

# SUSTAINABILITY REPORT

Our intent: “Increasing profitability while considering and measuring our impact on the planet and people”

## MINI CONTENTS

P58: 2015 SALIENT FEATURES

P58: INTRODUCTION

P61: ASSURANCE

P61: COMPLIANCE

P62: PROGRESS ON

SUSTAINABILITY GOALS

P69: PROGRESS ON

SUSTAINABILITY ENABLERS



**PIONEER  
FOODS**

# SUSTAINABILITY REPORT

## 2015 Salient features

 <p><b>R11.7 million saved due to energy saving projects</b> (improved from R2.2 million in 2014)</p>	 <p><b>Carbon Disclosure Project score of 95 – Band C</b> (improved from 82 – Band D in 2014)</p>
 <p><b>The launch of the redeveloped Mbekweni Youth Centre</b></p>	 <p><b>The roll-out of a daily school feeding scheme benefiting over 5 300 primary school children</b></p>

## Introduction

The goal of sustainability is to increase long-term shareholder and social value, while decreasing Pioneer Foods' use of materials and reducing negative impacts on the environment and society. The Group actively manages the trade-offs between economic viability and being socially and environmentally responsible.

Pioneer Foods aligns its sustainability approach to the business strategy. Four sustainability goals support the five strategic business themes (see page 18) with a further six enablers constituting the short-term interventions to support achieving these goals.

Sustainability is governed by the Social and Ethics Committee ("SEC"), which monitors sustainability matters on behalf of the Board. Monthly reports, based on the sustainability goals and enablers, and prepared by the divisions, are presented to the executive committee, followed by quarterly reports to the SEC. The reported data is collected and measured against key performance indicators ("KPIs").

## FIVE STRATEGIC BUSINESS THEMES

SHAPE  
A WINNING  
CORPORATE  
PORTFOLIO



FOCUS ON  
POWER  
BRANDS



EMBED  
STRATEGIC  
CUSTOMER  
MANAGEMENT



RESET THE  
COST BASE  
AND STEP UP  
PRODUCTIVITY



BUILD  
A HIGH-  
PERFORMANCE  
TEAM



SUPPORTED BY

## FOUR SUSTAINABILITY GOALS

GOVERNANCE

EMBED  
SUSTAINABILITY  
IN BUSINESS  
PRACTICE

ECONOMIC

CREATE  
ECONOMIC VALUE

SOCIAL

ENSURE SOCIAL  
LICENCE TO  
OPERATE

ENVIRONMENT

MANAGE AND  
MINIMISE  
ENVIRONMENTAL  
IMPACTS

SUPPORTED BY

## SIX SUSTAINABILITY ENABLERS

CORPORATE  
SOCIAL  
INVESTMENT

PFECT

TRANSFOR-  
MATION

COMMUNI-  
CATION

ENTERPRISE  
AND SUPPLIER  
DEVELOPMENT

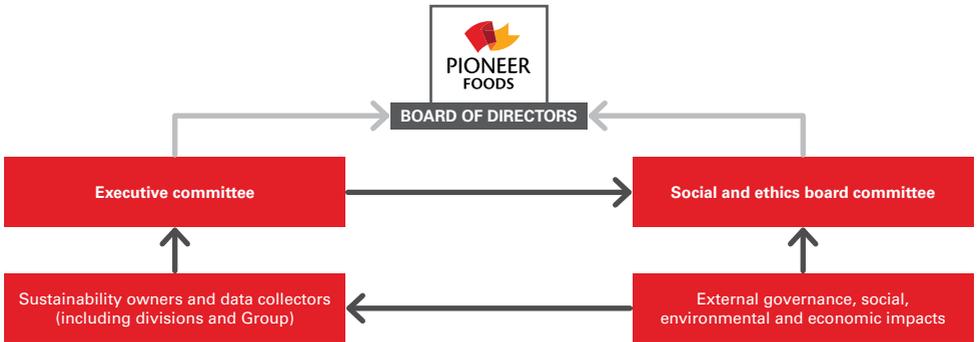
ENVIRON-  
MENTAL  
INITIATIVES

# SUSTAINABILITY REPORT (CONTINUED)

The following table provides a summary of the sustainability goals and their supporting objectives, which determine the major components of this section.

SUSTAINABILITY GOALS		SUPPORTING OBJECTIVES
 <p><b>GOVERNANCE</b></p>	<p><b>EMBED SUSTAINABILITY IN BUSINESS PRACTICE</b></p>	<ul style="list-style-type: none"> <li>• Achieve excellence in governance</li> <li>• Actively manage sustainability opportunities and risks</li> <li>• Active communication and stakeholder engagement</li> </ul>
 <p><b>ECONOMIC</b></p>	<p><b>CREATE ECONOMIC VALUE</b></p>	<ul style="list-style-type: none"> <li>• Create economic growth while ensuring sustainability</li> <li>• Deliver continuous cost reduction through sustainability-based resource efficiency</li> </ul>
 <p><b>SOCIAL</b></p>	<p><b>ENSURE SOCIAL LICENCE TO OPERATE</b></p>	<ul style="list-style-type: none"> <li>• Ensure growth and development of employees</li> <li>• Transform to reflect the composition of the society that Pioneer Foods operate in</li> <li>• Support development of sustainable and competitive communities</li> <li>• Contribute to the general health and wellbeing of society</li> <li>• Ensure a safe and healthy workforce</li> </ul>
 <p><b>ENVIRONMENT</b></p>	<p><b>MANAGE AND MINIMISE ENVIRONMENTAL IMPACTS</b></p>	<ul style="list-style-type: none"> <li>• Minimise the impact of Pioneer Foods' activities on the environment</li> <li>• Build resilience to environmental changes throughout the Pioneer Foods' value chain</li> </ul>

## Sustainability governance structure



The above illustrates the flow of information between the various internal and external sustainability stakeholders.

### Assurance

EY provided limited assurance on the following KPIs (indicated with an <sup>LA</sup> in the report):

- Lost time injury frequency rate (“LTIFR”)
- Fatalities
- Number of permanent employees
- Permanent employee turnover
- Scope 1 carbon emissions
- Scope 2 carbon emissions
- Water consumption

 The EY assurance statement, including a breakdown of the basis for measurement of each indicator, is available in the investor tools section of the website [www.pioneerfoods.co.za/investor-tools/financial-results/?type=annual&year=2015](http://www.pioneerfoods.co.za/investor-tools/financial-results/?type=annual&year=2015)

### Compliance

Regular external audits ensure that Group facilities maintain certification of compliance and align with best practice. The business subscribes to the following health and safety standards:

- HACCP (Hazard analysis and critical control points)
- ISO 14001 (Environmental management)
- ISO 9001 (Quality management) – selected elements
- OSP 22000 (Food safety management) – Essential Foods only
- OHSAS 18001 (Occupational health and safety)
- NOSA Integrated Five Star SHE System (National Occupational Safety Association) – Groceries/PFI only
- FSSC 22000 (Food Safety System Certificate) – Groceries/PFI only

### Cost of environmental fines and penalties

There were no material environmental, health or safety fines received during the year.

 Read more about the Group's approach to regulatory compliance on page 89.

# SUSTAINABILITY REPORT (CONTINUED)

## Progress on sustainability goals



### EMBED SUSTAINABILITY IN BUSINESS PRACTICE

- Achieve excellence in governance
- Actively manage sustainability opportunities and risks
- Active communication and stakeholder engagement

#### Achieve excellence in governance

 Read more in the governance report on page 80.

#### Actively manage sustainability opportunities and risks

 Read more about the Genetically Modified Organism (“GMO”) policy on the website.

#### Active communication and stakeholder engagement

 Read more about active communication and stakeholder engagement activities on page 75 under enablers.

#### Consumer care management

Pioneer Foods has a robust consumer care management system which reports on and responds to consumer complaints, requests and compliments in a timeous and legally compliant way. As this requires specific systems and skills, the day-to-day consumer care management function is outsourced to an industry recognised consumer care service provider. Pioneer Foods retains overall responsibility for consumer care and the associated reputational risk, therefore Group procedures are implemented through a comprehensive service level agreement, which includes a 15-day turnaround target for the resolution of complaints.



## ECONOMIC

### CREATE ECONOMIC VALUE

- Create economic growth while ensuring sustainability
- Deliver continuous cost reduction through sustainability-based resource efficiency

#### Create economic growth while ensuring sustainability



Read more about economic growth in the CEO's report and financial review on pages 30 and 34.

#### Deliver continuous cost reduction through sustainability-based resource efficiency

##### *Transport and logistics*

The bakeries business unit embarked on a project in 2014 to replace its entire outbound logistics fleet. The saving in terms of fuel efficiency due to the fleet replacement is 5.9% per year on results to date. This equates to a yearly fuel saving of approximately 571 000 litres, which equates to R6 million at September 2015 fuel prices.

##### *Carbon Tax*

The South African Carbon Tax and Carbon Offsetting draft papers were released for public comment. Pioneer Foods engaged with the Department of National Treasury through its group legal function and the Consumer Goods Council ("CGCSA").

The Group is awaiting the publication of the final legislative paper before developing appropriate policies and systems. In the meantime, Pioneer Foods has calculated its exposure as between R4 million – R6 million and has committed to various projects that reduce the carbon footprint of its operations.



### SOCIAL

#### ENSURE SOCIAL LICENCE TO OPERATE

- Ensure growth and development of employees
- Transform to reflect the composition of the society that Pioneer Foods operate in
- Support development of sustainable and competitive communities
- Contribute to the general health and wellbeing of society
- Ensure a safe and healthy workforce

#### Ensure growth and development of employees

##### *Organisational development*

With a maturing operating model, Pioneer Food's organisational design and associated culture is further entrenched and aligned to the Group's strategic themes. The following changes to the operating model were implemented and are at different stages of maturity:

- marketing and strategy, including integrated demand management;
- supply chain, incorporating procurement, logistics, operational compliance and sustainability;
- shared service centre, comprising human resources, finance and sales administration; and
- outsourcing of information technology applications, infrastructure and internal audit.

As the DNA of the organisation changes, so does the Group's expectations of employee performance. The focus on high-performing teams is built on exceptional talent, which requires a comprehensive talent management approach to manage and mitigate people risk. The definition applied within the talent and succession management process is two-fold: a review of the bench-strength relating to key critical positions to mitigate business risk, and the review of key talent with the aim of retaining top performers. Good succession of talent is being developed at managing executive level and operating model priorities have been resourced. The depth of technical skills remains a risk, mitigated in part by graduate internship programmes.

Integral to the Group's high-performance culture are:

- employee levels of engagement,
- the extent of performance management implementation, and
- the celebration of successes.

The organisation annually measures employee engagement as an indicator of employee discretionary effort and commitment. For 2015, employee engagement was measured at 64%, a 5% improvement on 2014. A structured bi-annual performance appraisal process of salaried employees is entrenched in Pioneer Foods. In October 2014, 98.5% of salaried staff performance contracts were formally appraised; and in April 2015 91.6%, the latter during structure changes.

### **Excellence Awards**

The Group's high performance culture is re-enforced at the annual gala event, Pioneer Foods Excellence Awards, where individual excellence, value ambassadors, and community champions are recognised and celebrated. 1 891 nominations were received for 2015 (814 in 2014).

The ambassador award is handed to employees who embody the Pioneer Foods values as it is evident in their interaction with others and the quality of work they deliver.

### **Skills development**

Skills development is integral to enhancing human capital for the future sustainability of Pioneer Foods.

#### *Pioneer Foods Academy of Learning*

Leadership development remains a key part of the Group's talent retention plan and is offered through two formal programmes – the Advanced Leadership Development Programme ("ALDP") and the Foundational Leadership Development Programme ("FLDP"). There was a good increase in the number of FLDP and ALDP candidates for 2015 compared to the previous year; a total of 61 employees (2014: 26) were enrolled in the two leadership programmes of the Academy. Of the total participants, 62% and 68% black participation on FLDP and ALDP respectively and 36% and 53% female participation on FLDP and ALDP respectively was achieved.

Pioneer Foods' focus on customer orientation was initiated with an assessment against integrated demand management best practice competencies and feedback to all marketing and sales employees. The competencies were further entrenched through multidisciplinary workshops across businesses focusing on consumer insights, business model impact and action planning. This work formed the foundation of the Marketing and Sales Academy blueprint.

### **Skills pipeline**

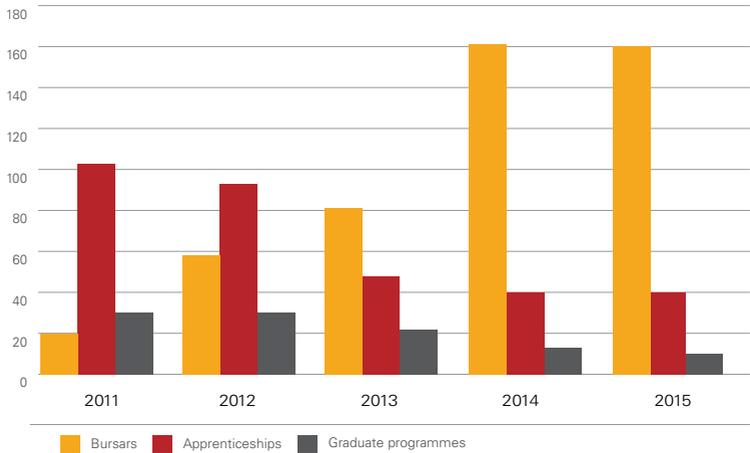
The Group invests in future skills through the following:

- 21 apprenticeships (2014: 40)
- 9 graduate programmes (2014: 13)
- 53 employee bursaries (2014: 161)
- 207 learnerships (2014: 201)

## SUSTAINABILITY REPORT (CONTINUED)

### NUMBER OF SKILLS DEVELOPMENT PARTICIPANTS

for permanent employees in wholly owned South African operations



Total skills development spend for 2015 was R24 million (2014: R12.3 million) of which R17.6 million (73%) was spent on black employees, and 20% spent on black females.

#### Transform to reflect the demographics of the society within which Pioneer Foods operates

 Read more about transformation at Pioneer Foods on page 73 under enablers.

#### Support development of sustainable and competitive communities

 Read more about community initiatives on page 69 under CSI enablers.

#### Contribute to the general health and wellbeing of society

 Read more about Pioneer Foods' social impact on page 69 under enablers.

#### *Contribute to the general health and wellbeing of society*

Product innovation at Pioneer Foods is aligned to the sustainability agenda and supports the principles of nutritious and healthier food and beverage choices for consumers.

 Read more about innovation and new product development in the divisional reports on pages 42, 46 and 52.

## Ensure a safe and healthy workforce

### Health and Safety

The Group target for Lost Time Injury Frequency Rate ("LTIFR") set in 2014 was to maintain levels below 1. In the current year the rate was 2.54<sup>L-A</sup> (2014: 2.47). Five<sup>L-A</sup> Pioneer Foods employees lost their lives while on duty during the year – four from Essential Foods and one from Groceries. Pioneer Foods sends its condolences to the families of Mervin Swarts, Goitseore Bogatsu, Sello Matshaba, Phomolong Motloli and Daniel Mosioa Lebaka.

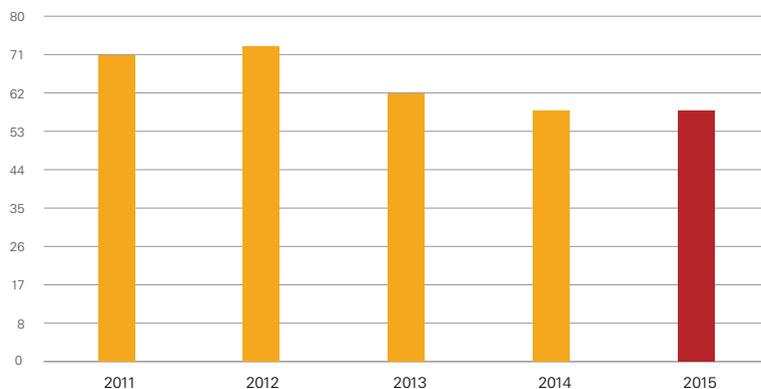
### Labour union engagement

The Group supports employee rights to collective bargaining. Employees are free to associate with the labour union of their choice to negotiate the terms of their employment. Total union membership for 2015 was approximately 79% (2014: 86%) of the bargaining unit and approximately 58% (2014: 58%) of permanent employees.

There was one case of industrial action during the year, in the Essential Foods division.

### UNION MEMBERSHIP %

of permanently employees in wholly owned South Africa operations



### Support development of sustainable and competitive communities

Pioneer Foods is developing an integrated and sustainable enterprise and community development model.

 Read more under the sustainability enablers on page 69.



**MANAGE AND MINIMISE ENVIRONMENTAL IMPACTS**

- Minimise the impact of Pioneer Food’s activities on the environment
- Build resilience to environmental changes throughout the Pioneer Food’s value chain

**Minimise the impact of Pioneer Foods’ activities on the environment**

Read more about environmental mitigation actions on page 78 under enablers.

**Build resilience to environmental changes throughout the Pioneer Foods’ value chain**

**Carbon Disclosure Project (“CDP”)**

CDP is a voluntary questionnaire that aims to assist companies in disclosing how they are managing their carbon, water and supply chain-related risks and opportunities. The process allows the company to establish focus areas, reflect on where it is as a business and to consider the risks and opportunities in terms of environmental management.

The Group improved its score from 82 – Band C in 2014 to 95 – Band C in 2015.

	Disclosure score 2015	Disclosure score 2014
Disclosure score	95	82
Performance score	C	D

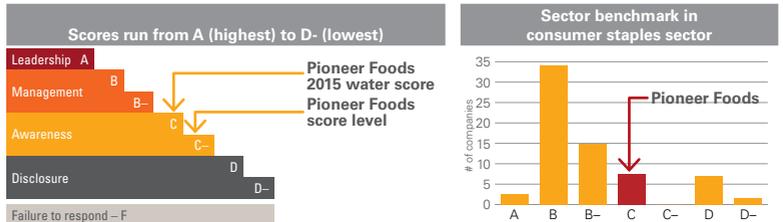
**Carbon Disclosure Project (“CDP”) – Water**

The questionnaire and scoring methodology changed in the current reporting period. For the first time companies were given a score benchmarked against peer companies from South Africa and their sector.

Pioneer Foods provided a comprehensive disclosure on water issues. Greater investigation of how water issues relate to the business specifically will allow appropriate management actions to be taken.

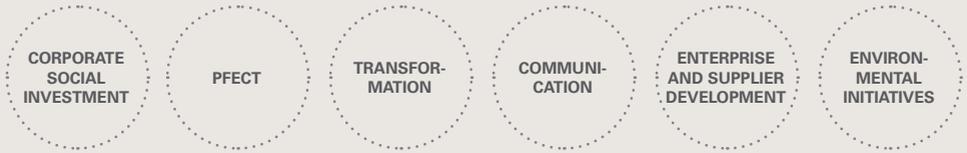
The bar chart below shows the count of scores achieved by sector peers in the Consumer Staples sector.

A risk assessment was commissioned with Global Carbon Exchange Africa (GCX Africa) to assist the company in the identification of areas with water risks and opportunities.



## Progress on sustainability enablers

### SIX SUSTAINABILITY ENABLERS



#### Corporate social investment (“CSI”)

The Group’s CSI activities aim to address the key causes of social challenges such as underdevelopment, hunger, poverty and limited economic participation.

During the past year, the Group (including PFECT) contributed R9 million to the construction of a youth centre in the Mbekweni township near Paarl in the Western Cape. The project entailed the redevelopment and refurbishment of an old beer hall to offer facilities where local youth can socialise in a learning-orientated and supportive environment. It is designed to be flexible in use with multifunctional spaces.

#### MBEKWENI YOUTH CENTRE FEATURE



The Mbekweni Youth Centre (“MYC”) opened its doors on 22 July 2015. The centre offers modern education facilities, an atmosphere conducive to learning, state-of-the-art computer rooms with internet access, printing and studying facilities, career guidance and a variety of courses, including personal development, health, wellness and sport, improvement of academic performance and youth economic development.

The centre is targeted at high school pupils from age 16 and older and the unemployed or out of school youth in the community. An independent crèche on the site, catering for more than 200 children, was also upgraded.

PFECT will be the anchor funder for the centre’s future operational requirements estimated at between R2 million and R3 million per annum, and will seek to partner with other institutions for further funding. A community forum for the centre was established, representing leaders in the Mbekweni community to serve as a sounding board in support of management to ensure community-specific issues and the relevant needs are addressed by the MYC.

A non-profit company was registered with a board of directors that will ensure proper governance in the running of MYC. Funding partners will also be represented on the board.

 Read more about the MYC and PFECT on the website <http://www.pioneerfoods.co.za/sustainability/our-csi/>.

## SUSTAINABILITY REPORT (CONTINUED)

Through its partnerships, the Group is involved in various community projects in education, environment and food security. These projects focus on vulnerable groups such as women, youth and children primarily in township and rural communities. The Group also invests in feeding schemes. Pioneer Foods distributed approximately R13.5 million to beneficiaries during the year (2014: R11.2 million) on CSI projects (excluding PFECT contributions).

Focus area	Beneficiaries	Description	2015 contribution
<b>Education</b> 	<b>Mbekweni Youth Centre</b> (see on following page)	Financial assistance for the construction of the Mbekweni Youth Centre	R7.7 million
<b>Environment</b> 	<b>World Wildlife Fund South Africa</b> <b>Paardeberg Sustainability Initiative ("PSI")</b>	395 hectares of invasive alien plants have been cleared since February 2014. The creation of sustainable jobs through clearing alien vegetation, repair erosion and improve fire readiness.	R835 937 R530 000
<b>Food security</b> 	<b>Heart of Kayamandi</b>  <b>School Breakfast Nutrition Programme</b>	Township agricultural hub with the capacity to produce approximately 76 800 vegetable bunches every year. Breakfast cereals are provided to over 5 300 learners in 10 primary schools based in Oudtshoorn (Western Cape) and Burgersfort (Limpopo). The medium-term goal is to expand to 20 000 learners across various provinces, with the Northern Cape and Free State as targeted areas.	R474 400  R1.3 million



Focus area	Beneficiaries	Description	2015 contribution
<b>Food security</b> 	<b>The African Children's Feeding Scheme ("ACFS")</b>	About 31 000 children benefited from milk purchased to support 13 feeding centres in Soweto and the surrounding informal settlements.	R558 333
	<b>Stellenbosch Community Development Programme ("SCDP") trading as Love to Give</b>	Providing about 2 000 children (including 750 crèche children under the age of five) with a meal every school day and most school holidays. Pioneer Foods also sponsors a portion of a mentor's salary as a focus area of the programme.	R354 166
	<b>Food Rescue Projects</b>	These include donations to organisations such as Foodbank, as well as CEO contributions (e.g. Ebola Fund and Tyrannus Church).	R1.3 million



## SUSTAINABILITY REPORT (CONTINUED)

### Pioneer Foods Education and Community Trust (“PFECT”)

The Pioneer Foods Education and Community Trust (“PFECT”) was established in 2012 as part of the Group’s Phase II broad-based ownership initiative (the BEE Trust). Its activities are funded by dividends and CSI contributions from Pioneer Foods. Its mandate includes support to community and education-related programmes. In the past financial year R3.3 million was spent in this regard (2014: R1.6 million).

Focus area	Beneficiaries	Description	2015 contribution
 <b>Education</b>	<b>Mbekweni Youth Centre</b>	Operational expenses and youth programmes for the centre.	R1.3 million
	<b>Bursaries</b>	Bursarial support for disadvantaged black students in accounting, engineering and marketing. Selected engineering students receive in-service training at Pioneer Foods. In 2015, 24 students were awarded bursaries. In 2016, approximately 45 students will be supported.	R1.6 million
	<b>MOT-SA</b>	The MOT-SA life-skills training programmes for youth at colleges and schools.	R240 000
 <b>Community</b>	<b>Khula Development Group</b>	The programme identifies and re-integrates children into the school system and assists out-of-school youth to become responsible and productive.	R200 000

## Transformation

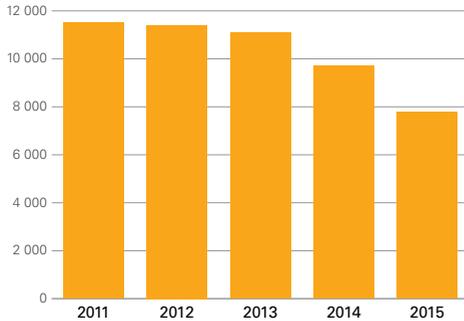
Total permanent employee numbers reduced by 20% to 7 782<sup>LA</sup> at 30 September 2015 (this includes the effect of the Quantum Foods unbundling and disposal of the biscuit and Pepsi business). Of Quantum Foods, biscuits and Pepsi employees, 99% are permanent and 1% contracted employees. In addition to the permanent employees, the Group contracts approximately 3 700 casual employees. Employee turnover decreased to 1103 permanent employees at a rate of 14.52%<sup>LA</sup>.

Designated employees per level*	2015	2014	2013	2012	2011
Top management	50%	50%	38%	40%	40%
Senior management	32%	40%	35%	34%	33%
Middle management	49%	60%	62%	60%	59%
Other	96%	97%	97%	97%	93%

\* Excludes fixed-term employees and other nationalities

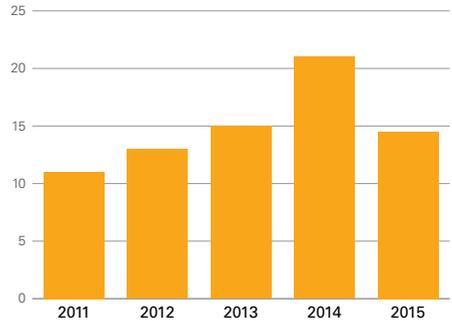
### TOTAL NUMBER OF EMPLOYEES

permanently employed by wholly owned South Africa operations



### EMPLOYEE TURNOVER %

for permanently employed by wholly owned South Africa operations



## SUSTAINABILITY REPORT (CONTINUED)

### **B-BBEE**

The revised B-BBEE Codes of Good Practice (“revised codes”) came into effect on 1 October 2015 after a 12-month transition period. The transition period allowed Pioneer Foods to examine its existing strategy and targets and to refine these in alignment with government’s vision to increase the participation of black people in the economy.

Compliance levels have been redefined and the new 40% hurdle rates on the priority elements (ownership,

skills development and enterprise and supplier development) will result in a likely drop to a level 7 or 8. Enterprise and Supplier Development will be an immediate priority to ensure progress in the medium term.

For the 2015 financial year, the Group was rated according to the agricultural sector (“AgriBEE”) scorecard and retained a level 4 status as outlined below:

<b>B-BBEE element</b>	<b>Weighting (AgriBEE codes)</b>	<b>2015 Audited score (AgriBEE codes)</b>	<b>2014 Audited score (AgriBEE codes)</b>
Ownership	20	<b>15.45</b>	15.3
Management control	10	<b>10.73</b>	5.4
Employment equity	10	<b>3.19</b>	3.2
Skills development	20	<b>8.52</b>	8.8
Preferential procurement	20	<b>12.24</b>	12.5
Enterprise development	10	<b>10.00</b>	10.0
Socio-economic development	10	<b>11.00</b>	11.0
Total	100	<b>71.13</b>	65.2
Level		<b>4</b>	4

Actions that contributed to changes in the scorecard include:

- Positive impacts:
  - The appointment of a black executive director
  - Good progress with the roll-out of the learnership programme for skilled and unskilled participants
  - Positive progress with the verification of B-BBEE suppliers
- Negative impacts:
  - The exit of the Phase I B-BBEE deal participants
  - A high turnover in the senior black female category

## Communication

Pioneer Foods recognises that effective stakeholder engagement is the basis for good corporate governance and is committed to the stakeholder-inclusive approach recommended by King III. The Group's approach is guided by a stakeholder relations policy, which recognises that social, economic and environmental interests are integral to the success of the business.

The Group has strategically consolidated stakeholder engagement activities. Details of the Group's key stakeholders, engagement channels, key concerns and company responses, critical for value creation, are shown in the table below:

Stakeholder	Engagement channels	Key concerns	Company response
Shareholders and investors	<ul style="list-style-type: none"> <li>• Results presentations</li> <li>• One-on-one interactions</li> <li>• Investor relations briefings</li> <li>• Site meetings</li> <li>• AGM</li> </ul>	<ul style="list-style-type: none"> <li>• Effectiveness of strategy</li> <li>• Return on investment</li> <li>• Performance relative to peers</li> </ul>	The strategy sets targets and a clear roadmap to improve the Group's financial performance.
Customers and consumers	<ul style="list-style-type: none"> <li>• Forums</li> <li>• One-on-one interaction</li> <li>• Advertising</li> <li>• Corporate website</li> <li>• Customer care centre</li> <li>• In-store communication and campaigns</li> </ul>	<ul style="list-style-type: none"> <li>• Service</li> <li>• Price</li> <li>• Rewards</li> <li>• Key sustainability issues</li> <li>• Retailer concentration</li> <li>• Private label growth</li> <li>• Consumption growth</li> </ul>	Pioneer Foods continues to deepen its knowledge and understanding of its customers and consumers to ensure strategic collaboration on all levels.
Employees	<ul style="list-style-type: none"> <li>• Electronic communication such as intranet, e-mail and desktop screensavers</li> <li>• Newsletters</li> <li>• Surveys</li> <li>• Face-to-face briefings</li> <li>• Management presentations</li> <li>• Bulletin boards</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement opportunities for advancement</li> <li>• Job security</li> <li>• Training</li> </ul>	Pioneer Foods offers competitive remuneration, and opportunities for skills and career development. Short and long-term incentive schemes have been competitively benchmarked. The annual engagement survey measures and guides business concerning employee engagement.

## SUSTAINABILITY REPORT (CONTINUED)

Stakeholder	Engagement channels	Key concerns	Company response
Communities	<ul style="list-style-type: none"> <li>Interactions with NGOs and various CSI initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Community upliftment</li> </ul>	Pioneer Foods supports communities through various socio-economic development programmes and the activities of PFECT.
Government and regulators	<ul style="list-style-type: none"> <li>Monitoring and lobbying on important industry issues by senior management</li> <li>Co-funding projects aligned to CSI strategy</li> <li>Engagement with relevant industry bodies</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory compliance</li> <li>Transformation</li> <li>Environmental management</li> <li>Social investment</li> </ul>	The Group has a compliance monitoring function and comments on proposed legislation are continuously submitted.
Suppliers	<ul style="list-style-type: none"> <li>Ongoing interaction</li> </ul>	<ul style="list-style-type: none"> <li>Fair and equitable trading</li> </ul>	The Group engages with suppliers in an ethical manner.
Business partners	<ul style="list-style-type: none"> <li>Joint ventures</li> <li>Partner meetings and reviews</li> </ul>	<ul style="list-style-type: none"> <li>Strategy</li> <li>Product expansion and growth</li> <li>Key sustainability issues</li> </ul>	Pioneer Foods continues to shape its corporate portfolio through strategic partnerships.

The table below provides a summary of notable operational and product responsibility events for the year and how Pioneer Foods is responding:

Key event	Stakeholder concerns	Company response
<b>GMO product labelling</b>		
GMOs are a growing global consumer issue. The debate features advocates of the technology and those who maintain that the environmental and other impacts of GMOs remain unproven.	<p>Food labelling regulation R146 contains regulatory requirements that all products comprising more than 5% genetically modified ingredients be clearly labelled for the benefit of the consumer.</p> <p>Consumers expect to be able to make an informed choice about their nutrition and trust that the food they buy in stores is thoroughly labelled.</p>	All Pioneer Foods products are clearly labelled and GMO data fully disclosed, thereby enabling customers and consumers to make informed choices for themselves.

Key event	Stakeholder concerns	Company response
<b>Price increases</b>		
Pioneer Foods was threatened by strike action early in the year due to food price increases while fuel prices were lower. The issue gained traction with local media.	Considering Pioneer Foods' history with regards to pricing, the issue is always met with suspicion and frustration from consumers and consumer and/or community forums.	The claims were refuted via a media statement which set out operational procedures and economic factors that impacted pricing. A swift and adequate response contained the matter and reduced potential reputational damage.
<b>Sugar tax</b>		
The Department of Health ("DoH") announced its intent to introduce sugar tax in South Africa.	A growing number of consumer bodies and health experts in South Africa are following suit and calling for the introduction of a sugar tax.	Pioneer Foods is monitoring legislative developments and will engage with government on proposed sugar tax legislation.
<b>Carbon tax</b>		
In April 2015 the Davis Tax Commission made a call to stakeholders for comments on the proposed carbon tax.	Opinions vary on the pricing of environmental externalities. Some major emitters argue that it will have a severe impact on their business, while others contend that it is a positive step in the right direction and will reduce the dependence of the country on fossil fuels.	The Group submitted its comments to the Davis Tax Commission and is awaiting the publication of the final legislative paper.

## Enterprise and supplier development

The Group's business encompasses a value chain which includes farmers and suppliers across South Africa. Enterprise development activities focus on suppliers throughout this value chain. The Group allocated R3.6 million (2014: R2.7 million) to enterprise development projects in 2015, of which 83% (2014: 78%) was allocated to primary agriculture projects. Pioneer Foods continues to support eight commercial farming operations with majority shareholding held by previously disadvantaged groups. They are mentored by external commercial farmers and by internal Pioneer Foods employees.

Our supplier engagement has transformed with a more holistic approach, putting more emphasis on transformation, leading to a larger number of high-value

contracts being allocated to a vendor base with level 4 or higher B-BBEE credentials. Supplier development initiatives include the following focus areas:

- access to business development support;
- access to market opportunities; and
- access to finance.

Total spend on Qualifying Small Enterprises ("QSEs") was 4.3% (2014: 8.32%) while the spend on Exempt Micro Enterprises ("EMEs") was 2.29% (2014: 2.8%) of total measured procurement spend.

## Environment

Energy, water and waste were the primary KPIs identified in 2012. These KPIs were chosen after an

## SUSTAINABILITY REPORT (CONTINUED)

internal and external stakeholder engagement process formulating the Group's sustainability strategy. The data collected is useful in establishing the business's exposure to various risks (e.g. carbon tax) but also allows for the quantification of business opportunities and more informed decision-making. Data is collected and collated at site level and presented to the Group manufacturing forum on a monthly basis and to the executive committee quarterly, where progress is measured and assessed.

### Energy

In 2014 Energy Partners was appointed for further identification and the project management of energy optimisation initiatives. As at September 2015 a saving of R11.7 million through this engagement. Below is a summary of the projects and the estimated savings:

Intervention category	Description	Total estimated savings per annum
Tariffs	Switch site to most cost-effective energy tariff	R5.6 million
Steam	Replacement of existing boilers with coal boilers. Pioneer Foods buys steam from an independent service provider	R18.6 million
Boiler optimisation	Optimisation of existing site boilers	R700 000
Lighting	Replacing existing lights with energy efficient alternatives	R3.4 million
Combustion	Active management of the combustion process and optimisation of fuel burners	R2.5 million
Continuous improvement projects	Various energy saving projects identified and executed at a site level. These include collaborations with the National Cleaner Production Centre (NCPC)	R2 million

The Group has made some headway in reducing energy and fuel consumption, particularly in terms of monitoring usage and the implementation of energy saving measures.

Scope 1 or direct emissions were 115 303 tCO<sub>2</sub>e<sup>LA</sup> (tons of CO<sub>2</sub> equivalent) (2014: 116 715) and total scope 2 or indirect emissions were 284 731 tCO<sub>2</sub>e<sup>LA</sup> (2014: 263 824), bringing total combined emissions to 400 034 tCO<sub>2</sub>e (2014: 380 539 tCO<sub>2</sub>e).

When comparing the amount of energy used per ton of product produced, the Group reduced its combined energy usage by 1%.

### Water

Water is a vital resource in Pioneer Foods' production processes. The Group aims to measure, and where possible, reduce the amount of water used per ton of product produced. In 2015 2.5 million m<sup>3LA</sup> was consumed. This is 4% less than 2014.

A number of projects have been commissioned which have resulted in improved process efficiencies and lower water consumption. An example is the use of recycled water for the washing of vehicles and the use of aerators at hand washing stations.

To further mitigate the effects of droughts and climate change on business continuity, the Group will appoint an external service provider in 2016 to assist in reducing its water consumption and identify recycling or reuse opportunities where possible on site.

**Waste**

Waste management provides further value creation opportunities. Waste reduction, recycling and reuse options are continuously being explored within the business, particularly in the area of yield improvements and product waste. Standard contracts are in place with suppliers who recycle our waste and the Group continuously strives to make use of recycled material where possible.

**YEAR-TO-DATE PROGRESS ON FIVE-YEAR TARGET**

