

***Remgro***  
***Limited***

**2017**  
SUSTAINABLE  
DEVELOPMENT  
REPORT

# SUSTAINABLE DEVELOPMENT REPORT

The three pillars of sustainable development, namely economic, social and environmental sustainability practices, have always been part of Remgro's core values.

## INTRODUCTION

Remgro's value system incorporates the guidelines drawn up by its founder, Dr Rupert, nearly 60 years ago for doing business successfully. 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 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 management and IT governance are addressed in the Corporate Governance and Risk 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 the 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 Management and Internal audit
Internal risk management	All key business risk areas	Internal management reviews, assisted by Remgro Risk Management and Internal audit
BBBEE contributor verification	Broad-based black economic empowerment	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 King III 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 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 this committee is dealt with in more detail in the Corporate Governance Report and the Social and Ethics Committee Report on pages 57 and 70 of the Integrated Annual Report respectively.

## ETHICS 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 values-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, 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 provides strict policies regarding gifts, invitations or favours received from suppliers or any other party. 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 line** 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 line 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 line 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 86 4726  
or email [ethicsline@kpmg.co.za](mailto:ethicsline@kpmg.co.za)

## 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 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 significant fines were imposed either.

## 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:

- **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 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 many economic impacts 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 and engage with our stakeholders on matters relevant to them, as reported 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 shareholder 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 are 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 media, 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 the 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.

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 10.

## 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 (if applicable), the stability and proven track record of the organisation 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 usually in the form of formal meetings. Regulatory bodies like National Treasury, the South African Reserve Bank (SARB) and the JSE Limited 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.

## 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 implemented BBBEE, Remgro's shareholders effectively participate in BBBEE initiatives and the associated costs and benefits 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 2017, Remgro obtained a score of 55.19 (2016: 55.11), 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 and Wispeco.

### EQUITY OWNERSHIP

Verification of BBBEE ownership is governed by the amended Codes of Good Practice on BBBEE (the Code) 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). The methodology followed for the verification and certification of Remgro's contributions to BBBEE ownership was taken from the provisions of Code Series 100, Statement 102 – Recognition of Sale of Assets.

It should be noted that, in addition to the above, there is also black ownership included in the shareholdings in Remgro held by institutional investors (refer to page 115 of the Integrated Annual Report where Remgro's major shareholders are disclosed). During the year under review, an exercise was done to determine and accordingly include the indirect black ownership through these mandated investments.

Although Remgro's BBBEE score includes the initiatives of RCL Foods and Wispeco, the discussion below regarding the other elements of the generic scorecard criteria only relate 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.

Figure 1

### BBBEE SCORECARD

Element	Indicator	Weighting	Score
Equity ownership	Percentage share of economic benefits	25	8.61
Management and control	Percentage black persons in executive management and/or executive board committees	19	6.71
Skills development	Skills development expenditure as a proportion of total payroll	20	9.18
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	25.69
Socio-economic development	Corporate social investment for the benefit of black persons	5	5.00
<b>Total score</b>		<b>109</b>	<b>55.19</b>

## MANAGEMENT CONTROL

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

## 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 report as at 31 August 2017 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 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.

Figure 2

### SUMMARISED EMPLOYMENT EQUITY REPORT (AS AT 31 AUGUST 2017)

Occupational levels	Male				Female				Foreign nationals		
	A	C	I	W	A	C	I	W	Male	Female	Total
Top management	0	1	0	4	0	0	0	1	0	0	6
Senior management	1	2	0	13	0	0	0	3	0	0	19
Professionally qualified and experienced specialists and mid-management	0	0	2	17	1	2	0	9	0	0	31
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	3	8	1	12	0	7	1	27	0	0	59
Semi-skilled and discretionary decision-making	20	22	0	0	7	9	0	0	0	0	58
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0	0	0
<b>Total permanent</b>	<b>24</b>	<b>33</b>	<b>3</b>	<b>46</b>	<b>8</b>	<b>18</b>	<b>1</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>173</b>
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
<b>Grand total</b>	<b>24</b>	<b>33</b>	<b>3</b>	<b>46</b>	<b>8</b>	<b>18</b>	<b>1</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>173</b>

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

## 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 172 people being employed as at 30 June 2017 (2016: 170 employees). Refer to Figure 3 where more detail regarding the composition of our employees by race, gender and age is illustrated.

For the year under review Remgro's employee turnover rate was 5.2%, compared to 5.3% for the comparative year to 30 June 2016. 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 0.6% for 2017 and 1.2% for 2016.

### 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 will at all times endeavour to appoint the best candidate in a position. Remgro believes that all persons are entitled to equal employment opportunities and accordingly no unfair discrimination against employees or applicants based on gender, race, religion or any other factor is allowed.

### EMPLOYMENT EQUITY

Remgro endorses the principles of the Employment Equity Act, 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.

### 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 81 of the Integrated Annual Report where Remgro's remuneration principles are set out in detail.

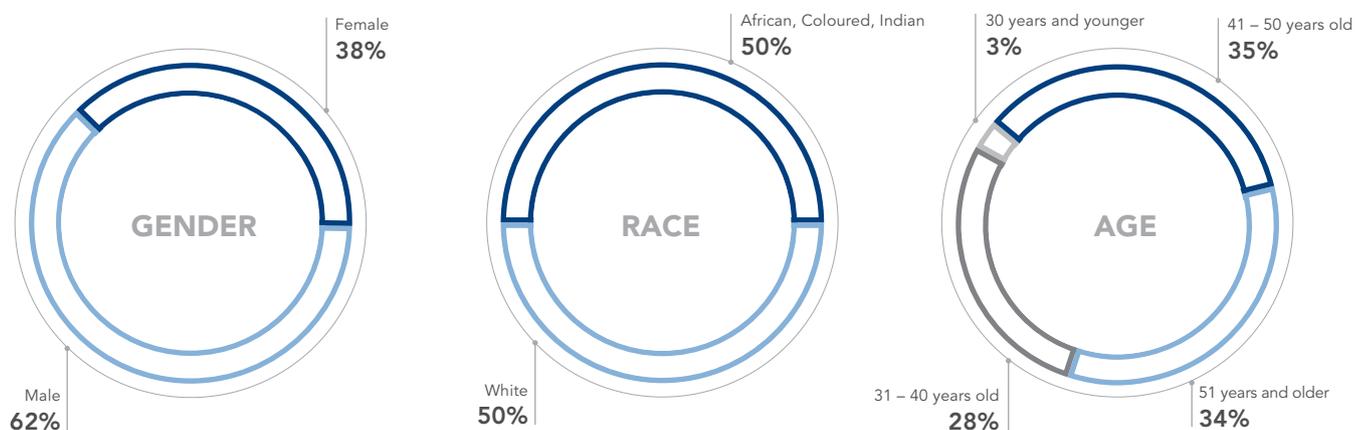
Remgro offers retirement benefits to its employees in the form of a defined-benefit (closed fund) and a defined-contribution fund that are administered independently of the finances of the Company. In addition employees are also offered medical insurance and study assistance.

### 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 Remgro's workforce resulting from it being an investment holding company, no prescribed training programmes are promoted. Individuals

Figure 3

### COMPOSITION OF EMPLOYEES (AS AT 30 JUNE 2017)



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 III, King IV, Anti-Corruption practices and the Competition Act were held to ensure that its 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. The committee is a subcommittee of the Risk and IT 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 policies and strategies is monitored against best practice standards. More information regarding the management of HIV/Aids by Remgro's operating subsidiaries is provided on page 11 of the report.

### 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 can choose to participate.

## INVESTING IN THE COMMUNITY

Remgro's corporate social investment initiatives and donations programme cover 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 corporate social investment (CSI) spend of approximately 2.5% of its net free cash flow annually. In this regard an official donations 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 R23 million (2016: R24 million), as set out in the table below.

	Year 30 June 2017 R million	Year 30 June 2016 R million
<b>Summary of CSI spend</b>		
Community development	6	6
Cultural development	3	3
Entrepreneurship, training and education	10	10
Environment	2	2
Healthcare	1	2
Sport development	1	1
	<b>23</b>	<b>24</b>

During the year under review the most notable initiatives that 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 assisted seven organisations to gain income from social enterprise products/projects to such a degree that these organisations demonstrated a definite trend of financial growth above and beyond their normal fundraising activities. This was achieved through either:

- improved traditional fundraising; or
- the ability to develop, refine and launch a product or service to the open market, which will subsidise their traditional income/funding.

**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 17 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 so doing, take steps to alleviate poverty among its beneficiaries. Food is provided daily to some 2 000 high-school, primary and pre-school children. Home visits are made to these children's parents and, based on their circumstances, the mothers or fathers are admitted to a six-month intervention programme where they are provided with food, as well as enterprise development and sustainable livelihood training, which includes food gardening. This year, 1 200 food parcels were handed out to unemployed parents, 153 trained with marketable skills, 61 provided with jobs, 24 new businesses started, while a further 20 received loans and grants to start new businesses. A book-sharing programme was also introduced to address the ECD needs of those children who cannot afford crèches and come to the centre with their caregivers, usually mothers or grandmothers.

**Stellenbosch Feeding in Action** – a recent survey has indicated that 28% of the local population does not enjoy food security. Feeding in Action addresses this need by providing 10 000 meals and 1 300 food parcels per week to 5 000 needy people at 45 feeding points. Assistance is also given to 27 other organisations such as Night Shelter, Youth Outreach, clinics, various crèches, aftercare centres and schools.

**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 5 127 young people were involved in programmes focusing on values, peer pressure, social media, bullying and drug abuse. During the year, 290 community members and families received training with regard to the Children's Act. 62 potential school dropouts were kept in school through prevention programmes.

## CULTURAL DEVELOPMENT

**Field Band Foundation (FBF)** – has more than 48 bands across the country and reaches some 6 742 young people between the ages of seven and 21. It creates life-inspiring opportunities for the youth through the disciplines and creativity of music and movement. Coming from poor backgrounds they learn not only music and movement, but also confidence and social skills, culminating in leadership training that will carry them forth into adult life.

The Cape Whaler 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 and Macassar that serve as rehearsal venues for the band.

## ENTREPRENEURSHIP, TRAINING AND EDUCATION

**TSiBA** – founded in 2004 with the vision to ignite opportunity, this unique private business school gives people who cannot access higher education a head start in life. This is done by providing emerging leaders an opportunity to study high-quality, accredited academic courses, which are focused on developing entrepreneurship and leadership. TSiBA integrates personal development with business learning and provides a wide variety of experiential learning opportunities through coordinated internships, as well as mentorship, leadership, entrepreneurship and career management programmes, which are core to the degree offering. TSiBA has 490 students in total.

**SciMathUS** – since its inception in 2001, more than 1 100 students successfully completed this bridging programme of the Stellenbosch University, nearly 75% of whom were subsequently registered for undergraduate studies at Stellenbosch. Up to

the end of the 2016 academic year, just over 200 students have graduated at Stellenbosch University with a first qualification, while 54 have also obtained a second qualification. Another 25% of them 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 among 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.

**Thuthuka Bursary Fund** – the main focus of this fund is to grow the number of chartered accountants (CAs) in the country; to promote the CA brand as a premier career; to transform the demographics of the profession to match the country's demographic profile and to place and support about 300 African and Coloured scholars per annum at selected SAICA (South African Institute for Chartered Accountants)-accredited universities. Through this transformation and skills development initiative, Thuthuka endeavours to strengthen the country's economy.

**Helpmekaar Bursary Fund (HSF)** – for 101 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 that makes loans available to prospecting students for the duration of their studies at very favourable interest rates.
- A Study Fund Trust that pays the interest on the Helpmekaar loans of needy students while studying. In 2017 the HSF awarded interest bursaries to 157 students. A further nine full bursaries and three of R50 000 each 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 meaningfully impact education for individuals. 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 scholarships manager. This includes attending three special leadership development workshops per year.

**SA College for Tourism (SACT)** – 97 young women hailing from rural families with an annual income of less than R36 000, are currently in the process of obtaining nationally accredited hospitality service skills. At Tracker Academy 24 young men from similar family circumstances are receiving training in the skill of tracking animals in the wild. All these students were afforded full, non-refundable, bursaries funded by donors.

SACT reached a milestone this year when all the 2016 graduates were placed in gainful employment: 16 obtained permanent employment, 22 are receiving further SACT learnership training in hospitality management (their studies and monthly stipends funded from the National Skills Fund), while the rest of the graduates, 67 in total, are involved in paid internships at a number of hospitality establishments nationwide. An agreement reached with two leading South African hotel groups will result in the employment of all those currently participating in learner- and internships.

**Schools Project** – as part of the 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. Taken into account the numerous complexities in the education sphere, it 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 we are experiencing. In total, 33 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 20 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 49 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 rather increased than diminished and at present South Africa's natural resources are under threat as never before. Climate change, irresponsible mining and fisheries practices and 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 29 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 two 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.

**STEPS-miraclefeet (STEPS)** – provides an integrated support programme aimed at improving the broader health system's response to children with clubfoot. Steps Charity NPC, working in partnership with 23 state-run clubfoot clinics in South Africa and Botswana, trained an additional 64 South African medical staff at Ponseti workshops during this period. The grant from Remgro supported the clubfoot treatment of 160 children born in the Western Cape.

## 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 2 539 active players in the programme, with 48 coaches 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. 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 two main operating subsidiaries, namely RCL Foods and 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 40 and 46 of the Integrated Annual Report.



## RCL FOODS

### INTRODUCTION

RCL Foods is listed on the JSE Limited 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 manufacture and distribute 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 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 King III. The Social and Ethics Committee 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, 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 decreased by 961 to 20 111 on 30 June 2017 mainly due to the restructuring of its Chicken business. Through constructive recognition agreements,

RCL Foods has a significant bargaining unit, with 80% 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 created 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 has a National Health and Safety Policy which commits all operations and facilities to the provision and maintenance of a working environment that is healthy and safe. The company’s divisions have achieved the following “disabling incident frequency rate” (DIFR):

- Consumer: 1.0 (2016: 1.2)
- Sugar and Milling: 1.7 (2016: 0.6)
- Logistics: 1.9 (2016: 1.3)

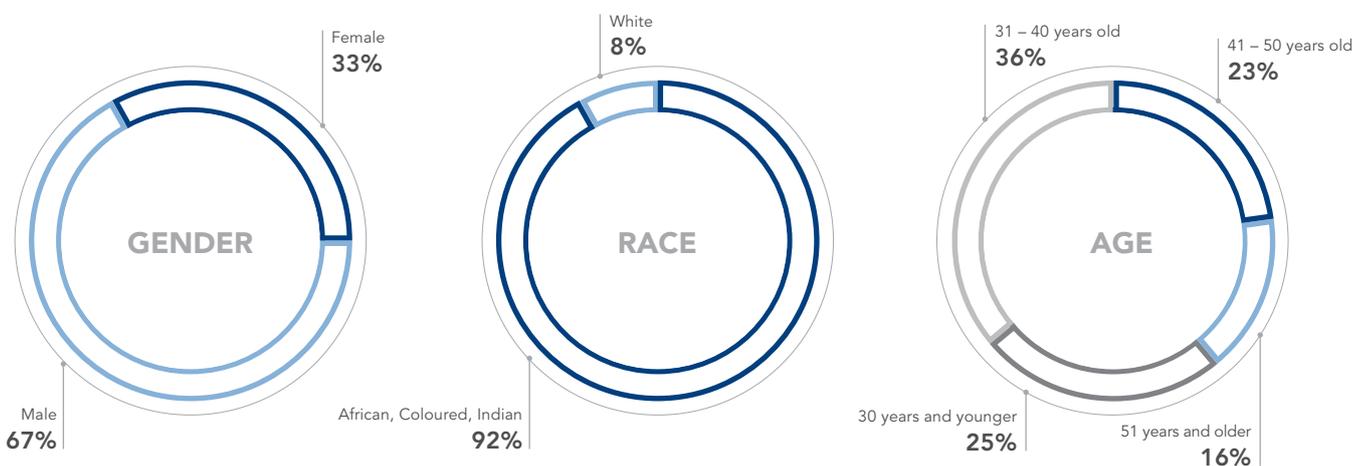
The DIFR is an internationally accepted standard to measure safety performance and relates to the number of disabling incidents per 200 000 man-hours worked.

RCL Foods’ HIV/Aids policy guides the company in the management of HIV/Aids, placing emphasis on education and peer education, prevention and voluntary counselling and testing. The policy also ensures that there is no discrimination in the workplace and employees attending clinic services do so with full confidentiality. RCL Foods also sponsors HIV/Aids awareness youth days annually to increase community awareness.

RCL Foods’ training expenditure for the year to June 2017 amounted to R43 million compared to R29 million for the year to June 2016. This increase is mainly due to a significant investment in leadership development and higher learnership spend.

Figure 4

**COMPOSITION OF WORKFORCE (AS AT 30 JUNE 2017)**



STAKEHOLDER CONCERNS	WHAT WE DO
Product quality and safety	<p>Appointment of product inspectors and processing and engineering personnel to ensure safe products which comply with defined specifications</p> <p>Appointing SHEQ teams to verify processing, food safety, legal and quality compliance by conducting audits</p> <p>Compliance with ISO 22000 and FSSC 22000</p>
Labelling	<p>Conforms to the regulations in Foodstuffs, Cosmetics and Disinfectant Act (No. 154 of 1972) and regulation R146</p> <p>Supports the Consumer Goods Council of South Africa (CGCSA) and Global Standards (GS1) in listing of all products with GS1</p>
<p>Farming practices</p> <p><i>Animal welfare</i></p> <p><i>Bird housing</i></p> <p><i>Feed</i></p> <p><i>Animal health and safety</i></p>	<p>Subscribes to the British Poultry Council's Assured Chicken Production Programme that sets the highest standards for the nutrition and welfare of poultry</p> <p>Animal welfare audits by independent accredited auditors throughout agricultural discipline to verify compliance to animal welfare requirements</p> <p>Stock density of each house is determined by the floor space of the house and the equipment in the house</p> <p>Access to farms regulated by strict biosecurity measures</p> <p>Feed raw materials are controlled by the Fertilizers, Farms Feeds, Agricultural Remedies and Stock Remedies Act (No. 36 of 1947)</p> <p>Flock treatment is controlled by the Medicines and Related Substances Control Act (No. 101 of 1965)</p> <p>Regular SPCA inspections</p>
Halaal status	<p>Chickens are slaughtered by Halaal slaughterers and regular inspections from the South African Halaal Authority (SANHA) and from the Muslim Judicial Council (MJC).</p> <p>Inspections from the MJC and Islamic Council of South Africa (ICSA) ensure that all practices are in accordance with Halaal standards at the following divisions:</p> <ul style="list-style-type: none"> <li>- Pieman's</li> <li>- Speciality</li> <li>- Groceries</li> <li>- Baking</li> </ul>
Consumer insight	Marketing and Product Development teams ensure that RCL Foods develop and market competitive brands at competitive prices

## BBBEE

RCL Foods' latest BBBEE verification process (completed during December 2016) was based on the information for the year ended 30 June 2016. A level 4 contribution level was maintained, equating to a 100% procurement recognition level, and a total of 65.26 points was achieved on the agriculture sector code. RCL Foods firmly believes that successful transformation is critical to it remaining competitive and as such continually seeks to improve in areas such as management control, employment equity and preferential procurement.

## CORPORATE SOCIAL INVESTMENT (CSI)

In terms of RCL Foods' CSI policy it has identified two focus areas where it believes it can make a significant/long-term sustained contribution to disadvantaged communities:

- Community development (e.g. education, as well as sports and recreational projects), and
- Food security

CSI expenditure for the year to 30 June 2017 amounted to R13 million (2016: R10 million).

## ENVIRONMENT

Refer to the "Environment" section on page 17 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).**



## 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. The composition of the board does thus not comply with the independence requirements of King III. 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.

Previously, Wispeco's Audit Committee acted as a subcommittee of the Remgro Audit and Risk Committee. However, during May 2017, Wispeco's Board approved an official Audit Committee charter, which sets out amongst others all the duties assigned to it. Furthermore, Wispeco's Audit Committee consists of three non-executive members and, in terms of the Companies Act, it is considered a duly constituted Audit Committee, which reports directly to the Wispeco Board. Wispeco's Audit Committee does not comply with the requirements of King III and in this regard, 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.

### 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 16 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 previous settlement agreement expired on 30 June 2017. The new settlement agreement has been concluded for the next 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 2016 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 5 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 2017, Wispeco had 23 minor injuries which were treatable at the in-house clinic (2016: 34 injuries). Reportable cases in terms of the Compensation Occupational Injuries and Diseases Act

amounted to 25 during the same period (2016: 10 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 2017.

Awareness in respect of HIV/Aids within Wispeco is promoted mainly through training programmes, supported by 20 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 more complex issues.

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. This Certificate in Management is still in progress at the Cape Town branch and the 10 learners are progressing well and should complete the formal qualification in September 2017. There are eight learners in Cape Town completing a Certificate in Management (NQF level 4), which is due for completion in the next financial year. Wispeco commenced with another group of 40 potential leaders identified in Gauteng, to obtain the NQF level 3 Certificate in Management.

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 2016 group of 14 deaf students from previously disadvantaged communities completed the aluminium fabrication learnership while the 2017 group is progressing well. As in 2016, 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 were enrolled in January 2017. 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 17 people with disabilities, who completed their learnerships, to find employment opportunities within the aluminium industry.

Training expenditure for 2017 amounted to over R15 million (2016: R13 million).

## BBBEE

Wispeco's latest BBBEE verification was performed based on the revised codes of Good Practice. The process was concluded during July 2017 and a Level 6 status was achieved. This equates to a 60% procurement recognition and a total of 70.64 points on the generic scorecard (2016: Level 4, 66.81 points). Wispeco has commenced with plans to improve the score within the next few years and will aim to regain Level 4 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 868 people (2016: 870) were trained at a cost of approximately R2 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 non-white entrepreneurs to start and successfully run aluminium fabrication businesses in rural areas around the country. There are currently 11 active SpazALs operating in the Gauteng, Limpopo and Durban areas. Since the programme started in 2006, these SpazALs have collectively purchased more than R14 million worth of aluminium and hardware products from Wispeco. In 2016 Wispeco celebrated the 10-year anniversary of the SpazAL initiative and awarded the SpazALs vouchers to the value of R500 000. In 2017, the support continued with two vehicles and other equipment to the value of R580 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, is tendering for the Tshwane Mall and Wispeco has appointed a mentor to guide and assist him in the process.

## ENVIRONMENT

Refer to the "Environment" section on page 17 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).**

**STAKEHOLDER CONCERNS**

Product quality
Safety
Raw material procurement
Customer service
Environmental impact (also refer to the "Environment" section on page 17)

**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

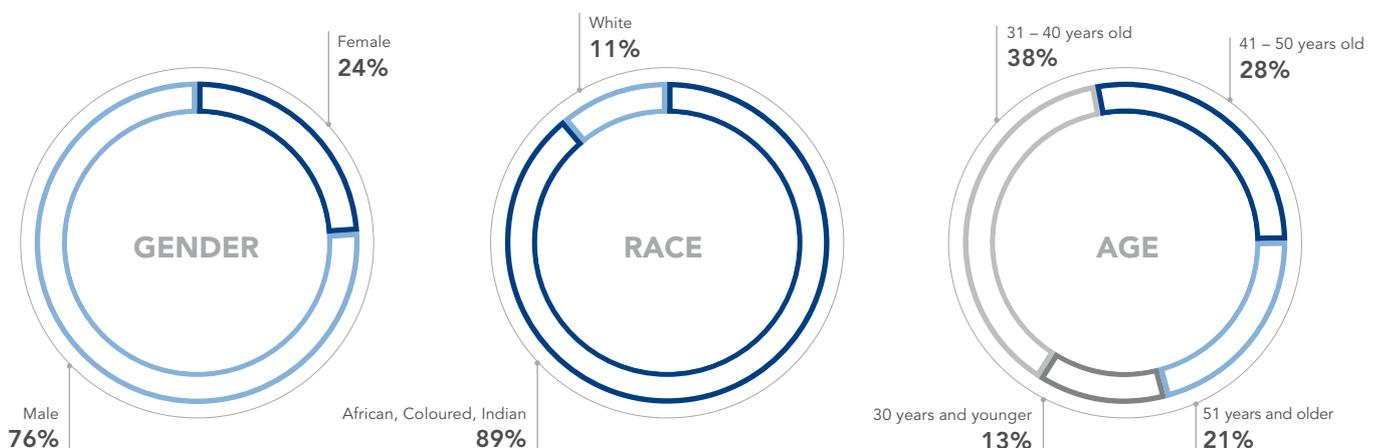
Flexible production scheduling allows for urgent orders and special requests from customers to be included in daily production schedules

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 5

**COMPOSITION OF WORKFORCE (AS AT 30 JUNE 2017)**



## ENVIRONMENT

Remgro recognises that many of its investments are dependent on healthy and functioning ecosystem services and that these services are increasingly under pressure from a quantity and quality perspective. Hence, Remgro continuously analyses its impact on the environment, its response to changing environmental realities and the pursuit of new opportunities that might arise as a result of responsible environmental management.

In order to manage its impact on the environment, Remgro has implemented an Environmental Management Policy (the Policy). The Policy includes Remgro Management Services Limited (RMS – its service company), RCL Foods and Wispeco. The Remgro Board is ultimately responsible for the implementation of the Policy, but delegates its responsibilities to the Risk and IT Governance Committee (a subcommittee of the Audit and Risk Committee) and the Social and Ethics Committee which are responsible to review and recommend the approval of environmental procedures implemented and maintained by RMS. With regard to RCL Foods 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 its respective environmental management processes. As such, Remgro conducts annual environmental risk reviews on its subsidiaries and incorporates environmental performance into its various risk management frameworks.

Issues relating to carbon management, climate change, energy, water and waste management are the most material environmental concerns to Remgro and detailed and consistent monitoring of subsidiary usage and the impact on these resources are demanded. Each subsidiary is expected to set their own environmental reduction targets in alignment with the sectors they operate in and their environmental realities.

### HIGHLIGHTS OF THE 2016 ENVIRONMENTAL PERFORMANCE

- Member of the South African CDP (Carbon Disclosure Project) Climate Leaders A-List (being one of only 11 Johannesburg Stock Exchange (JSE)-listed 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.
- Stabilisation of operational Greenhouse Gas (GHG) emissions
- 33% reduction in municipal and raw water consumption
- Full compliance with all environmental legislation across all operations

### CARBON EMISSIONS AND CLIMATE CHANGE

In 2016 Remgro achieved an overall 'A' rating in its annual carbon disclosure CDP submission and, in doing so, received membership to the South African Climate Leaders list. The Climate Leaders list acknowledges the exemplary carbon measurement and reporting efforts of the company and the internal understanding of the risks and opportunities that climate change will pose to Remgro's businesses.

Climate change will have physical, legislative and reputational impacts on certain Remgro operations with potential financial consequences. As a result, Remgro monitors all aspects of the local and international carbon management landscape, including impending carbon taxes and GHG reporting requirements. Of particular focus are the carbon management practices at RCL Foods that, alone, account for the majority of Remgro's GHG emissions.

In terms of the GHG Protocol, carbon emissions can be analysed in 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.
- Non-Kyoto GHG gases, e.g. freon, which is used in air-conditioning and refrigeration equipment.

Remgro's reported emissions include RMS, Wispeco and Remgro's equity portion of RCL Foods. It is pleasing to report that Remgro's operational Scope 1 and 2 carbon emissions, from equipment and electricity consumption, have decreased from 862 288 tCO<sub>2</sub>e (tonnes of carbon dioxide equivalent) in 2016 to 822 126 tCO<sub>2</sub>e in 2017. However, as a measure of intensity (carbon emissions per unit of product), there is still an upward trend that needs to be reversed through future actions. Scopes 1 and 2 account for 75% (2016: 78%) of Remgro's reported emissions. Emissions reported in the Remgro supply chain (Scope 3 emissions) have increased from 177 640 tCO<sub>2</sub>e in 2016 to 235 247 tCO<sub>2</sub>e in 2017. This is due to additional supply chain items being included for the first time and also more accurate data capturing by various service providers.

### ENERGY

Energy efficiency continues to be of importance to Remgro, not the least due to efforts to curtail GHG emissions, but also due to the pressure of increasing costs to operations. Remgro's subsidiaries are energy-intensive consumers of electricity, coal, diesel and other fuel sources (see environmental performance indicators on page 20).

RCL Foods has initiated an Energy Roadmap, which aims to secure price certainty, long-term supply of electricity and, ultimately, to become energy independent. The company has implemented a target to reduce its electricity from the national grid (Eskom) by 10% by 2020, compared to a 2015 baseline.

Initiatives to reduce consumption included RCL Foods' waste-to-energy project implemented at its Worcester poultry operation, in which chicken waste is converted to biogas and used to generate electricity that significantly lower the nutrient load of the on-site waste water treatment plant. The project is expected to generate 10 500 megawatt hours (MWh) of electricity annually and 2 500 MWh of thermal energy (about 20% of the Worcester plant's

Figure 6

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

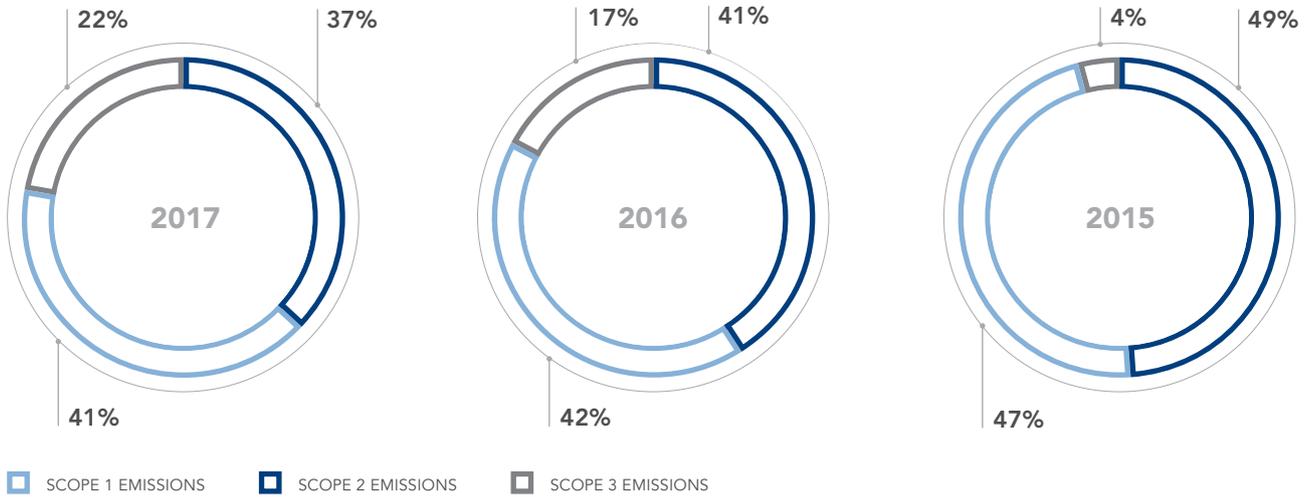
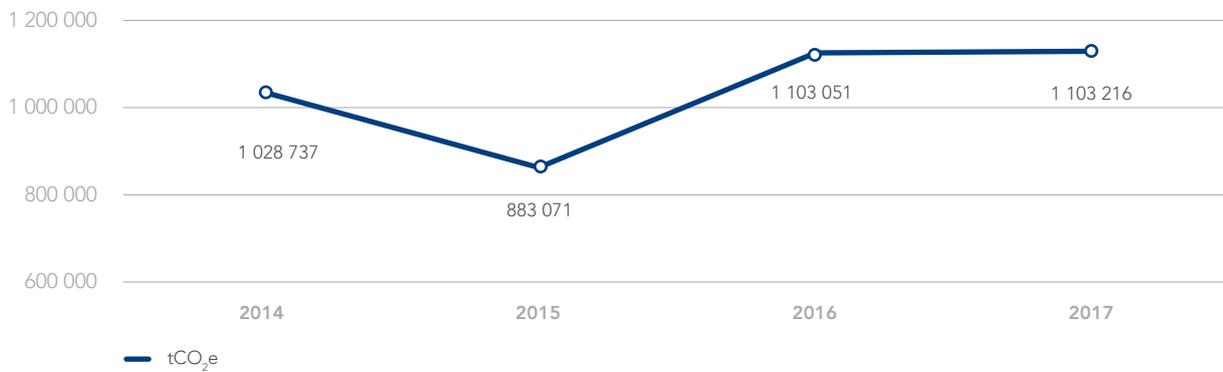


Figure 7

**TOTAL REMGR0 GHG EMISSIONS (SCOPE 1, 2, 3 AND NON-KYOTO GASES)**



consumption), and reduce carbon emissions by 11 000 tCO<sub>2</sub>e every year. Solar energy is generated at RCL Foods’ Pretoria flour mill, while bagasse continues to be used as a direct renewable electricity source within the sugar division with excess being transferred into the national grid. The Malelane sugar mill is redesigning its dewatering mill system to increase the calorific value of its bagasse and further reduce dependence on coal as a fuel source. To improve energy efficiency at Wispeco, a CUBE powder coating plant was installed to displace gas consumption by utilising infrared heating and, also, installing improved regulators at its melting facility.

Remgro’s electricity consumption from the national grid decreased from 581 874 MWh in 2016 to 540 587 MWh in 2017, while electricity consumed from renewable sources decreased from 165 678 MWh in 2016 to 116 163 MWh in 2017.

In total, electricity consumption decreased 12% to 656 750 MWh (2016: 747 552 MWh).

**WATER**

Rainfall is expected to be increasingly inconsistent as a result of climate change and, hence, water management is a priority at Remgro. In addition to water security, any increase in the cost of water will have financial implications on Remgro’s operations. The pervading drought of the past five years throughout South Africa, which had significant consequences for RCL Foods’ agricultural activities, was largely broken across the country towards the end of 2016. However, the Western Cape is still under severe water restrictions as the worst drought in one hundred years continues to grip this region.

A material reduction in municipal water consumption was recorded in 2017 and was largely due to decreased production at RCL Foods chicken division, which accounts for over 80% of Remgro's potable water use, as well as improved water metering systems allowing for greater accuracy in reporting. The introduction of efficient irrigation practices in the sugar division, such as critical phase watering, drip irrigation, pivots and reduced dragline irrigation have all resulted in lower withdrawals from river and borehole sources. These efforts are in line with RCL Foods' target to reduce water intensity per unit of product by 5% each year in all of its business divisions.

#### WASTE MANAGEMENT

Control over waste generation and improved recycling efforts continue to be a focus of both local authorities and business alike. Not only are landfill sites reaching capacity, thereby increasing the cost of waste to landfill, but Remgro's subsidiaries also manage their waste production from a carbon footprint perspective as recycling results in lower GHG emissions.

Due to the inclusion of additional information, RCL Foods' reported waste to landfill is higher in 2017, thereby affecting Remgro's overall waste figures. This is expected to level out going forward and RCL Foods has set targets to reduce food waste by 30% and waste to landfill by 10%.

Recycled waste figures have remained largely the same year on year. Wispeco continues to remelt used aluminium as a primary raw material – a practice that results in net carbon and energy efficiencies.

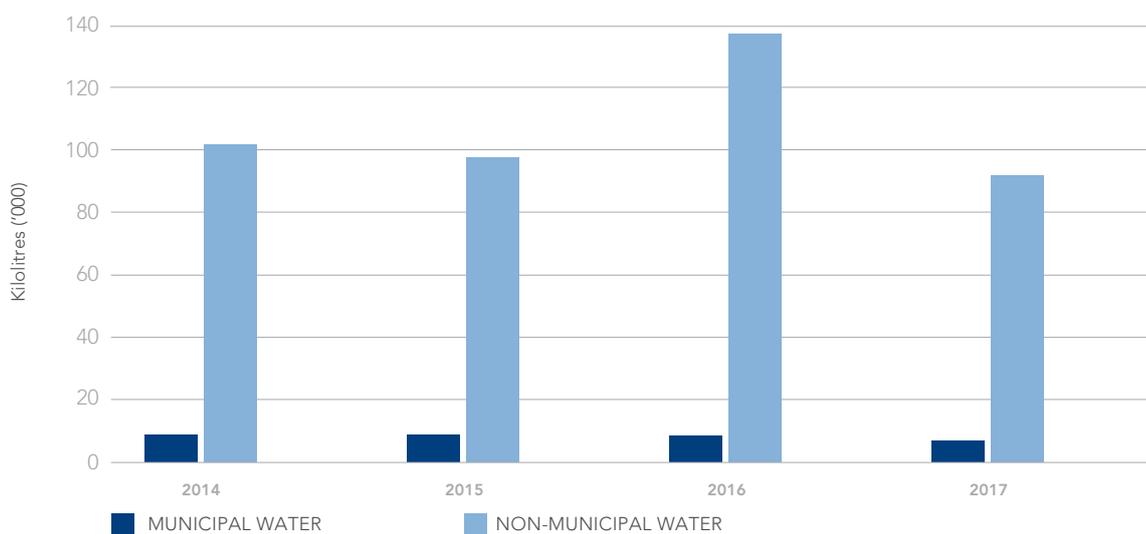
	RCL Foods	Wispeco
<b>2017</b>		
Waste to landfill	175 234 t	2 651 t
Recycled waste	1 537 t	135 t
<b>2016</b>		
Waste to landfill	135 648 t	3 696 t
Recycled waste	1 649 t	24 t

#### COMPLIANCE

No Remgro subsidiary received any significant fines during the 2017 financial year. It should be noted that, in instances where non-compliance to environmental policies and guidelines are detected, despite comprehensive preventative controls being maintained, corrective measures are implemented immediately.

Figure 8

#### TOTAL WATER CONSUMPTION 2014 – 2017\*



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

## ENVIRONMENTAL INDICATORS

Emissions, effluents and waste <sup>(1)</sup>	2017	2016	2015	2014	Units
<b>Total direct and indirect GHG emissions</b>					
Scope 1 – Direct emissions <sup>(2)</sup>	<b>434 343</b>	435 110	409 449	474 796	tCO <sub>2</sub> e
Scope 2 – Indirect emissions <sup>(3)</sup>	<b>387 783</b>	427 178	431 682	499 120	tCO <sub>2</sub> e
Scope 3 – Indirect emissions <sup>(4)</sup>	<b>235 247</b>	177 640	37 957	52 315	tCO <sub>2</sub> e
Other relevant indirect GHG emissions <sup>(5)</sup>	<b>45 843</b>	63 123	3 983	2 506	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 increase in Scope 1 – Direct emissions from 2015 to 2016 relates to higher coal consumption by RCL Foods. The coal consumption for 2016 increased due to the reduced availability of bagasse.

<sup>(3)</sup> Scope 2 – Indirect emissions for 2016 have been restated due to the restatement of Electricity (non-renewable). The restatements of Diesel and LPG did not have a significant effect on Remgro's 2016 emissions.

<sup>(4)</sup> Include emissions for electricity transmission and distribution losses, waste to landfill and recycled waste since 2016.

<sup>(5)</sup> CO<sub>2</sub> emissions associated with burning of bagasse included since 2016.

Energy <sup>(1)</sup>	2017	2016	Units
<b>Direct energy consumption by primary source</b>			
Diesel <sup>(2)</sup>	<b>18 842</b>	19 739	kilolitres
Aviation fuel	<b>1 023</b>	1 017	kilolitres
Natural gas	<b>6 887</b>	6 274	tonnes
LPG <sup>(2)</sup>	<b>3 996</b>	4 170	kilolitres
Coal	<b>203 468</b>	207 977	tonnes
Paraffin	<b>2 140</b>	1 880	kilolitres
Heavy furnace oil	<b>785</b>	940	kilolitres
Carbon dioxide	<b>1 420</b>	1 720	tonnes
<b>Indirect energy consumption by primary source</b>			
Electricity (non-renewable) <sup>(2)</sup>	<b>540 586 835</b>	581 873 835	kWh
Electricity (renewable)	<b>116 163 078</b>	165 677 630	kWh
<b>Water<sup>(1)</sup></b>			
Total water withdrawal at source	<b>6 734 567</b>	8 565 173	kilolitres
Raw water (borehole, river, dams)	<b>91 896 659</b>	137 640 427	kilolitres

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

<sup>(2)</sup> Diesel, LPG and Electricity (non-renewable) for 2016 have been restated due to the inclusion of additional information.

## FEEDBACK

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

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