding, governance, expert advice, human relations, systems, management and legal matters. A very positive outcome of the SOS programme is the sense of belonging, and of being valued, experienced by participants.

Over the past year SOS activities included:

- rekindling relationships with all current partners
- reflecting strategically on their current status
- rendering support and interventions where necessary

**Ikamva Labantu** – this broad-based community organisation caters for the needs of destitute people in the poverty-stricken townships of Cape Town. It has a holistic approach to the development of impoverished communities and focuses especially on orphans and vulnerable children, early childhood development and the needs of senior citizens, health and wellness. Over the past 18 years, Ikamva's partnership with Remgro has had a substantial impact on vulnerable communities by providing them with services, development and hope. By funding Ikamva's support structure, Remgro has helped to strengthen the engine behind many of this organisation's initiatives and projects.

**Stellenbosch Community Development Programme (SCDP) trading as Love to Give** – working from their centre in Kayamandi, a township on the outskirts of Stellenbosch, Love to Give's main focus is to eradicate malnutrition and, in doing so, takes steps to alleviate poverty amongst its beneficiaries. It commits itself to achieving measurable progress each month in the following five categories, namely sustainable livelihoods and enterprise development, effective nutrition, cultivation of food gardens, healthy homes and family wellness, as well as good governance. A book sharing programme and library for their beneficiaries are also being run from the centre. During the year under review, 2 000 children were fed every school day, 1 200 large monthly food parcels were handed out to families in need, 171 beneficiaries were trained in marketable skills, 225 CVs were prepared, which generated 113 jobs, while 30 micro-businesses were supported with loans and mentorship.

**Stellenbosch Feeding in Action** – provides about 10 000 meals and 1 000 food parcels per week to 5 000 needy people at 45 feeding points. About 25 other organisations, such as Youth Outreach, Stellenbosch Disaster Management and needy crèches, are regularly supported with food supplies and meals to supplement their limited budgets. Food and meals are also provided during emergency situations.

**Child Welfare South Africa (Stellenbosch)** – protects, safeguards and promotes the interest of children and their families. The social needs of individuals and families are addressed through the rendering of professional social work services. People from communities are empowered through capacity building programmes and developmental projects. Some 12 900 young people were reached with programmes focusing on values, social media, bullying, drug abuse and sports practice as an alternative to joining gangs. During the year, 387 community members and their families received training with regard to the Children's Act to interpret parental responsibilities, but also to identify and report alleged child neglect. 17 Children between the ages of six and 14 who have never received any form of education, were successfully placed in schools through the intervention of a home-schooling programme.

## CULTURAL DEVELOPMENT

**Field Band Foundation (FBF)** – operates 46 bands across the country and reaches 5 331 young people between the ages of seven and 21. It creates opportunities for the development and self-empowerment of young people through participation in music, dance and active citizenship projects. The Foundation believes that improved quality of life comes from a holistic appreciation of individual and community wellbeing. A critical mass of confident young people who have an appropriate balance between personal rights and their collective responsibilities, will contribute to a vibrant society.

The Cape Whalers Field Band, sponsored by Remgro, operates in one of the most stable regions in the FBF and continues to enjoy the support of several schools in Stellenbosch, Cloeteville and Macassar that serve as rehearsal venues for the band.

## ENTREPRENEURSHIP, TRAINING AND EDUCATION

**TSiBA** – registered with the South African Department of Higher Education and Training, TSiBA is a unique tertiary level Business School that aims to profoundly change the future of upcoming talent from under-served communities. This is achieved by selecting high-potential students for entry into the fee-funded TSiBA Bachelor of Business Administration degree – a business qualification which aims to equip its graduates to become forceful and actively employed citizens. TSiBA's vision is to make quality education an earned right, so that TSiBA students can unleash their full potential through access to quality funded education.

**SciMathUS** – since its inception in 2001, more than 1 300 students successfully completed this bridging programme of the Stellenbosch University of whom almost 75% were registered for undergraduate studies at Stellenbosch. Up to the end of the 2017 academic year, just more than 270 students have graduated at Stellenbosch University with a first qualification, while 70 have also obtained a second qualification. Another 26% graduated

with a third qualification. The programme's main aim is to assist students from educationally disadvantaged communities to gain access to mainstream higher education and to further their studies in physical and applied sciences, engineering, medical and health services as well as economic and management sciences.

**Columba Leadership** – offers leadership academies at schools to develop responsible leadership amongst the South African youth, thereby producing socially and environmentally conscious and active citizens to lead through service. It activates the potential of young people to drive positive social change by eliciting their self-belief and giving them a framework of values.

**Community Keepers** – provides vital, full-time mental health services to learners, parents and teachers in schools. All mental health services are delivered by registered and qualified counsellors, social workers and psychologists and thus all services provided are of a professional nature, yet at no cost to the direct beneficiaries of these services. Their objectives are to promote the psychosocial well-being of disadvantaged children, prepare a sound foundation of mental and physical well-being for early childhood development to take place, equip parents and teachers to be more effective in their roles towards disadvantaged children and youth, collaborate with other organisations to promote holistic support and development amongst disadvantaged children at schools.

**Helpmekaar Bursary Fund (HSF)** – for 102 years this fund has been involved in providing Afrikaans-speaking students of all races with the means to further their studies at institutions of higher education. The organisation consists of two entities:

- A Study Fund which makes loans available to prospecting students for the duration of their studies at very favourable interest rates.
- A Study Fund Trust which enables the fund to give bursaries to needy students whose parents cannot afford the interest on their loans whilst they are studying. In 2018, the HSF awarded interest bursaries to 159 students. An additional 12 full bursaries were also awarded to previously disadvantaged students.

**The Click Foundation** – aims to innovate and test non-conventional, technology-based solutions that have the potential of scale, and to impact education for individuals meaningfully. Through the Reading Eggs literacy programme learners are assisted to achieve English literacy proficiency at an age-appropriate level.

**The Mandela Rhodes Foundation** – a Mandela Rhodes Scholarship is much more than a bursary. It constitutes a unique leadership development opportunity on the African continent. Though the costs of scholars are generously

covered during their period of study, of equal importance is the leadership development component attached to the scholarship programme. After a rigorous nomination and selection process, young Africans who show academic prowess, as well as broader leadership potential, are elected to the Mandela Rhodes Scholarship programme. They are given the opportunity to complete a postgraduate degree at Honours or Masters level, while simultaneously participating in a customised leadership programme devised for each participant under the leadership of the scholarship manager. This includes attending three special leadership development workshops per year.

**SA College for Tourism (SACT)** – 85 young women and six young men hailing from rural families with an annual income of less than R36 000, are currently being trained in nationally accredited hospitality service skills. At Tracker Academy two young women, both from San communities, and 22 young men from similar family circumstances are receiving accredited training in the indigenous Southern Africa skill of tracking animals in the wild. An additional 12 young men joined the College's newly established Herding Academy in January this year to participate in the college's one-year long, fully accredited herding training programme. All SACT students are afforded full, non-refundable bursaries, funded by the College's donor community.

The acceptance of two women as tracker trainees have made history as the traditional tracking of animals has always been the exclusive domain of males in Southern Africa.

SACT maintained its 100% pass rate at the end of 2017 and succeeded in placing more than 93% of its graduates in employment in the tourism industry.

Remgro Limited is the single largest South African donor of the SA College for Tourism.

**Schools Project** – as part of this corporate social investment initiative, the Company funds a support programme for schools with challenging educational circumstances in the Stellenbosch region, which forms part of the Cape Winelands Education District. Taking into account the numerous complexities in the education sphere, this project endeavours to make a holistic, integrated and sustainable contribution.

As part of the above initiative, a Stellenbosch Schools Broadband Initiative (SSBI) has been started by Remgro to roll out broadband to all the schools in the Stellenbosch municipal area. The aim of the initiative is to act as a catalyst in closing the digital divide that exists in the Stellenbosch area. Each school learner in the area should have an equal opportunity to be exposed to the new digital era at present being experienced.

In total, 37 of the approximately 40 schools in the area have been connected to the network. This includes rural schools in the farming district. The service is superior to the existing commercial offerings and creates an environment conducive to learning and experimenting. The feedback from the schools is very positive.

## ENVIRONMENT

**Peace Parks Foundation (PPF)** – PPF was founded in February 1997 by the late Dr Anton Rupert, the late Prince Bernhard of the Netherlands, and the late former president, Mr Nelson Mandela, with the visionary idea of supporting countries in the Southern African Development Community (SADC) to jointly manage their natural resources to increase socio-economic development opportunities through tourism. At the time they could hardly have foreseen that 21 years later the SADC region's peace parks, or transfrontier conservation areas (TFCAs), would encompass over a million square kilometres of conservation estate. Southern Africa's competitive advantage in ecotourism is its wildlife, with a very large number of livelihoods depending on the industry. During the past years there has been a marked increase in wildlife crime (especially the slaughtering of high-value species such as elephant and rhino) to a level where it is threatening the continued existence of the region's TFCAs.

**WWF South Africa (WWF-SA)** – during the past 50 years, WWF-SA has played a key role in conserving our precious natural resources and in finding solutions for environmental issues of national and international importance. However, the challenges have increased rather than diminished and at present South Africa's natural resources are under threat as never before. Climate change, irresponsible mining and fisheries practices, as well as rhino poaching, are just some of the issues WWF-SA is grappling with. Ultimately, conservation is about people and about changing people's behaviour. WWF-SA exists to ensure a future in which people live in harmony with nature.

## HEALTHCARE

**Organ Donor Foundation of SA** – for the past 30 years the Foundation has played a critical role in obtaining life-sustaining organs for those in need of a transplant. For recipients the availability of organs is often a matter of life or death. During the past year, Remgro again made a contribution to this admirable cause by sponsoring four flights for the transportation of organs. A special word of thanks must go to the staff of the aviation company Falconair for their wonderful support in this regard.

## SPORT DEVELOPMENT

**SA Golf Development Board (SAGDB)** – since 1999 the SAGDB has grown a network of coaches and officials who work across the country to develop the game in the cities and the most remote areas. SAGDB has 2 618 active players in the programme, with 46 trainers coaching the players across the country. Coaching sessions are conducted on a weekly basis.

**Endurocad SA Endurance Academy** – provides a complete solution for elite athletes specialising in the field of endurance by offering them specialist and professional coaching. It also includes broader career development to ensure sustainability for athletes in the long term. The programme comprises a complete sport management solution, including race management, contract sourcing and negotiations, brand and enterprise development, marketing and reputation management, life skills development and other support services.

## SUSTAINABILITY AT OPERATING SUBSIDIARIES

Remgro's three main operating subsidiaries, namely RCL Foods Limited (RCL Foods), Distell Group Holdings Limited (Distell) and Wispeco Holdings Proprietary Limited (Wispeco), are operated and managed on a decentralised basis as independent entities with autonomous boards of directors. Only summarised "non-financial" disclosure relating to their governance structures, as well as social and environmental performance is provided in this report, while their financial performance is discussed in more detail in the "Investment reviews" section on pages 38, 39 and 45 of the Integrated Annual Report.



## RCL FOODS

### INTRODUCTION

RCL Foods is listed on the JSE under the "Consumer Goods – Food Producers" sector, with the share code "RCL".

RCL Foods has three divisions: "Consumer" (which houses Rainbow as well as Foodcorp's Grocery, Beverage, Pie and Speciality divisions), "Sugar and Milling" (which houses TSB, Rainbow's Feed division Epol and Foodcorp's Milling and Baking divisions) and "Vector" (logistics and sales services for RCL Foods and third-party customers). Through these divisions, RCL Foods manufactures and distributes a wide range of household brand names, including *Selati* Sugar, *Supreme Flour*, *Rainbow* and *Farmer Brown* chicken, *Pieman's* pies, *Mageu Number 1*, *Sunbake* bread, *Nola* mayonnaise, *Yum Yum* peanut butter, *Bobtail* and *Catmor* pet food products and the leading animal feed brands of *Epol* and *Molatek*.

### GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE

RCL Foods' board consists of nine non-executive (five of whom are independent) and two executive directors. It should be noted that the Chairman of the RCL Foods board, Mr Jannie Durand, is not independent given his role as CEO of Remgro Limited, RCL Foods' major shareholder. In this regard RCL Foods has appointed Mr R V Smither as Lead Independent Director on 30 August 2011, to act as chairman during meetings in situations where the independence of the Chairman may be potentially conflicted.

As RCL Foods is a listed company it has to comply with the JSE Listings Requirements and, to the extent that its recommended practices have been incorporated in the JSE Listings Requirements, King IV Report on Corporate Governance for South Africa 2016 (King IV). The Social and Ethics Committee of RCL Foods reviews and monitors the company’s performance on areas such as good corporate citizenship, consumer relations, employment equity and labour relations. RCL Foods’ Risk Committee, which is a subcommittee of the board of RCL Foods, is responsible for overseeing the adequacy and overall effectiveness of the group’s risk management function and its implementation by management. It is assisted by an internal audit department that comprises a dedicated team of appropriately qualified and technically experienced personnel.

**KEY SUSTAINABILITY AREAS**

Customers are becoming increasingly proactive with regard to issues such as health and safety, farming practices, animal welfare, product safety, and product labelling. RCL Foods addresses these issues in a variety of ways and below is an abbreviated extract from its Sustainability Report in this regard. Management Systems such as ISO, FSSC, OHSAS and SANS have been implemented throughout RCL Foods in order to comply with quality requirements and regulations.

**PEOPLE**

Developing talent, building leaders and creating the right organisation and culture are crucial to achieving RCL Foods’ growth ambitions and delivering on its passion. For this reason, RCL Foods embarked on a journey to build a unique organisation and culture where work is safe, fun, meaningful and enriching – unlocking the potential and creativity of its 20 000 people. To build a community of inspirational, efficient and productive people who have a common purpose, RCL Foods identified four key focus areas:

- Develop leaders and grow talent
- Culture and diversity

- Collaborative employee relations and engagement
- Employee health, safety and wellness

RCL Foods’ number of full-time employees increased by 470 to 20 581 on 30 June 2018. Through constructive recognition agreements, RCL Foods has a significant bargaining unit, with 76% of its employees being within the bargaining unit, and for whom their recognised trade unions negotiate annually their salaries and conditions of employment. A revised Employment Equity five-year plan leading to 2020 was adopted after the acquisition of Foodcorp and TSB. RCL Foods remains focused on pursuing the transformation imperative to create a diverse and inclusive workforce that is reflective of its customer base and the society in which it operates. The composition of RCL Foods’ workforce by race, gender and age is illustrated in Figure 4.

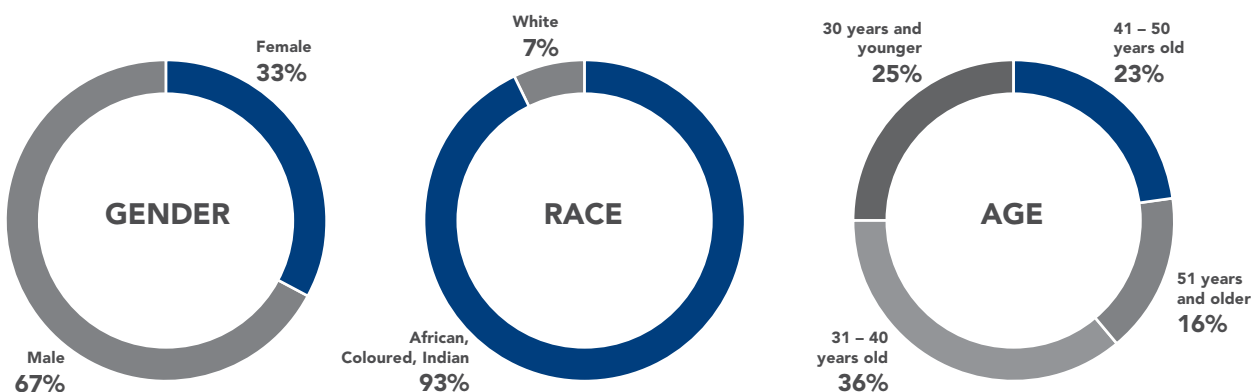
RCL Foods regards employees as key assets to its success and is committed to promoting their health, safety and wellness through relevant programmes and support initiatives. RCL Foods is currently in the process of developing a consolidated strategy for employee health, safety and wellness across the company, incorporating both occupational and primary healthcare.

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

Primary healthcare and emergency care are essential support services in any large manufacturing company. The importance of reliable primary healthcare to employees and their families is considered and the company appreciates the fact that primary healthcare (medical aid) is unaffordable to many of its employees. RCL Foods has made available a low-cost medical aid plan and health benefits to shop floor employees, with 1 080 people signing on during this financial year.

Figure 4

**COMPOSITION OF WORKFORCE (AS AT 30 JUNE 2018)**



STAKEHOLDER	KEY ISSUES	RCL FOODS' RESPONSE
Investors	<p>Oversupply in the chicken and sugar markets</p> <p>Exposure to commodity foods</p> <p>Regulatory impact of sugar import tariffs and tax on sugary beverages</p> <p>Consumer demand</p>	<p>Ongoing engagement with government and industry to find a suitable solution to excessive imports.</p> <p>Moving towards a more balanced and diversified portfolio that incorporates higher-margin added value components.</p> <p>Hedging instruments purchased to manage exposure to raw material and currency fluctuations.</p>
Employees	<p>Career development and growth</p> <p>Education and training</p> <p>Diversity and equal opportunities in the workplace</p> <p>Constructive employee relations and engagement</p> <p>Employee wellness</p>	<p>RCL Foods' 2018 achievements in pursuit of its "Inspire Great People" strategic thrust highlight its commitment to building a community of inspirational, efficient and productive people with a common purpose.</p> <p>Four key focus areas have been identified that facilitate its growth ambition and passion:</p> <ul style="list-style-type: none"> <li>• Develop leaders and grow talent</li> <li>• Culture and diversity</li> <li>• Collaborative employee relations and engagement</li> <li>• Employee health, safety and wellness</li> <li>• Implementing its rewards strategy to ensure competitive remuneration.</li> </ul>
Communities	<p>Social development needs in the communities in which it operates, including early childhood development and nutritional stunting</p> <p>Economic development in its labour-sending communities, including empowerment of small-scale growers</p>	<p>Driving the nutrition agenda on early childhood development and stunting programme.</p> <p>Launching social and economic development programmes in the three big communities in which it operates:</p> <ul style="list-style-type: none"> <li>• Nkomazi smallholder vegetable farmer support programme</li> <li>• DoMore4Hammarisdale food and economic security programme</li> <li>• Worcester zero stunting initiative</li> </ul> <p>Through sustainable farming programmes and interconnected business models, RCL Foods is empowering its communities to support themselves while contributing to RCL Foods' leading value chain through the supply of cane to its sugar mills.</p>
Government (local, provincial and national)	<p>Ongoing compliance with regulatory frameworks</p> <p>Partnerships for joint solutions</p> <p>Employment creation and transformation</p>	<p>RCL Foods actively monitors all compliance requirements and engages extensively with government to understand any proposed changes.</p> <p>RCL Foods has extensively engaged with government to highlight the plight of the chicken and sugar industries and find joint solutions.</p> <p>With the support of the Department of Rural Development and Land Reform, RCL Foods' Sugar business unit partnered with farmers in KwaZulu-Natal and Mpumalanga to produce 550 000 tons of cane during the 2017/18 season.</p>



STAKEHOLDER	KEY ISSUES	RCL FOODS' RESPONSE
Customers (Retailers, Wholesalers, Food Service Industry and Quick Service Restaurants)	Product quality and food safety Growth and profitability Responsiveness Tailored sales solutions Mutually beneficial partnerships One RCL Foods sales team	Leveraged RCL Foods' enhanced capabilities to provide its food service customers with a growing and profitable portfolio of solutions. Implemented a single sales interface for customers that drives common ways of working across all customer teams with "best in class" service methodologies. Expanding its basket to offer a broader range of product solutions.
Suppliers	Growth and development Transformation and enterprise development Capable to supply to RCL Foods Business ethics	Continued support to develop domestic farmers through interconnected business models. Increased its spend on BBBEE suppliers by R758 million. RCL Foods completed its BBBEE verification and achieved a Level 4 score.
Consumers	Product quality and food safety Product affordability Product convenience Commitment to and compliance with issues regulated by government (e.g. labelling, salt and sugar)	RCL Foods' consistent investment in its brands has led to pleasing market share growth. RCL Foods' ongoing commitment to food safety and quality has been further strengthened post the listeriosis crisis. International Standards Organisation (ISO) principles are embedded in its integrated management systems which span the supply chain.

RCL Foods has also extended its health and wellness programmes with financial wellness awareness training. The company's divisions have achieved the following "disabling incident frequency rate" (DIFR):

- Consumer: 1.2 (2017: 1.0)
- Sugar and Milling: 0.9 (2017: 1.7)
- Logistics: 1.3 (2017: 1.9)

The DIFR is an internationally accepted standard to measure safety performance and relates to the number of disabling incidents per 200 000 man-hours worked.

RCL Foods' training expenditure for the year to June 2018 amounted to R45 million compared to R43 million for the year to June 2017. 43% of RCL Foods' management population and 100% of its executives have now taken part in one of RCL Foods' Leadership Development Programmes.

#### BBBEE

RCL Foods completed its verification process in accordance with the JSE regulations pertaining to the BBBEE Act on the Agriculture Sector Codes. As a group, RCL Foods managed to obtain a Level 4 BEE score for the calendar year ending June 2018, while its Sugar business unit managed to maintain their Level 2 score for a third consecutive year.

RCL Foods believes that BBBEE is a component of the broader

transformation imperative in our country. The company's transformation policy has always been guided by a continuous focus on growing a healthy and sustainable business that creates value for all its stakeholders and contributes to nation building.

#### CORPORATE SOCIAL INVESTMENT (CSI)

RCL Foods launched the "Do More Foundation" as a separate non-profit organisation in July 2017 so that a broader group of stakeholders could participate in its key CSI initiatives. Its core belief is that "together we can do more" to make a significant impact on impoverished communities in South Africa. The Foundation is fast gaining momentum, with growing participation from existing and new stakeholders. By facilitating collaborative partnerships between government, business, NGOs and NPOs who share its vision, the "Do More Foundation" has been driving real change through impactful, collaborative projects in its three focus areas:

- Promoting proper nutrition for young children through collective action against stunting.
- Promoting food security in economically and socially challenged communities.
- Empowering our South Africa's youth through job creation, training and skills development.

CSI expenditure for the year to 30 June 2018 amounted to R9 million (2017: R13 million).

## ENVIRONMENT

Refer to RCL Foods’ website at [www.rclfoods.com](http://www.rclfoods.com), as well as the “Environment” section on page 21 where the environmental practices of RCL Foods are also incorporated.

**RCL Foods’ complete Sustainability Report is available on its website at [www.rclfoods.com](http://www.rclfoods.com).**



## DISTELL

### INTRODUCTION

Distell is listed on the JSE in the “Beverages Sector”, which constitutes 14% of the overall JSE market cap.

Distell is a global business rooted in South Africa. Distell produces and markets a diverse portfolio of award-winning alcoholic brands that are crafted by extraordinary people across the world.

### **Distell’s brands are its heritage. The brands are also its future.**

Distell is committed to crafting a lasting legacy. This means finding opportunities at each point along its value chain to do more, be better and foster positive change in the lives of all its stakeholders. Distell pursues sustainable and constructive participation in its communities, contributes to responsible drinking, drives transformation, supports local procurement, creates and sustains employment, and manages its supply chain sustainably.

<b>MISSION</b>	Distell crafts distinctive alcoholic beverage brands, enhances memorable moments and inspires responsible enjoyment. The value it creates enriches the lives of its people, shareholders and the communities within which it lives and works.
<b>VISION</b>	Distell is a proud African alcoholic beverages company with heritage, global reach, world-class people and the ability to do extraordinary things!
<b>VALUES</b>	<p><b>Customer and consumer focus:</b> Distell is passionate about its customers and consumers</p> <p><b>Courage:</b> Distell is enterprising and courageous in the way it tackles challenges and opportunities</p> <p><b>Responsibility:</b> Distell takes ownership of its words, actions and commitments</p> <p><b>Respect:</b> Distell respects people’s views, attitudes and opinions</p> <p><b>Integrity:</b> Distell acts with integrity at all times</p> <p><b>Collaboration:</b> Distell is one team</p>

## GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE

The Distell board is committed to complying with the requirements of the Companies Act, No. 71 of 2008, as amended, the JSE Listings Requirements and the King IV Report on Corporate Governance for South Africa (2016) (King IV), which it does through processes and frameworks aimed at ensuring the long-term sustainability of the business and maximising value for shareholders and other key stakeholders, while also contributing to national prosperity.

The board of Distell consists of nine non-executive (eight of whom are independent) and two executive directors. The controlling shareholder’s (Remgro’s) representative on the board is Mr Jannie Durand, who is the chairman of Distell’s board and is not an independent non-executive director, given his role as CEO of Remgro Limited. In compliance with King IV and the JSE Listings Requirements, and to guard against any perceived conflict of interest, the board annually elects a lead independent director (LID). The current LID is Mr André Parker. The main function of the LID is, *inter alia*, to lead and advise the board, without detracting from the authority of the chairman, when the chairman has a conflict of interest. All 16 principles of King IV are adopted and applied by Distell to ensure Leadership, Ethics and Corporate Citizenship.

### KEY SUSTAINABILITY AREAS

Customers are becoming increasingly proactive with regard to issues such as health and safety, farming practices, product safety and product labelling. Distell addresses these issues in a variety of ways and below is an abbreviated extract from the company’s Sustainability Report reflecting on these efforts.

### PEOPLE

Distell’s employees are critical in enabling it to shape the future and craft brands with purpose. Distell is committed to creating a positive and safe work environment with opportunities for career development. Importantly, Distell’s workplace must provide its employees with what they need most to grow and remain motivated, passionate and committed to Distell.

Distell is committed to sound employee relations and fair employment practices in line with relevant labour legislation, its code of conduct, conditions of employment, collective bargaining agreements and its corrective action code. Distell fully supports its employees’ right to freedom of association, and recognises their right to belong to the union of their choice or to refrain from union membership. To support open communication, managers meet regularly with union representatives at plant level.



Distell’s South African based number of full-time employees decreased by 255 to 4 150 on 30 June 2018. Overall, Distell’s headcount has evolved as a result of improvements to its operating model and the exiting of non-core activities, which is in line with Distell’s growth aspirations. These initiatives have also resulted in better and effective utilisation of people and assets across the Distell business. The composition of Distell’s South African based workforce by race, gender and age is illustrated in Figure 5.

Distell’s employee value proposition (EVP) focuses on:

- Great company, culture, leaders: employees can learn and grow across a wide range of global business processes and functions that makes up Distell’s expanding value chain
- Well-being: Distell’s approach to well-being is holistic and includes a focus on career, physical, spiritual, financial, community and social well-being
- Exciting work: Distell is committed to crafting an exciting workplace that contributes to an effective and productive workplace culture
- Development opportunities: Distell provides stimulating training and development opportunities that are linked to its employees’ individual development plans
- Reward: Distell considers the principles of market competitiveness, internal equity and paying for performance to ensure its reward offering is fair and aligned with best practice

Distell is committed to growing its future leaders and it invest in training programmes, including internships, learnerships, skills programmes, apprenticeships and adult

basic education. Distell’s training expenditure for the year to June 2018 amounted to R34 million compared to R33 million for the year to June 2017.

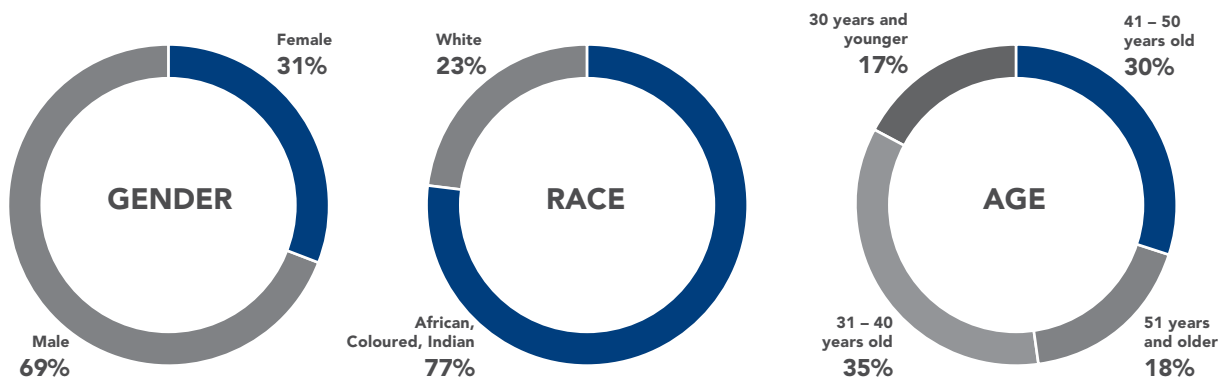
**BBBEE**

Distell successfully maintained a Level 4 BBBEE status due to an integrated approach to BBBEE which is embedded in the value chain and owned by various stakeholders within the business. Each BBBEE element has a workstream lead and team driving execution to ensure socio-economic impact is created and internal business targets are met. Some of the successes during the past period include:

- Enterprise and Supplier Development (ESD) activities resulting in six investment cases completed, two enterprise development companies established, four supplier development companies established, nine businesses signed on for business incubation and more than 40 jobs created through impact on ESD beneficiaries. Distell’s ESD beneficiaries are small and medium sized businesses that are identified within the current procurement pool or have the potential to enter the Distell supply chain as future suppliers.
- Preferential Procurement increasing purchases from number of black-owned businesses by 44.9%, resulting in a 12.9% increase in spend and a 112.5% increase in the number of black women-owned businesses resulting in an increased spend of 92.6%.
- Skills development across the Distell business units including 297 unemployed learnerships and 360 employed learnerships and 85 learnerships for learners with disabilities.

Figure 5

**COMPOSITION OF SOUTH AFRICAN-BASED WORKFORCE (AS AT 30 JUNE 2018)**



STAKEHOLDER GROUP	DISTELL'S APPROACH	FUTURE FOCUS AREAS
Employees	In order to retain talent, Distell wants to ensure employees remain committed and passionate about their work and the company and take pride in Distell as an employer of choice.	Understand and foster management actions to improve employee retention, develop the business' next generation of leaders, and inspire employees to keep growing with the company. Enhance employee communications of the company's reputation as a great place to work.
Suppliers	Distell works with suppliers to support continuous innovation that yields solutions to optimise its costs, build partnerships and achieve its business objectives.	Full integration of suppliers into strategic planning, making suppliers a strategic part of the business.
Strategic business partners	Distell's geographic growth strategy relies on opportunities for mutually beneficial relationships that are long term in nature and respectful in character.	Proactive engagement of key strategic partners to jointly address issues of interest and concern to achieve mutual benefit in the short and long term.
NGOs and communities	Distell aims to foster transparency and openness in its engagement with communities, and facilitates positive dialogue, which discusses and resolves issues of mutual interest, such as employment and economic development.	Partnering with non-governmental organisations, communities and global advocacy organisations respond to and address key challenges facing the communities Distell operates in.
Government	Strong relations between government and the private sector are good for South Africa and society as a whole. Distell creates value through enabling legislation, and partnering on community development and empowerment issues and maintaining its licence to operate.	Mitigate risk by identifying issues and opportunities to maintain a social licence to thrive. Enter into Public-Private sector partnerships to foster an enabling business environment.
Investors	Investors have a vested interest in Distell as providers of capital and Distell wants to keep them informed of its financial performance and sustainability. Distell builds investor confidence by demonstrating that it adheres to the highest standards of corporate governance and that it is a company that creates value and return on investment for all its stakeholders.	Implement a corporate governance strategy that demonstrates corporate citizenship, transparency and trust.
Trade customers	Distell's engagement with trade customers facilitates a thorough understanding of its business and brand portfolio.	Consider all insights about how Distell can improve its customer experience to drive business growth and higher customer satisfaction scores.
Consumers	Distell needs to be consumer-focused, offering value, quality and innovative products. Distell provides unique experiences through the responsible marketing of its products. Distell also wants to make it easier for its customers to engage with Distell, particularly on its product offerings.	Understand its consumers even better.
Distell's environment	Distell's resource efficiency targets for 2020 – related to the usage of water, electricity and fossil fuel-based energy in its production processes – will enable it to actively drive annual improvements in performance to ensure that Distell reaches its long-term goals.	Distell is committed to responsible water stewardship that takes into consideration its communities, consumers and the environment it operate in. In the upcoming year, Distell will collaborate with various like-minded stakeholders to mobilise highly effective interventions that will achieve sustainable outcomes for preserving freshwater life. Distell remains committed to tracking its environmental performance to ensure self-improvement on its environmental targets.
Industry bodies	Industry bodies can endorse a collective view to government and other stakeholders on behalf of members.	Distell remains committed to reinforcing its industry partnerships.

## CORPORATE SOCIAL INVESTMENT (CSI)

In terms of Distell's CSI and Corporate Social Responsibility (CSR) commitment, the key strategic focus areas where Distell believes it can have significant reach and impact are:

- Alcohol-harm reduction
- Enterprising communities

The CSI and CSR spend for the year ended 30 June 2018 was R22 million, an increase of R3 million on the previous year's investment of R19 million. In these focus areas Distell has partnerships with credible organisations who deliver projects on its behalf. Most projects are measured using the "social return on investment" (SROI) methodology. As an extension of the company's CSI activities, employees are encouraged to give back to communities they are passionate about in their own unique way. The ForGood online "employee volunteer" platform is one example, which connects employees to causes they choose.

## SOCIAL COMPLIANCE

As South Africa's last locally owned global beverage company, Distell is determined to take the lead in social compliance. Distell is creating a best-in-class, company-wide Social Standards Framework to align its standards with all major national and global social compliance frameworks. Distell believes that its values are synonymous with its continual drive to improve the health, safety, and fundamental rights of its employees, and to protect and enhance the community and environment in which it thrives.

Distell is collaborating with its producers, suppliers, manufacturers and distributors to ensure all its products are grown, harvested and manufactured in accordance with these same environmental, ethical and human rights standards. This includes collaboration with leading industry players such as the Wine and Agricultural Ethical Trade Association (WIETA) to develop a countrywide social compliance framework that can be used by other organisations and business across South Africa for greater reach and impact.

## STAKEHOLDERS

Building and maintaining strong relations with its stakeholders is key to Distell's success because it helps mitigate risk and aligns its business goals with stakeholder expectations. As an example, the prolonged drought in the Western Cape was a major concern for many of Distell's stakeholders. On this basis, Distell engaged media, industry bodies and suppliers in collective and separate workshops, on its business continuity plans and water-saving efforts, in particular, how such efforts took into consideration its communities, consumers and the environment in which it operates.

## ENVIRONMENT

Distell understands that its long-term sustainability is intrinsically linked to the natural resources on which it depends, from farm to consumer and back again. Distell must therefore nurture, preserve and protect the planet. Distell's environmental policy is based on six key principles. The policy acknowledges its responsibility to the environment and society, and commits Distell to preserving and protecting the environmental resources upon which it depends. Distell rigorously manages its production activities according to ISO 14001 EMS, an internationally accepted environmental management certification system. Distell's full environmental policy is available online at [www.distell.co.za](http://www.distell.co.za).

**Distell's complete Sustainability Report is available on its website at [www.distell.co.za](http://www.distell.co.za).**



## WISPECO

### INTRODUCTION

Wispeco is a wholly owned subsidiary of Remgro and has become one of South Africa's leading aluminium suppliers. Its main business is the manufacturing and distribution of extruded aluminium profiles used mainly in the building, engineering and durable goods sectors. Currently, the company is the largest supplier of aluminium to the architectural market and leads the way with development of architectural aluminium products to meet market needs.

### GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE

Wispeco's board of directors currently consists of four directors of whom one is independent. Remgro currently has two representatives on Wispeco's board and as part of their duties they ensure that sound corporate governance and sustainability practices are followed through the adoption and implementation of Remgro's policies, processes and procedures. Wispeco's Social and Ethics Committee meets twice a year.

Wispeco's Audit Committee consists of three non-executive members and, in terms of the Companies Act, No. 71 of 2008, it is considered a duly constituted Audit Committee, which reports directly to the Wispeco board. The Remgro Audit and Risk Committee satisfied itself that this committee functions independently. Remgro's internal audit division is responsible for all internal audit work at Wispeco and in this regard assists the Wispeco board to maintain a comprehensive risk management system.

## STAKEHOLDER CONCERNS

Product quality

Safety

Raw material procurement

Customer service

Environmental impact  
(also refer to the "Environment" section on page 21)

## WHAT WE DO

Appointment of dedicated quality controllers on each production line to ensure production within defined tolerance levels and specifications.

Monthly quality meetings where quality trends are monitored and problem areas identified and resolved.

Extrusions produced according to BS-EN755, finishing produced according to SANS1796 and SANS999.

Dedicated safety officer supported by safety officers on plant level.

Monthly safety inspection reports for submission to monthly safety meetings.

High-quality virgin billet procurement from four dedicated sources around the globe.

Extensive procurement of second-hand aluminium which is sorted to remove impurities and blended with virgin material to correct metallurgical composition to specification.

In line with its vision of "One-Day-Delivery", the company is able to activate spare capacity and overtime shifts in all operational units on short notice to deal with any peaks in order intake.

Shift systems allow for a large degree of flexibility in terms of labour availability and production capacity.

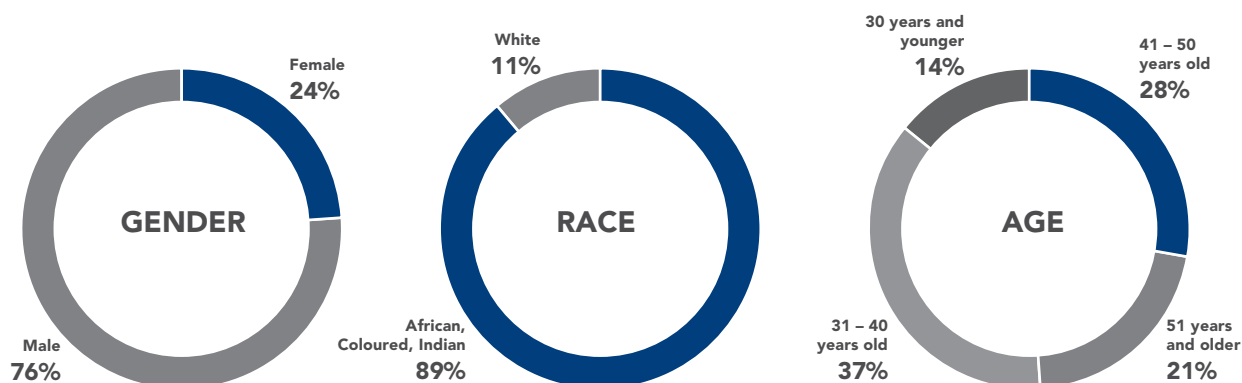
Flexible production scheduling allows for urgent orders and special requests from customers to be included in daily production schedules.

The continuous monitoring and controlling of effluent waste streams from the company's anodising and powder coating plants to ensure compliance to required discharge limits.

The continuous monitoring of energy usage to ensure maximum efficiency and to identify opportunities for energy usage reduction.

Figure 6

### COMPOSITION OF WORKFORCE (AS AT 30 JUNE 2018)



## KEY SUSTAINABILITY AREAS, RISKS AND OPPORTUNITIES

Stakeholder concerns at Wispeco mainly involve areas such as product quality, safety, raw material procurement, customer service and environmental issues. On page 19 is a summary of the ways in which Wispeco addresses these issues.

Low-cost imported copies of its products represent the main risk area to the long-term sustainability of Wispeco's manufacturing business. This, however, presented the company with the opportunity to improve its production efficiencies and develop competitive pricing structures.

## PEOPLE

The remuneration rates of unionised employees (representing approximately 80% of the permanent workforce of Wispeco) is determined in terms of the Main Agreement negotiated annually by the Metal and Engineering Industries Bargaining Council and the unions. The current settlement agreement has been concluded for the three years ending 30 June 2020.

Employment equity within Wispeco is managed through an Employment Equity Committee that meets on a monthly basis and provides input on the finalisation of the annual labour plan submitted to the Department of Labour. The goals set for the 2017 reporting period were all successfully completed. The focus is on promotion of the Employment Equity policy, which is to accelerate the appointment and retention of black, female employees. Refer to Figure 6 where details regarding the composition of Wispeco's workforce by race, gender and age are illustrated.

Wispeco management recognises its responsibility towards health and safety, as well as improving the working environment of its staff. In this regard, Wispeco has a dedicated Safety Officer that is responsible for the management of its health and safety programme. Each site also has a dedicated safety representative, which conducts monthly safety inspections. During the year ended 30 June 2018, Wispeco had 19 minor injuries, which were treatable at the in-house clinic (2017: 23 injuries). Reportable cases in terms of the Compensation For Occupational Injuries and Diseases Act, No. 130 of 1993, amounted to 16 during the year under review (2017: 25 cases). The company has contracted an independent consultant to audit its health and safety processes with specific emphasis on issues such as noise and dust measurements and the wearing of protective clothing. The next health and safety audit is due in October 2018.

Awareness in respect of HIV/Aids within Wispeco is promoted mainly through training programmes, supported by 22 Peer Group educators at Wispeco's head office. The Peer Group educators provide informal support and guidance to the affected employees and their families. The company also supports the Government's ARV programme and ensures the confidentiality

of all employees' HIV status. A qualified medical practitioner also visits the in-house clinic once a week to assist with issues that are more complex.

A well-established Training Committee within Wispeco is responsible for identifying the training needs of staff and for the development of training programmes to enable staff to maintain and develop the required skills in order for the company to remain competitive in the market. These initiatives include formal training programmes in the form of learnerships for leadership development, as well as technical training in the form of apprenticeships. Wispeco has trained first-line managers and is now focusing on developing leadership potential within the teams. During the previous financial year, 30 learners obtained a Certificate in Management (NQF level 3) in Alrode and nine learners completed the qualification in Cape Town. During the previous financial year, 12 learners completed a Certificate in Management: Process Manufacturing (NQF level 4) in Alrode and nine learners completed the qualification in Cape Town. Wispeco commenced with another group of 14 potential leaders identified in Gauteng, to obtain the NQF level 3 Certificate in Management. Wispeco will also introduce two new qualifications before the end of the calendar year. The Production Technology (NQF level 2) qualification will be aimed at upskilling the broader shop floor and cultivating the continuous improvement culture on every level of the business. The Productivity Certificate (NQF level 5) will be aimed at identifying potential for future organisational leadership.

The company also has a proud record of training people with disabilities, with formal technical training for the deaf having been provided for the past 10 years. In this regard, the 2017 group of 11 deaf students from previously disadvantaged communities completed the aluminium fabrication learnership while the 2018 group is progressing well. As in 2017, the MERSETA has ring-fenced discretionary grant funding for Wispeco for this group of deaf learners. Wispeco expanded the learnership programme by embarking on a pilot project in partnership with V.N. Naik School for the deaf in KwaZulu-Natal. The learnership is equivalent to the NQF 2 learnership for the deaf students in Alrode and nine students, who enrolled in January 2017, are progressing well. Wispeco aims to train but also to assist in finding job opportunities for these students and ensure successful integration into the workplace. Wispeco has assisted a total of 22 people with disabilities, who completed their learnerships, to find employment opportunities within the aluminium industry.

Training expenditure for 2018 amounted to over R17 million (2017: R15 million).

## BBBEE

Wispeco's latest BBBEE verification was concluded during July 2018 and a Level 7 status was achieved. This equates to a 50% procurement recognition and a total of 62.77 points on the generic scorecard (2017: Level 6, 70.64 points). Wispeco has commenced with plans to improve the score within the next few years and will aim to reach at least Level 5 status within the next two to three years. The elements of skills development, enterprise development and socio-economic development continue to be a priority to Wispeco.

## CORPORATE SOCIAL INVESTMENT (CSI)

Wispeco's CSI programme mainly involves training in the fabrication and installation of architectural products. This practical training is facilitated by experienced trainers in technical training centres situated in Cape Town, Durban and at the company's head office in Johannesburg. During the past year approximately 857 people (2017: 868) were trained at a cost of R3 million. Training includes both introductory programmes as well as advanced product-specific curricula. Another aspect of Wispeco's CSI programme is the well-established SpazAL franchises. The SpazAL initiative aims to empower young black entrepreneurs to start and successfully run aluminium fabrication businesses in rural areas around the country. There are currently 10 active SpazALs operating in the Gauteng, Limpopo and Durban areas. Since the programme started in 2006, these SpazALs have collectively purchased more than R15 million worth of aluminium and hardware products from Wispeco. In 2018, the support for the SpazAL initiative continued with containers and other equipment to the value of R806 000 being donated. Ongoing support and education from Wispeco will continue in order to ensure survival and prosperity of the SpazALs. One specific SpazAL owner has performed exceptionally well and is worth mentioning. Sabelo Mkhonto, owner of Mamelodi Glass & Aluminium, has been provided with an opportunity to prove himself by being awarded the basement project of the Tshwane Mall. The success of this project could potentially lead to more projects in the future. Wispeco has appointed a mentor to guide and assist him in the process.

## ENVIRONMENT

Refer to the "Environment" section on this page where the environment practices of Wispeco are also incorporated.

**For more detail regarding Wispeco, refer to its website at [www.wispeco.co.za](http://www.wispeco.co.za).**

## ENVIRONMENT

During the 2018 financial year, various critical environmental risks came to the fore that required acute management and highlighted how, across all Remgro's subsidiaries, the operations are dependent on healthy and functioning ecosystem services. Among these issues was the ongoing drought in various parts of South Africa and, in particular in the Western Cape Province, resulting in water restrictions for businesses and residences. Other significant issues included ongoing inflationary pressure on energy, and regulatory developments requiring various reporting outputs. Remgro's response requires both the identification and management of these risks, as well as to ensure that it minimises its own impact on the environment.

At the forefront of Remgro's response is the Remgro Environmental Management Policy, which covers Remgro Management Services Limited (RMS – the service company), RCL Foods Limited (RCL Foods), Distell Group Holdings Limited (Distell) and Wispeco Holdings Proprietary Limited (Wispeco), and outlines the scope, boundaries and management structure of Remgro's environmental duty. The Remgro Board is ultimately responsible for the implementation of the Policy, but delegates its responsibilities to the Risk, Opportunities, Technology and Information Governance Committee (a subcommittee of the Audit and Risk Committee) and the Social and Ethics Committee that reviews and recommends the approval of environmental procedures implemented and maintained by RMS. With regard to RCL Foods, Distell and Wispeco, it is the responsibility of Remgro's representatives on the boards of these companies to obtain assurance regarding the effectiveness and efficiency of their respective environmental management processes. As a central function, Remgro conducts annual environmental risk reviews on its subsidiaries and incorporates environmental performance into its various risk management frameworks.

Carbon emissions and climate change, energy, water and waste management continue to be the most important environmental issues to Remgro's subsidiaries and each business closely monitors these environmental aspects and reports on them to the Remgro Board. RCL Foods and Distell, as listed entities on the JSE, produce their own sustainability reports in which they provide detailed information of their environmental performance. Appropriate targets for environmental impact are set by the subsidiaries themselves in relation to their sectors and their own geographic and environmental realities.

From an environmental performance perspective, Remgro reports the environmental figures of those subsidiaries in which it has an equity interest of greater than 50%. This is guided by current environmental reporting practices and includes RMS, RCL Foods and Wispeco. In terms of the Remgro carbon footprint and in accordance of the Greenhouse Gas (GHG) Protocol, the "equity share" approach is adopted, where carbon emissions are

apportioned to Remgro in alignment with its equity ownership of the subsidiary, hence: RMS – 100%; Wispeco – 100%; and RCL Foods – 71%. Remgro is cognisant of new reporting guidelines for investment houses being developed by the GHG Protocol. When these are in place, Remgro will adopt best practice relevant to its operations.

HIGHLIGHTS OF THE 2018 ENVIRONMENTAL PERFORMANCE

- ‘A-’ rating on the 2017 CDP (Carbon Disclosure Project) Climate Change submission, making it in the top percentile of South African companies. The CDP is an investor-led initiative in terms of which the top 100 listed companies on the JSE disclose their carbon emission profiles and climate change mitigation and adaptation strategies.
- 7% reduction in Scope 1 & 2 operational GHG emissions
- Continued implementation of renewable energy initiatives
- 9% reduction in municipal water consumption
- Reduction in waste to landfill volumes
- Increase in recycled waste volumes

CARBON EMISSIONS AND CLIMATE CHANGE

Climate change brings physical, legislative and reputational risks to Remgro’s subsidiaries. As a result, all aspects of the local and international carbon management landscape, including impending carbon taxes and GHG reporting requirements are monitored. During 2017, national GHG reporting regulations were implemented in South Africa, the proposed Carbon Tax Bill entered parliament and the National Climate Change Bill was released for public comment.

A Remgro carbon footprint, inclusive of RMS, Wispeco and the equity share portion of RCL Foods is commissioned every year. Emissions associated with the direct operations of these entities (i.e. emissions from owned equipment/vehicles and from electricity consumption) has decreased by 7%. This reduction is largely driven by the energy efficiency and low carbon initiatives that are further discussed below. These initiatives also translate into a reduction in intensity, measured as GHG emissions per full-time employee, which has decreased by 10%.

In terms of the GHG Protocol, carbon emissions can be analysed according to the following categories:

- **Scope 1** – direct emissions from equipment owned by Remgro, e.g. factories and vehicle fleets of RCL Foods, Wispeco, etc.
- **Scope 2** – indirect emissions from the consumption of purchased electricity.
- **Scope 3** – indirect emissions from third-party suppliers, e.g. business travel, office paper, third-party transport, etc.
- **Outside of Scope** – emissions associated with the burning of bagasse and generation of biogas, as well as non-Kyoto GHG gases, e.g. freon, which is used in air-conditioning and refrigeration equipment.

In 2017 Remgro achieved an overall ‘A-’ rating in its annual CDP submission to the global investor community. This score once again recognises Remgro as a top South African company in terms of climate change awareness and response.

Figure 7

REMGR0’S GHG EMISSIONS (tCO<sub>2</sub>e)

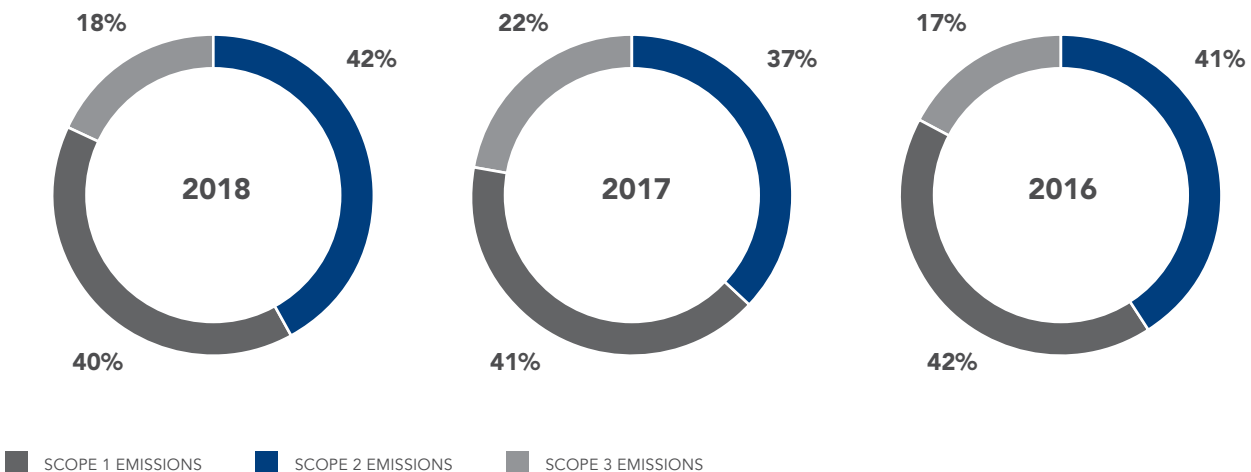
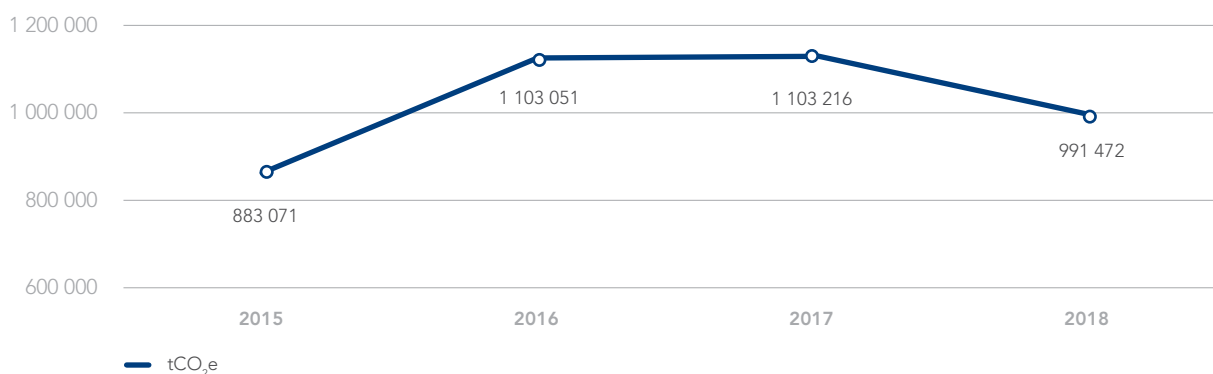




Figure 8

**TOTAL REMGRO GHG EMISSIONS (SCOPE 1, 2, 3 AND NON-KYOTO GASES)**



**ENERGY**

Energy efficiency and the adoption of low carbon (clean) energy continues to drive Remgro’s efforts to gain energy security, reduce costs and lower GHG emissions.

Remgro coordinates a forum amongst its investee companies, where the focus is on electrical power security and economics. This Group Power Initiative serves to inform and encourage investee companies to optimise energy efficiency. The initiative enables investee companies to minimise future power costs and reduce the impact of potential power cuts. Accordingly, the Group Power Initiative has created funding structures that support an increasing number of rooftop Solar PV installations across the Group. The impacts of these projects, in terms of job creation and carbon abatement, are reported by the respective investee companies. Ongoing work will see the introduction of power from other renewable energy sources over the next few years.

In 2017 RCL Foods commissioned and implemented the largest waste-to-energy project in Africa at its Worcester chicken plant. This process, of extracting methane from effluent, is providing 35% of the plant’s electricity needs (some 926 673 kWh) and sufficient volumes of clean effluent that is reused for non-potable purposes in other areas of the plant. Effluent treatment chemicals have reduced by 10%. This technology is now being considered in other business areas of the company.

RCL Foods is optimising its coal consumption procedures in efforts to reduce demand for this fossil fuel in its boilers and has also installed 271 rooftop solar panels at its new Westville head office, generating some 200 000 kWh of electricity (approximately 11% of the building’s requirements).

Due to the breaking of the prevailing drought conditions, the burning of bagasse (a by-product of sugarcane) to generate on-site renewable electricity has increased. This is providing

sufficient surplus electricity that it is now being considered for other RCL Foods operations pending approval. In addition, two bagasse dewatering projects have lowered the amount of coal needed in the bagasse preparation process.

All of these processes feed into RCL Foods’ objective of reducing energy consumption to meet its absolute carbon reduction target of 10% by 2020, using 2015 as a base year. This target has been set in alignment with the South African government’s target to reduce national GHG emissions by 34% by 2020 from 2009, against a “business as usual” scenario.

Wispeco has been working with the South African Department of Trade and Industry’s National Cleaner Production Centre to audit its energy use patterns and identify projects to reduce consumption. This is an ongoing initiative and so far, power factor corrections have been made to reduce electricity demand.

Remgro’s electricity consumption from the national grid increased from 540 587 MWh in 2017 to 559 377 MWh in 2018, while electricity consumed from renewable sources also increased from 116 163 MWh in 2017 to 159 603 MWh in 2018. The increase in total electricity consumption is due to the recovery in the sugar industry following the end, in large parts of the country, of the drought that significantly affected production in 2016/17.

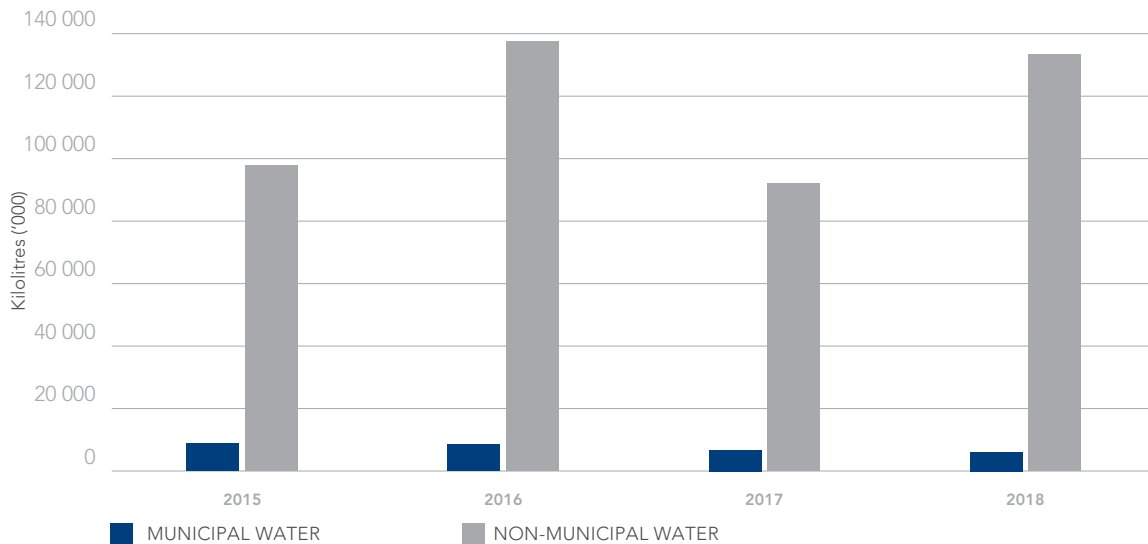
**WATER**

The effects of a prolonged drought are still being felt, especially within RCL Foods. While much of the national drought was broken in South Africa, the Western Cape region continued to experience its worst drought in recorded history and water restrictions were implemented in and around the City of Cape Town with significant increases in water tariffs being enforced.

The Cape drought has focused attention on water saving efforts in the region and the waste-to-energy project at RCL Foods’ Worcester plant has allowed treated effluent to be deployed for



Figure 9

**TOTAL WATER CONSUMPTION 2015 – 2018\***

\* The water consumption reflects 100% of the consumption by all subsidiaries.

cleaning purposes, thereby significantly reducing consumption from municipal water sources.

Other water reuse and recycling initiatives have been implemented in RCL Foods' Rustenburg chicken plant, resulting in a reduction of 1.5% in municipal water consumption.

These initiatives have resulted in a net reduction in the consumption of municipal water by 9%. However, raw water consumption from rivers and boreholes has increased largely due to resumption to average sugar cane production levels following the breaking of the 2016/17 drought and an increase in water allocations to RCL Foods and joint venture farms.

Within RCL Foods' sugar operations, the replacing of inefficient irrigation systems with subsurface drip irrigation over a three-year period, and scheduling irrigation carefully to apply the right volume at the right time, is proving highly successful. The sugar operations have adopted a goal of reducing total municipal and raw water demand by 12% and thereby further "drought-proofing" the business.

These efforts are in line with RCL Foods' overall target to reduce water intensity per unit of product by 5% each year in all of its business divisions.

**WASTE MANAGEMENT**

As landfill sites in South Africa are fast reaching maximum capacity, increased waste costs can be expected. This, in addition to the GHG emissions associated with landfill sites, provides motivation for stringent waste management practices

requiring both a reduction in waste generated and an increase in the amount of waste recycled, which will reduce pressure on landfill sites.

RCL Foods has set targets to reduce food waste by 30% and waste to landfill by 10%. The significant decrease in waste to landfill in 2018 is due to more accurate reporting and measurement at its sugar mills and a decrease in product volume in its chicken operations. RCL Foods' recycled waste volumes have increased due to increased recycling activity and accuracy of measurement in its consumer foods businesses.

Wispeco continues to remelt used aluminium as a primary raw material – a practice that results in net carbon and energy efficiencies.

	RCL Foods	Wispeco
<b>2018</b>		
Waste to landfill	122 968 t	2 434 t
Recycled waste	2 623 t	46 t
<b>2017</b>		
Waste to landfill	175 234 t	2 651 t
Recycled waste	1 537 t	135 t

**COMPLIANCE**

No Remgro subsidiary received any significant fines during the 2018 financial year.

## ENVIRONMENTAL INDICATORS

Emissions, effluents and waste <sup>(1)</sup>	2018	2017	2016	2015	Units
<b>Total direct and indirect GHG emissions</b>					
Scope 1 – Direct emissions <sup>(2)</sup>	375 793	434 343	435 110	409 449	tCO <sub>2</sub> e
Scope 2 – Indirect emissions	387 326	387 783	427 178	431 682	tCO <sub>2</sub> e
Scope 3 – Indirect emissions <sup>(3)</sup>	170 559	235 247	177 640	37 957	tCO <sub>2</sub> e
Other relevant indirect GHG emissions <sup>(4)</sup>	57 794	45 843	63 123	3 983	tCO <sub>2</sub> e

<sup>(1)</sup> The numbers referred to above include Remgro's equity portion of RCL Foods, Wispeco and RMS.

<sup>(2)</sup> The decrease in Scope 1 – Direct emissions from 2017 to 2018 relates to various energy efficiency initiatives and the decrease in coal consumption at RCL Foods due to the higher availability of bagasse as a replacement fuel stock, following the breaking of the 2016/17 drought in affected areas.

<sup>(3)</sup> Decrease in supply chain emissions is largely the result of decreased fuel use in RCL Foods' outsourced logistics, due to lower product output in its consumer division, and lower volume of waste to landfill by RCL Foods and Wispeco.

<sup>(4)</sup> CO<sub>2</sub> emissions associated with burning of bagasse included since 2016. Increase in emissions from 2017 to 2018 due to increased burning of bagasse resulting from the availability of higher sugarcane stocks following the end of the drought of 2016/17.

Energy <sup>(1)</sup>	2018	2017	Units
<b>Direct energy consumption by primary source</b>			
Diesel	17 060	18 842	kilolitres
Aviation fuel	877	1 023	kilolitres
Natural gas	6 479	6 887	tonnes
LPG	3 939	3 996	kilolitres
Coal <sup>(2)</sup>	173 455	203 468	tonnes
Paraffin	2 545	2 140	kilolitres
Heavy furnace oil	622	785	kilolitres
Carbon dioxide	1 390	1 420	tonnes
<b>Indirect energy consumption by primary source</b>			
Electricity (non-renewable)	559 376 926	540 586 835	kWh
Electricity (renewable) <sup>(3)</sup>	159 602 712	116 163 078	kWh
<b>Water<sup>(1)</sup></b>			
Total water withdrawal at source	6 098 582	6 734 567	kilolitres
Raw water (borehole, river, dams) <sup>(4)</sup>	133 304 348	91 896 659	kilolitres

<sup>(1)</sup> The numbers referred to above include 100% of RCL Foods, Wispeco and RMS.

<sup>(2)</sup> RCL Foods' coal consumption decreased 15% mainly due to the reduction in product throughput in its consumer division, as well as the energy efficiency measures at its Malelane sugar mill and increased use of bagasse as an energy source, displacing the need for coal (see below).

<sup>(3)</sup> Increase in renewable energy largely due to the increase in co-generation at RCL Foods through the burning of bagasse (a by-product of sugarcane) as a result of the recovery of sugarcane stocks following the drought of 2016/17.

<sup>(4)</sup> RCL Foods raw water consumption increased by 45% due to increased water allocations following the end of the 2016/17 drought in most parts of South Africa.

## FEEDBACK

We welcome any feedback on Remgro's sustainable development practices and this report. In this regard please contact:

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