

## SUSTAINABILITY

### 1. INTRODUCTION

We regard sustainable development as an integral and essential part of conducting business and we endeavour at all times to inform our stakeholders in terms of the three pillars of sustainability, namely economic, social and environmental.

### 2. RESPONSIBILITY FOR SUSTAINABLE DEVELOPMENT

The board accepts overall responsibility for the advancement of sustainable development with the assistance of the board sub-committees. Day-to-day responsibility is delegated to executive management.

Sustainability awareness and training workshops for all employees are held with the aim of achieving the following objectives:

- creating an awareness and explaining the importance of sustainability in the workplace;
- encouraging business units to work together towards establishing a sustainable business;
- making employees aware of the company's goals with regard to sustainability;
- providing training to employees to complete the monthly sustainability reports; and
- explaining the implementation and monitoring process of identified sustainability projects.

#### 2.1 Approach to data collection and reporting

As part of our commitment to improving non-financial reporting, we have tasked all senior management at business unit level to report on aspects of integrated reporting as part of their budgeting process on an annual basis. The board has charged management with ensuring that adequate resources are applied and sufficient attention is given to the implementation of sustainable development principles throughout the group.

Function	Responsibility
Chief Operating Officers and General Managers	Managing efficient operations, environmental controls, corporate social investment projects, components of social and labour plans and community engagement at operational level
Company Secretary	Corporate governance, including all aspects related to the King IV Report (See pages 76 to 80)
Finance	Managing and providing advice on the company's finances, putting in place policies, procedures and systems to protect the company from fraud and corruption and ensuring economic sustainability (See pages 108 to 171)

Human Resources	Skills development, recruitment, transformation, protecting employee human rights, implementing the company's Wellness strategy (which includes the HIV/AIDS initiatives).
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A group safety, health and environment ("SHE") report is compiled and is reviewed by the Audit and Risk Management Committee on an annual basis. Underpinning our Enterprise Wide Risk Management Programme, are the following meetings which incorporate aspects of SHE:

- monthly Health and Safety meetings;
- bi-monthly Corporate Risk Management meetings;
- quarterly Operational Risk Management meetings;
- three Audit and Risk Management meetings; and
- an annual Group Risk Management meeting.

## 2.2 Assurance

We are committed to ensuring that all information provided in this report is accurate. During the course of the year, systems and procedures were put in place to record the relevant data by way of an internet web-based data collection system for all divisions. As part of the annual budgeting process, business units are required to identify social, environmental and financial issues that impact on their businesses. Key performance issues ("KPI's") are also identified and reported on.

## 2.3 Governance, ethics and values

Governance, ethics and values are addressed in the corporate governance section of the report on pages 76 to 80. Financial compliance is assured through internal structures and controls and independent financial audit. We also have our own internal set of values and ethics which guide all our activities and relationships, both individual and corporate.

A copy of our Abridged Code of Ethics is available on our website, [www.astralfoods.com](http://www.astralfoods.com).

## 2.4 Group risks

The major business risks that have been identified and which could have an impact on the group achieving its objectives are dealt with on pages 81 to 85.

### 3. ECONOMIC SUSTAINABILITY PRACTICES

The distribution of economic value generated for stakeholders is reflected in the group's value added statement which is reflected below.

	2019		2018	
	R'm	%	Rm	%
<b>Value added</b>				
Sales of goods and services	13 486		12 979	
Less cost of materials and services	(10 551)		(9 099)	
Value added from trading operations	2 935	98.6	3 880	98.4
Income from investments	41	1.4	63	1.6
<b>Total value added</b>	<b>2 976</b>	<b>100.0</b>	<b>3 943</b>	<b>100.0</b>
<b>Value distributed</b>				
To Labour	1 858	62.4	1 775	45.0
To government	280	9.4	572	14.5
Income tax	266		560	
Skills development levies	14		12	
To providers of capital	606	20.4	740	18.8
Dividends to shareholders	595		730	
Interest on borrowings	11		10	
<b>Total distributions</b>	<b>2 744</b>	<b>92.2</b>	<b>3 087</b>	<b>78.3</b>
<b>Income retained in the business</b>	<b>232</b>	<b>7.8</b>	<b>856</b>	<b>21.7</b>
Depreciation/amortisation	176		152	
Retained profit for the year	56		704	
<b>Total value distributed and reinvested</b>	<b>2 976</b>	<b>100.0</b>	<b>3 943</b>	<b>100.0</b>

	2019	2018
	%	%
Revenue generated in South Africa	96	97
Net profit after tax generated in South Africa	98	99
Total taxes paid in South Africa	97	99

### 4. SOCIAL ASPECTS

#### Issues:

- Broad-based black economic empowerment (BBBEE)
- Equality
- Employees
  - Value creation
  - Health and safety
  - Employment equity
  - HIV/Aids
  - Training
  - Employee turnover and absenteeism
  - Human Rights
  - Workplace improvement programme

### **Broad-based black economic empowerment (BBBEE)**

We support and are committed to the concept of broad-based black economic empowerment and actively promote the empowerment of staff members and the communities in which we operate. We have a 71.86% score on enterprise development, mainly as a result of our strategy to use contract growers with a Black ownership component. We also scored 100% in socio-economic development as a result of our wellness programme.

Astral is currently a Level 8 BBBEE contributor.

### **Equality**

We are committed to gender equality and the removal of any discrimination based on gender, race, religion or disability.

### **Employees**

Our long-term success rests on our ability to attract, develop and retain globally competitive employees. We have strategies and initiatives in place, mainly through our 20 Keys workplace improvement programme, to ensure value creation by and for employees. This facilitates individual and collective wisdom within the operations, encourages employee participation and enables employees to share in the value created for stakeholders.

**African, Indian, Coloured (AIC) vs. White employees in our South African operations:**

CATEGORY PERMANENT	2019		
Description	Grade	AIC	White
Board	Non-Execs	3	3
Executive	F	-	5
Senior Management	E	5	29
Middle Management	D	38	92
Skilled	C	273	307
Semi-Skilled	B	2 334	142
Unskilled	A	5 810	6
<b>Total</b>	<b>All</b>	<b>8 463</b>	<b>584</b>

### **Number of employees at the end of September<sup>1</sup>**

Table 2: Employee Head Count										
Description	Feed		Poultry		Other Africa		Corporate		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Permanent	618	478	8 069	5872	331	315	29	29	9 047	6 694
Contract	56	205	2 304	4549	91	94	1	1	2 452	4 849
Total	674	683	10 373	10 421	422	409	30	30	11 499	11 543

<sup>1</sup> Legislation amendments, has resulted in the permanent employment of employees previously classified as temporary, extending additional employment benefits accordingly.

<b>Group</b>	<b>%</b>
Female Employees	56,73%
Total Workforce in South Africa	96,07%
Senior Management who are deem Historical Disadvantage South Africans (HDSA)	0,47%
Employees deemed HDSA	94,93%
Permanent Employees as % of Total Workforce	78,73%
Trade Union Members as % of Total Workforce	20,89%
Employee Turnover	16,03%
Employees Trained in South Africa	12,13%
Training Spend	2,55%
Total CSI / SED spend in South Africa	100,00%

<b>Group</b>	
Total number of hours worked	17 181 768
Total number of employees trained including internal and external training interventions - skills development	1 404
Total person days lost to industrial action	24 635

### ***Value creation for employees***

Our leadership within the group is inspirational. High but achievable standards are set, employees are motivated by realistic objectives and they are allowed to participate in setting those objectives.

We have a sound value system, based on integrity, openness honesty and accountability. Employees understand these values as management lead by example.

The benefits of employees are market related and all employees can benefit from incentive schemes by meeting set targets. All vacancies within the group are advertised internally, as we believe that employees should have the first opportunity to be promoted before we recruit externally.

A number of unions are represented in the company with a total membership of approximately 38% of bargaining units. The company experienced no strike action during the year.

Unions are recognized at our different business units. We conduct collective bargaining on an annual basis and in most instances the outcome is to the satisfaction of both parties. Circulars and notice boards are used for basic communication with staff. Road shows are held twice a year in the different regions to communicate the results of the company and two multi-level

meetings per annum are held with staff to communicate important matters relevant to each business unit.

### ***Health and Safety***

We comply with the Occupational Health and Safety Act 85 of 1993 and similar legislation in other countries.

Senior management within each operation is responsible for compliance to occupational health and safety requirements and is committed to provide the necessary financial and human resources to ensure that the following objectives are implemented, monitored and maintained:

- Compliance: Adherence to all applicable health and safety legislation, standards, frameworks and best practice relevant to the Astral group.
- Risk assessment: Continually identify, evaluate, mitigate and control health and safety risks within the group. Internal and independent external audit are conducted on a regular basis.
- Risk mitigation: Identification of workplace hazards and the provision of the required safety equipment, safe work procedures and training to employees to mitigate against accidents, injuries and diseases.
- Training and awareness: Promote awareness and sense of responsibility among employees with effective health and safety communication, training and awareness and consultation with all levels of employees, contractors and other stakeholders directly affected by our activities and processes.
- Commitment: Integrated comprehensive management systems which ensure accountability for employees' wellbeing.
- Continual improvement: Periodical review of the relevance and appropriateness of the above endeavours to ensure continually improvement in the group's health and safety efforts.

Astral aims to minimise and prevent any injuries and accidents. The Lost Time Injury Frequency rate is calculated by all business units. This provides for accurate benchmarking between business units and a measuring tool to compare current and past performances. The group has set an Injury frequency rate target of 2.5 for the milling operations and 3.0 for the processing facilities

Operational targets were also set to reduce the recordable injuries by 10%.

Lost Time Injury Frequency Rate is calculated by taking the number of disabling injuries times 200 000 divided by the number of man hours worked by all employees and contractors.

	AGRICULTURE		COMMERCIAL		FEED		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018
Number of fatalities	0	0	0	0	0	0	0	0
Number of first aid cases	8	31	24	93	14	15	46	139
Number of medical treatment cases	9	5	58	65	7	12	74	82
Number of disabling injuries	91	79	150	167	13	24	254	270
Number of recordable injuries	108	115	232	325	34	51	374	491
Injury frequency rate	3.30	2.22	1.36	1.99	0.93	1.38	1.86	1.92
Fatal Injury frequency rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total recordable injury frequency rate	3.92	3.23	2.10	3.78	2.43	2.56	2.74	3.39

### ***Employment Equity***

All our operations comply with the Employment Equity Act and annual reports are submitted to the Department of Labour. Employment equity committees have been established at every business unit to set and monitor progress. The different occupational levels below management level reflect that between 83% and 99% of employees are from the designated groups. We believe that no unfair discrimination exists in the workplace.

### ***Wellness programme***

Our first initiative was to focus on HIV/AIDS.

We recognize the implications of the pandemic on the family structure, the community and long-term issues of sustainability. The reality is that the prevalence of HIV/AIDS among our workforce is currently estimated to be about 22.5% overall. This figure was determined through a voluntary counselling and testing update.

We have implemented a policy on HIV/AIDS focusing on:

- educational programmes at all operations;
- voluntary testing;
- counselling of affected employees;
- training of peer educators.

A total of 79% of employees participated in the Wellness screening and 89% participated in voluntary counselling and testing.

We changed our strategy to a wellness programme during 2009 focusing on:

- height and weight (body mass index);
- blood pressure (hypertension);
- cholesterol;
- diabetes; and
- voluntary counselling and testing for HIV/AIDS.

The past financial year Astral spent R4.6 million on this programme.

### ***Training***

Much emphasis is placed on the development of technical skills, including training under our technical agreements with Provimi Holding BV of Holland, a world leader in animal nutrition solutions.

The “CEO Pinnacle Programme”, which consists of management training and development interventions, was introduced during September 2011. The interventions focus on senior, middle and fundamental management levels as well as supervisory training. The management programmes are presented by the North West University (Potchefstroom Business School).

During the past year, 24 participants in the Middle Management Programme (MMP) and Advanced Management Programme (AMP). Of these participants close to 42% were from the designated group.

Other training and development interventions that we focus on are:

- information technology skills;
- supervisory skills;
- sales;
- quality systems; and
- production and processing skills

We are committed to the Skills Development Act. Our submission of skills development plans and our implementation against targets have ensured the maximum benefit in this regard. We have appointed 30 apprentices (electricians, millwrights, fitters and turners) with assistance from the Sectorial Training Authority for Agriculture.

We have a study loan policy providing employees with financial assistance to further their academic qualifications in line with current and future job requirements.

Apart from the above initiatives, we spent R8.1 million (including costs for non-accredited programmes on training and development of our employees.

### ***Employee turnover and absenteeism***

We continuously evaluate our recruitment processes to ensure that high potential talent is employed, taking cognisance of leadership capabilities, identified competencies for positions and employment equity plans. Our approach is to attract the best people in the industry with focus on the appointment of persons from the designated groups.

The employee turnover for this year was close to 16% on average for the group, mainly as a result of deeming provisions in terms of the Labour Relations Act.

The absenteeism rate decreased from 1.72% (2017/18) to 1.12% (2018/2019) which equates to a saving of R3 million per annum on additional man-hours worked.



### ***Human Rights***

Human rights are central to our legitimacy and are addressed in our code of ethics, including:

- obeying the law;
- respecting others;
- acting fairly; and
- being honest.

Breaches are addressed through the applicable legal system, internal procedures and through “Tip-Offs Anonymous” and employees may use established grievance procedures and they may also seek Union or industry assistance.

All incidents reported through “Tip-Offs Anonymous” are investigated by internal audit and appropriate action taken in terms of the relevant policies and disciplinary procedures.

<b>"TIP-OFFS ANONYMOUS" DATA</b>	<b>2019</b>	<b>2018</b>
Number of calls received	41	42
Number of reports generated	28	26
Number of reports investigated	28	26
Number of convictions	2	3

We apply a “zero tolerance” approach towards fraud and corruption and protect employees who raise concerns relating to fraud and corruption from victimization.

The following alleged offences were reported to the “Tip-Offs Anonymous” line:

<b>ALLEGED OFFENCE</b>	<b>2019</b>	<b>2018</b>
Theft	1	1
Human resource infringements	21	17
Fraud	0	1
Unethical behaviour	5	7
Customer complaints	1	0

It is not our policy to support political parties and no funds were made available for this purpose during the year.

## 5. STAKEHOLDERS

### Issues:

- Stakeholder engagement
- Consumers
  - Product responsibility
- Customers
- Suppliers
  - Preferential procurement
  - Contract growers
  - Packaging and ingredient suppliers
  - Research and development
- Membership of industry organisations
- Employees
- Regulators and compliance
- Community
- Corporate Social Investment

### *Stakeholder engagement*

We believe that continuous, open and transparent communication with all stakeholders is essential to our legitimacy, core to our values and consistent with our sustainable value creation objective. Mutually beneficial outcomes are sought at all times.

Being a listed entity, we comply with legal communication requirements. Furthermore, we believe in regular dialogue with stakeholders and the investor community as a whole. Numerous interviews with financial analysts are conducted and regular sessions are undertaken with investors and media.

STAKEHOLDERS	COMMUNICATION
Shareholders and other providers of capital	Website SENS announcements Trading updates Bi-annual results announcements Integrated annual report Investor relations Face-to-face meetings Site visits
Customers	Face-to-face meetings Regular discussions Advertising through local media
Local communities	Projects which form part of corporate social investment
Industry	South African Poultry Association Consumer Foods Council of South Africa South African Agricultural Processors Association Animal Feed Manufacturers Association
Staff and unions	Confidential hotline through "Tip-offs Anonymous" Bi-annual road shows Management and union meetings Internal newsletters and notice boards
Suppliers	Presentations to Procurement Committee Regular discussions
Government	Adhering to laws and regulations Face-to-face meetings

To communicate our strategy, performance, developments and other information relevant to employees, we deploy a number of electronic communication channels, including a communiqué from the desk of the chief executive officer.

Presentations are made by the Chief Executive Officer to employees twice annually on the group's financial performance and future plans.

Our website provides up-to-date information to stakeholders.

Astral's branded chicken products are distributed widely and reach consumer groups across the spectrum of society. Our consumers can choose from an extensive range of products, from affordable frozen secondary products to higher value fresh chicken, including free range and prepared value added convenience products. The *Goldi* brand has maintained loyal support from the middle to lower income consumers, driven by consistent and trusted quality, availability and good value. *County Fair* and *Festive* brands on the other hand have developed strong equity in the middle to upper income consumer sectors where demand for prime products is stronger. We have recently launched a fresh range offering under the *Mountain Valley* brand.

#### *Product responsibility*

The need for manufacturers to market products that meet the required food safety standards has resulted in a number of on-going initiatives and practices to comply with legislation. The Consumer Goods Council of South Africa in recent years founded the Food Safety Institute, to which we subscribe. Reviews of various statutory requirements and industry legislation have been implemented to better control product quality and food safety.

We take a proactive approach to ensure all processing plants involved in the food chain are Hazard Analysis and Critical Control Point Systems (HACCP) or Quality Management Systems Certification (ISO) certified in terms of Food Safety Management Systems. We follow the farm-to-fork approach, from control of animal feed quality, health of grandparents, parents and broilers as well as hygiene at the abattoirs, processing plants, cold chain facilities and distribution points to end users. Preventative medicine to control food-borne diseases is strictly practised in line with legislation. Monitoring for biological and chemical residues is done by reputable independent laboratories. A team of in-house consulting veterinarians assists the group. All our abattoirs consistently perform above 80% in the Department of Agriculture's Hygiene Program.

We emphasise the importance of traceability of final product and are in a position to trace any emergency situation arising through the system from final product to chicken growing and feed supply. We are actively involved in a number of forums such as the South African Poultry Association, Codex Committees and Statute Committees.

#### *Bird welfare*

We consider the well-being of our biological assets, the chickens, and safety of derivative products (poultry meat and meat products) for human

consumption as paramount. This is achieved through implementation of the South African Poultry Association's Code of Practice that serves as a guide on standards for bird welfare.

#### Genetics and nutrition

The broiler breed called Ross 308 was chosen by Astral for its improved production efficiencies which are realised only when a fine balance between genetics, nutrition, disease control and housing environment is achieved. Birds have free and easy access to nutritious and safe feed as well as clean water. No hormones are used to improve growth and feed utilization.

#### Health and product safety

Strict hygiene standards are maintained through cleaning of floors and equipment with detergents (soap) followed by disinfection (sanitation) at the end of each production cycle. Bacterial tests are regularly conducted on cleaned floors and equipment to ensure the efficacy of cleaning chemicals and methods. This practice eliminates disease-causing organisms, thereby improving bird health. Furthermore, our team of veterinarians continually monitors the health status of chickens. Antibiotics are used under strict veterinary supervision for prevention, control and treatment of specific conditions in order to reduce stress, pain and suffering of the birds. Antibiotics are withdrawn timeously from live chickens prior to slaughter in order to comply with regulations.

#### Housing environment

As none of our chickens are kept in cages, floors in all houses are bedded with clean good quality wood shavings, sunflower husks or wheat straw which keep the birds dry and warm and enables them to scratch and wallow. The bedding that our chicks are placed on in the houses is turned to prevent excessively wet or uncomfortable conditions. Our chicken houses are specifically designed for optimum ventilation and temperature control.

The lighting period is kept longer during the first few days of the birds' life in order to encourage them to eat and drink. Once the chicks have acclimatised to the new environment, lighting is adjusted to enable them to sleep naturally, as they may require.

#### Handling

Handling, transportation and slaughter practices of birds are as stipulated in the South African Poultry Association's Code of Practice.

#### Husbandry

Toe-clipping and beak trimming are done humanely in breeder males using laser technology and hot blade in order to prevent injury to hens by cocks during mating.

## Customers

Our key customers lie primarily in top end retail chains and wholesalers, mainly independently owned, and highly entrepreneurial by nature. Longstanding trading relationships are in place with the major retail groups, who continue to play important roles in reaching our targeted consumers and building our brands. Most of our independent wholesale customers have been partners for decades and have driven distribution of our chicken brands strongly into the independent retail sector. We have a strong association with The Cold Chain which continues to provide crucial services that include warehousing, distribution and merchandising to the retail and wholesale chains on our behalf.

## Suppliers

Raw material availability is synonymous with two main risk areas, namely price and quality/supply. The agricultural commodity markets, as with other commodities, equities and currencies, have been extremely volatile over the past twelve months as a result of the financial crisis, global recession, inclement weather, market sentiment and money flows. High volatility leads to increased price risk which is managed by having a conservative approach to market exposure together with access to knowledgeable and respected advisors and suppliers. These risks are managed through an established process whereby the various conditions which influence commodity prices are monitored on a daily basis. Animal feed is an industry where raw material substitution is an essential skill to optimize feed quality and price. We are a major player in the South African arena but only use approximately 0.1% of the global maize and soya production. Our skill in raw material substitution and access to suppliers with an international footprint will ensure that we will remain a reliable supplier of quality feed.

## *Preferential Procurement*

The BEE scorecard is the key instrument used to direct preferential procurement activities and a BEE supplier database is maintained to ensure compliance. Existing suppliers are encouraged to improve BEE levels, and the search for value adding BEE compliant suppliers is an on-going process. The procurement strategy is in the process of being realigned to the amended B-BBEE codes from preferential procurement to enterprise and supplier development.

The search for empowering suppliers with minimum 51% black ownership is a continuous process. These empowering suppliers are given opportunities to showcase their product offerings through conducting product trials at business units. Suppliers that perform well at business unit level are given opportunities to expand within Astral. To comply with the amended B-BBEE codes, empowering suppliers with 51% black ownership and 30% black female ownership will be given more preferential procurement opportunities.

Historically Disadvantaged South Africans (HDSA) Spend

1. HDSA companies – companies owned and controlled by HDSA – companies with 51% and more Black ownership.
2. Discretionary procurement spend – the sum of all spend on capital, consumables and services excluding inter-company, government, parastatals, municipalities, imported technology and material that is not available locally.

### Discretionary Procurement Spend

#### Astral - Historically Disadvantaged SA (HDSA) Procurement Spend

**1. HDSA Companies** - Companies owned and controlled by Historically Disadvantaged South Africans - Companies with 51% and more black ownership - See BEE certificate

**2. Discretionary Procurement Spend** - Discretionary procurement spend is the sum of all spend on capital, consumables and services excluding inter company , government, parastatals, municipalities, imported technology and material that is not available locally

No.	Type of Procurement Categories	Percentage of Spend with HDSA Companies - F2019	Percentage of Spend with HDSA Companies - F2018
1	Capital	8,5%	11,2%
2	Consumables	9,4%	5,8%
3	Services	18,4%	15,2%
<b>TOTAL</b>		<b>12,8%</b>	<b>9,6%</b>

Astral Operations Limited meets the definition of a Level 4 contributor towards broad-based black economic spend in terms of preferential procurement (although our BBBEE rating is a Level 8).

#### Contract Growers

We make use of contract growers at our Festive and Goldi operations and are continuously seeking opportunities to expand the number of contract growers, especially those that have a BBBEE component involved.

Contract growers are regarded as enterprise development on the BBBEE scorecard.

CONTRACT GROWERS	2019	2018
Total number of contract growers		87
Number of BBBEE contract growers		16

Astral spent more than 50 million on supplier development contributions during the financial year.

### *Packaging and ingredient suppliers*

Packaging and ingredient suppliers have a major impact on the risk management of food quality and safety and are managed accordingly. We drive a policy to exclude dealings with suppliers that pose a threat to our product responsibility. Food safety certification is a compulsory requirement for ingredient suppliers and continuous communication and controls have been established to prevent potential risks occurring such as the notorious Melamine food contamination scandal in previous years.

### *Research and development*

Astral does not spend any funds on research and development of poultry breeding stock. We do however have a supply agreement in place with Aviagen Limited, a United Kingdom-based group for the supply of poultry breeding stock. Aviagen has the leading poultry breeding programme with an investment of over 10% of gross revenue in research and development annually. This investment is focused on gaining continuous product improvement and in delivering the genetic potential of the Ross 308 to our customers. The United States and United Kingdom facilities have introduced a number of “industry firsts” from the application of new technologies, advanced selection techniques and data analysis which have improved selection accuracy and genetic improvement. Aviagen has an established tradition of providing customers with the products and services to meet their current and future business needs. The product development programme is primarily focusing on adding performance improvements that are designed, with the support of several regional technical service teams, to maximise value to the customer. Data from the field suggests an improvement of 2 points in feed conversion and 0.2% increase in eviscerated yield is available to customers annually. To achieve this goal, Aviagen works closely with Astral’s Ross Poultry Breeders division to identify the specific customer needs in the market. The constant improvement, the meticulous evaluation and the development of new products will enable Aviagen to remain at the forefront of the global poultry industry and together with Astral’s Ross Poultry Breeders division, the supplier of choice for South Africa.

### **Membership of industry organisations**

Astral and its employees are members and/or participate in the following organisations:

- Agricultural Business Chamber (Agbiz)
- Animal Feed Manufacturers Association
- Chartered Secretaries of South Africa
- Consumer Goods Council of South Africa
- Health Professions Council of South Africa
- Institute of Directors
- Institute of Internal Auditors
- South African Agricultural Processors Association
- South African Board of People Practices
- South African Institute of Chartered Accountants

- South African Institute of Professional Accountants
- South African Poultry Association
- South African Society for Animal Science
- South African Veterinary Council
- World Poultry Science Association
- South African Ethics Institute

## Employees

To communicate our strategy, performance, developments and other information relevant to employees, we deploy a number of electronic communication channels, including a communiqué from the desk of the Chief Executive Officer.

Presentations are made by the Chief Executive Officer to employees twice annually on the group's financial performance and future plans.

We encourage business units to actively and regularly engage with employees.

## Regulators and compliance

As we are a participant in the food industry, we comply with the strictest standards and are continuously monitored by internal and external parties to verify adherence.

	<b>FSSC 22000</b>	<b>EXPORT</b>	<b>McDonalds</b>	<b>YUM FSA</b>	<b>YUM QSA</b>	<b>NANDO'S</b>	<b>HALAAL</b>
Festive	Certified	Approved	Approved	Exempted	Approved	Approved	MJC
Goldi	Certified	Approved	Not required	Exempted	Approved	Approved	MJC
Goldi Further Pro-cessing	Certified	Approved	Not required	Not required	Not required	Approved	MJC
Mountain Valley	Certified	N/A	Not required	Not required	Not required	Not required	SANHA
County Fair Hocroft	Certified	Approved	Approved	Not required	Not required	Approved	MJC
County Fair Epping	Certified	N/A	Not required	Not required	Not required	Not required	MJC

FSSC - Certification Scheme for Food Safety Systems including ISO 22000; ISO/TS 22002-1: 2009 and additional FSSC 22000 requirements  
 QSA - Quality Safety Management System  
 MJC - Muslim Judicial Council certified  
 SANHA - South African National Halaal Authority certified



**FEED DIVISION**

	ISO 22000 : 2005	ISO 9001:2015	AFRI COMPLIANCE
<b>Meadow</b>			
Randfontein	√	√	√
Delmas	-	√	√
Standerton	√	√	√
Pietermaritzburg	√	√	√
Paarl	√	√	√
Port Elizabeth	-	√	√
Ladismith	-	√	√

ISO 22000:2005 - Food Safety Management Systems certification

ISO 9001:2018 - Quality Management Systems certification (Replaces ISO 9001:2008 in 2018)

AFRI COMPLIANCE - Compliance to AFRI Compliance Protocol –Legal Focus viz Act 36 of 1947

Our combined assurance model includes management, internal and external assurance providers.

**Management oversight:** Line management is accountable and responsible for the management of risk and performance. A key element of this activity is the extent of management reviews and the actions that follow such as policies and procedures, delegation of authority, performance measurement, risk management and control self-assessment.

**Risk and legal bases:** Corporate functions provide support to line management in executing assurance duties. These include functions such as human resources, procurement, compliance, risk management, quality assurance, health and safety, engineering, forensic (fraud risk management), insurance and actuaries.

**Independent assurance** Internal audit, external audit and the independent providers and compliance service providers.

## Community

We play an active role in the communities in which we operate through a social investment strategy which focuses on education, HIV/AIDS and upliftment.

### *Corporate social investment*

The Wellness Programme is an initiative in corporate social investment (“CSI”) and benefits not only our employees but extends into the broader community.

### **Supplier Development**

Astral spent more than R50 million on supplier development contributions during the 2019 financial year.

## **6. ENVIRONMENT**

The Carbon Tax Act came into effect on 01<sup>st</sup> June 2019. The objective is to reduce the impact of climate change, following the “polluter must pay principle” by taxing greenhouse gas (GHG) emissions. Carbon tax will be implemented in two phases, the first phase is from 01<sup>st</sup> June 2019 to 31<sup>st</sup> December 2022 and the second phase from 2023 to 2030. Carbon tax is expected to significantly strengthen in the second phase.

To combat challenges of climate change, carbon tax etcetera, it is crucial for business to align business strategy and sustainability to mitigate risk and be sustainable. Environmental protection is an essential precondition to gain a sustainable competitive advantage and forms an integral part of a proactive managed business.

Proactive sustainability measures are required by business to mitigate risk, posed by cash strapped Eskom and the unstable electricity infrastructure of municipalities.

The areas of concern regarding Eskom are:

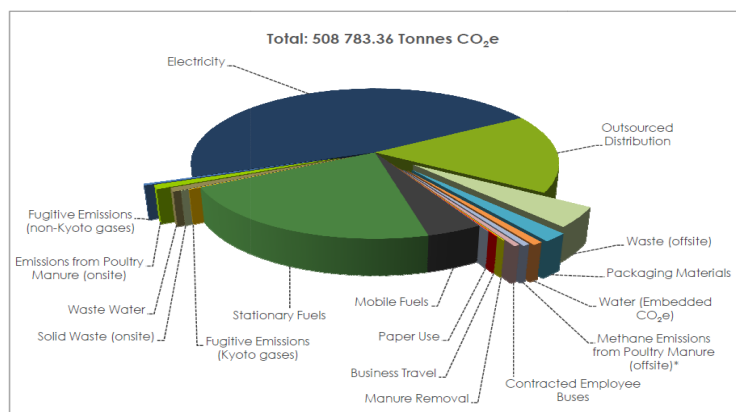
- Financial sustainability – Eskom’s debt is expected to exceed, R600 Billion in the next three years. With rising costs and a declining customer base, Eskom is unable to survive without imposing huge electricity tariff hikes on consumers
- Operational sustainability – Eskom does not have a stable electricity generation capacity, posing a high risk of load shedding in the short to medium term
- Carbon tax – Eskom is responsible for 42% of South Africa’s carbon emissions. Whilst Eskom is exempted from paying carbon tax in the first phase, Eskom’s carbon tax bill is estimated at R11.5 Billion in 2023.

Astral acknowledges its responsibility to the environment extends beyond legal and regulatory compliance and we understand ***business sustainability is about doing all that is sustainably necessary in the short to medium term in return for a sustainable business in the long term.***

## Environment Impact Assessment (EIA)

In 2011, Astral commissioned Global Carbon Exchange (GCX) to conduct a carbon footprint analysis of its operations.

### Astral total emissions by source (Oct 09 to Sept 10):



#### Key findings for Scope 1 and 2 emissions:

- Scope 1 emissions accounted for 141 684 tonnes CO<sub>2</sub>e, or 28% of total measured emissions. Stationary and mobile fuels were the major contributors
- Coal and LPG were identified as the major CO<sub>2</sub>e contributors to stationary fuels
- Diesel was identified as the major CO<sub>2</sub>e contributor to mobile fuels
- Scope 2 emissions accounted for 237 954 tonnes CO<sub>2</sub>e, or 47% of total measured emissions
- Electricity contributed to all of scope 2 emissions.

A holistic approach, managing risk and sustainability forms an integral part of Astral's management process. Strategic and operational action plans led by executive team members are in place to manage various matters including sustainability. Executive team members meet on a regular basis to monitor and discuss progress of action plans.

## Environmental sustainability vision

To drive sustainability by implementing innovative, sustainable and value adding proven solutions

## Environmental sustainability mission

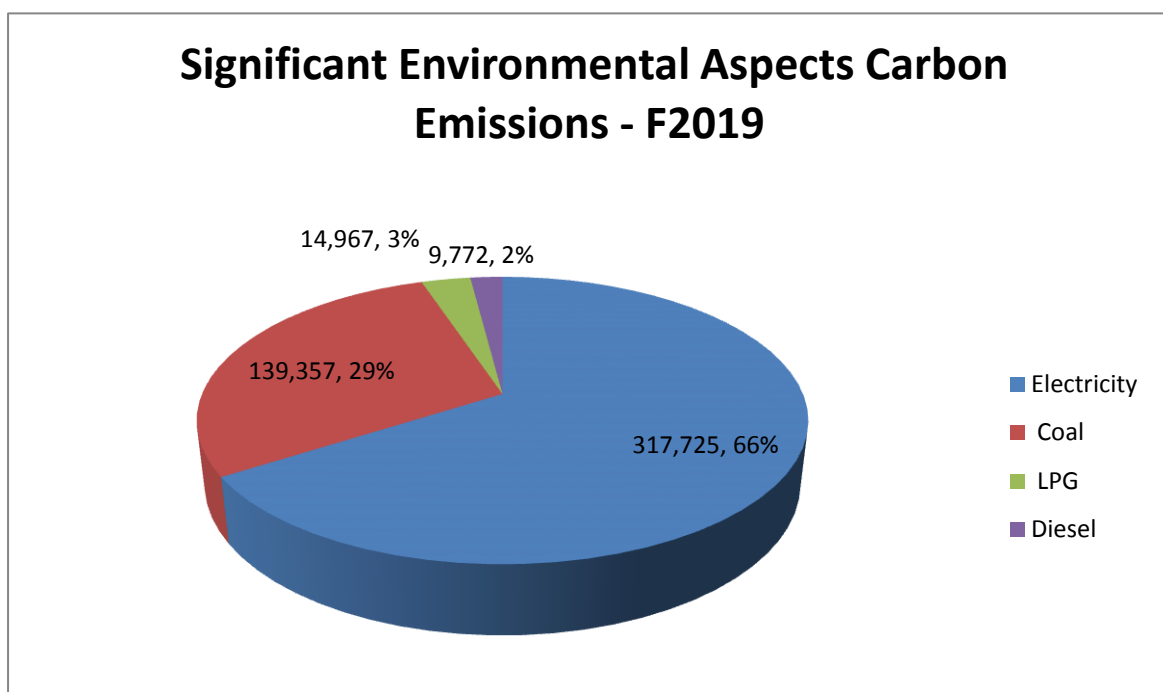
Through participative management, innovative and sustainable solutions will be investigated and value adding proven solutions will be implemented

## Significant environmental aspects

The following environmental aspects were identified as significant through the carbon footprint analysis conducted by Global Carbon Exchange (GCX) in 2011:

Scope 1 emissions - Coal  
 Scope 1 emissions - LPG  
 Scope 1 emissions - Diesel  
 Scope 2 emissions – Electricity

Significant environmental aspects – Carbon Emissions for F2019



The significant environmental aspects carbon emissions for F2019 are at 481 820 tonnes CO<sub>2</sub>e. Electricity accounts for 66% of the significant environmental aspects carbon emissions, followed by coal at 29%.

## Objective and Targets

### Objective

To reduce carbon emissions on significant environmental aspects by implementing innovative proven sustainable solutions in the medium to long term.

## Targets

Significant environmental aspects carbon emissions reduction target for F2020:

No.	Significant Environmental Aspects	F2020 - Carbon Emissions Savings Target (tCO <sub>2</sub> e)
1	Electricity	3 926
2	LPG	0
3	Diesel	0
4	Coal	196
<b>Total</b>		<b>4 122</b>

The following targets are also set for F2020:

No.	Environmental Aspects	UOM	F2020 Savings Target
1	Packaging Material Recycled	Tons	472
2	Water - Conservation and Efficiency Improvements	kl	2 972
3	Water Recycled	kl	586 773

## Process Outline

Each business unit is responsible to meet its environmental targets and interacts with other business units and stakeholders to search for innovative sustainable solutions.

The sustainability investigation team assists business units to find innovative sustainable solutions towards meeting targets.

To mitigate risk, business units are encouraged to implement proven sustainable solutions that are tried and tested in the Astral group.

At year end, business units set environmental targets for the following year.

Included in the annual environmental sustainability report are a report back on environmental targets and an action plan of sustainability progress.

## Responsibilities

The Chief Operating Officer (COO) is responsible for environmental sustainability at each business unit.

The financial manager is responsible for the reporting of sustainability data on Finnivo, an internal accounting reporting programme.

## Sustainability Data

<b>Environmental Aspects</b>	<b>2019 - Actual</b>	<b>2020 - Target</b>	<b>Change</b>
<b><i>Stationary Fuels</i></b>			
Coal (GJ)	1 568 450	1 687 065	118 615
<i>Coal saved due to conservation and efficiency improvements (GJ)</i>	1 872	2 210	338
LPG (GJ)	231 977	259 108	27 131
<i>LPG saved due to conservation and efficiency improvements (GJ)</i>	270	0	(270)
<b><i>Mobile Fuels</i></b>			
Diesel (GJ)	132 227	124 626	(7 601)
Biofuel (GJ)	0	0	0
<i>Diesel saved due to conservation and efficiency improvements (GJ)</i>	0	0	0
<b><i>Energy</i></b>			
Electricity (GJ)	1 150 715	1 175 988	25 273
<i>Energy saved due to conservation and efficiency improvements (GJ)</i>	5 414	14 133	8 719
<b><i>Water</i></b>			
Water consumption (kl)	5 733 165	5 811 143	77 978
From boreholes (kl)	978 836	1 321 390	342 554
From municipal sources (kl)	4 754 329	4 489 753	(264 576)
<i>Water saved due to conservation and efficiency improvements(kl)</i>	6 455	2 972	(3 483)
Recycled Water (kl)	504 957	586 773	81 816
<i>Recycled water as a percentage of total water</i>	9%	10%	1%
<b><i>Materials</i></b>			
Packaging Material (tons)	10 411	11 000	589
<i>Recycled – Packaging material recycled (tons)</i>	465	472	7
<b><i>Effluents and Waste</i></b>			
Waste to landfill (tons)	7 593	7 575	(18)
Hazardous waste disposed (tons)	36	36	0
Water discharged (kl)	3 039 410	3 632 968	593 558
Litter (m <sup>3</sup> )	413 649	445 166	31 517

*Number of significant spills	1	0	(1)
<i>Recycled- Litter (m³)</i>	399 043	429 974	30 931
<i>Recycled waste as a percentage of total waste</i>	95%	95%	0%
<b>Other</b>			
**Number of environmental non-compliance prosecution and fines	1	0	(1)

\* Meadow Feeds Port Elizabeth – Leak of Molasses (700 litres) from damaged flow bin

\*\* Meadow Mozambique – Fined for not having an environmental licence. At commencement of business environmental licence was not a prerequisite

## Implementation Plan

According to the Paris Agreement, South Africa committed to reducing carbon emissions by 34% by 2020 and 42% by 2025. The Paris Agreement is an international climate agreement, signed by more than 190 countries. The objective of the Paris Agreement is to fight against climate change by limiting the increase of global warming, well below 2 degrees Celsius from the pre-industrial era.

In June 2019, Astral appointed Climate Neutral Group to assist with the implementation of National Greenhouse Gas Emissions Reporting and with compliance to the Carbon Tax Act. This appointment was valuable as it enhanced better understanding of all aspects of carbon emissions and carbon tax.

Whilst focus is placed in reducing carbon emissions, the ultimate goal is to align to the commitments made by South Africa to the Paris Agreement.

## Sustainability Management at Business Units

Matters relating to sustainability are actioned by our business units. Monthly management meetings are held to monitor and track progress on various matters, including sustainability.

Sustainability projects implemented are aligned to our vision and strategic goals. Operational action plans are aligned to strategic action plans and through participative management, strategic goals are realised.

The following matters relating to sustainability are of major concern and will require more focus to adapt and mitigate risk going forward:

- Eskom is exempted from paying carbon tax in the first phase but in the first year of the second phase, 2023, Eskom's carbon tax is estimated at R11.5 billion.

- The basic tax free allowance of 60% is expected to fall away in the second phase of carbon tax.
- The likelihood of carbon budgeting coming into effect in the second phase of carbon tax is high since the world is making slow progress of restricting carbon emissions from danger levels.
- Greta Thunberg's campaign of fighting climate change is gaining momentum on a daily basis, placing immense pressure on global leaders to intensify efforts to reduce carbon emissions.

### **Sustainability Investigation Team**

The purpose of the sustainability team is to work with business units, service providers and other stakeholders to find workable sustainable solutions to propose to the sustainability committee for evaluation before projects are presented to the Astral Executive Committee for approval. The following persons are members of the sustainability investigation team as well as members of the sustainability committee:

Anil Rambally – Purchasing and Sustainability Executive

Gerrit Visser – National Processing Executive

Andries Steyn – Planning and Sustainability Manager

### **Bridging the Gap between Procurement and Sustainability**

#### **Service Provider Database**

At Astral there are three types of service providers namely:

- Local suppliers – Local service providers used at respective business units
- National suppliers - Service providers used by more than one business unit
- Preferred national suppliers – National service providers appointed by Astral Procurement to supply specific products and services to business units

#### **Supplier Vetting**

Supplier vetting forms and integral part of Astral's procurement function as the goal is to ensure, reputable, reliable and value adding service providers are appointed to Astral's procurement database. An external party, RMG Forensics is appointed to vet service providers.

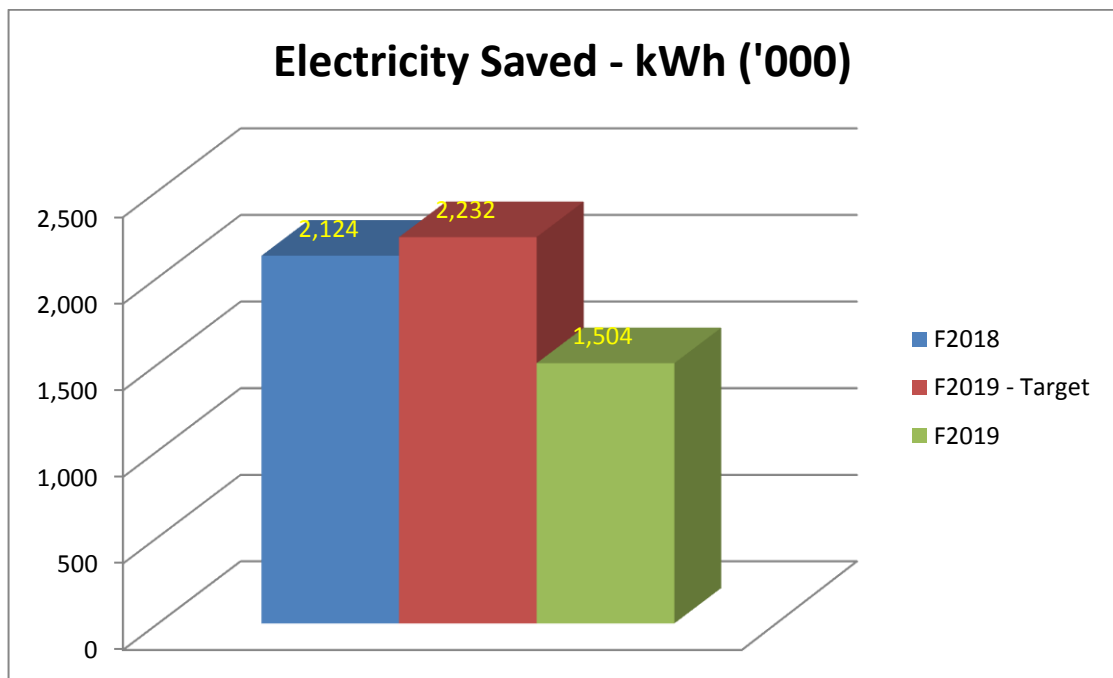


## Procurement of products and services relating to sustainability

Irresponsible procurement of products and services can negatively affect the sustainability of a company. Before projects are implemented, extensive research and pilot projects (if possible) are conducted to mitigate risk. Reputable, reliable and value adding service providers are appointed as preferred national suppliers to the Astral Group to promote uniformity in the procurement process.

## Action Plans

### Electricity Savings Analysis



Electricity saved in F2019 is at 1 504 kWh'000 versus the F2019 target of 2 232 kWh'000 and prior year of 2 124 kWh'000, a decrease of 41.2% in comparison to prior year.

Energy savings were achieved through the implementation of the following projects:

- Change to energy efficient motors
- Recovery of refrigeration heat to preheat water
- Implementation of Solar Photovoltaic project at National Chicks Boschkop
- Change to energy efficient lighting.

## Replace Coal with Light Straight Run (LSR) at Mountain Valley



Pollution from fossil fuels is the largest contributor to climate change with coal being the dirtiest energy source. Coal is the world's leading source of energy-related carbon pollution. Banks and business are slowly shying away from coal due to the stigma attached to it. Liquid Petroleum Gas (LPG) on the other hand is considered the fuel of the future. Local refineries are unable to cope with demand, leading to growing volumes of Liquid Petroleum Gas (LPG) imported into South Africa. With Eskom continuously hiking electricity prices and risk of load shedding resurfacing as the economy grows, a higher demand for Liquid Petroleum Gas (LPG) is expected.

LSR (Light Straight Run) is an innovative alternate energy source, produced by Sasol in South Africa, marketed to industrial customers on a guaranteed supply basis. Carbon tax came into effect in 2019 and with the spotlight turned on coal, energy efficient and low carbon energy sources are in demand. The pilot project at Mountain Valley is in operation for 2.5 years and Light Straight Run (LSR) proved to be energy efficient and a low carbon energy source.

With coal branded as dirty energy and the demand for Liquid Petroleum Gas (LPG) growing, the opportunity of using Light Straight Run (LSR) as an alternate fuel source will grow in South Africa.

## Resource Efficiency and Cleaner Production (RECP) project feedback

The National Cleaner Production Centre South Africa (NCPC-SA) is a key partner in assisting Astral in its sustainability journey. Over the years, Astral embarked upon many projects with the National Cleaner Production Centre South Africa (NCPC-SA) such as Energy Management Systems (EnMS) implementation training, Energy Expert Training and Resource Efficiency and Cleaner Production (RECP) projects.

Below is the Resource Efficiency and Cleaner Production (RECP) progress report embarked with the National Cleaner Production Centre South Africa (NCPC-SA) in F2014:

ASTRAL/NCPC - SUSTAINABILITY PROJECT STATUS SUMMARY							
NO.	DIVISION	NAME OF BU	RESOURCE - OPPORTUNITY IDENTIFIED	PROJECTED COST SAVINGS (R/YEAR)	PROJECTED ANNUAL RESOURCE SAVINGS	DATE IMPLEMENTED	COMMENTS
NC001	Poultry	National Chicks - Hatchery (KZN)	Waste heat recovery from compressor	R 43 560	4150 litres of parafin		To investigate converting to Light Straight Run (LSR)- F2020
NC002			Solar energy for water	R 9 250	7650 kWh	Sep-15	Implemented - F2015
NC003			Power Factor Correction	R 59 100	636 kVA of maximum demand	Sep-16	Implemented - F2016
NC004			VSD on air compressor	R 21 000	17 400 kWh		Investigated - Compressors not compatible with VSD drives
NC005			Fixing compressed air leaks	R 18 300	15100 kWh	Sep-15	Implemented- F2015
MV001	Poultry	Mountain Valley	Replace geysers/water heater with heat pumps	R 59 500	Coal - 109 tons, 116 000 kWh	May-17	Implemented in May 2017. Coal boiler replaced with Limpfield Burner- LSR Project
MV002			Pumps efficiency improvement	R 30 950	46 400 kWh	Oct-18	Implemented -Oct. 18
MV003			VSD on air compressor	R 14 750	22 100 kWh	Nov-14	Implemented - Nov 14
MV004			Electronic condensate drain trap	R 1 500	2250 kWh	Oct-14	Implemented - Oct 14
MV005			Variable head pressure on condenser	R 128 000	192 000 kWh	Jul-14	Implemented - Jul 14
MP001	Feed	Meadow Feeds Pietermaritzburg	Improve boiler efficiency	R 416 850	397 tons of coal		Capex budget not approved - To be reconsidered in F2020
MP002			Resizing of fans	R 57 700	65 500 kWh	Ongoing	Spot filters are being installed in a phased approach.
MP003			VSD on palleting fans	R 206 700	1045 tons of steam	Jun-15	Implemented - Jun 15 (Project Complete)
MP004			Stopping compressed air leaks	R 10 940	12 428 kWh	Aug-14	Repaired leaks in Aug -14 - ongoing.
MP005			Stopping steam leaks	R 67 250	340 tons of steam	Aug-14	Repaired leaks in Aug -14 - ongoing.

## **Alternate Energy Solutions**

### **Solar Photovoltaic Energy Solution – National Chicks Boschkop**



In April 2019 a Solar Photovoltaic, Roof Mounted, Grid-Tied Pilot Plant was commissioned at National Chicks Boschkop Hatchery near Pretoria. The solar project is performing exceptionally well which augurs well for the implementation of solar projects within Astral. The vision of investigating the use of Solar Photovoltaic is to:

- Decrease power costs
- Reduce dependency on the national grid
- Reduce carbon emissions
- Gain insight into clean energy projects

The National Chicks solar project is committed to a 5 year maintenance agreement with Solaray Projects (Pty)Ltd. Solaray commissioned large Solar Photovoltaic projects for Toyota and Man Truck and Bus.

Solar Photovoltaic projects are in the process of being investigated at County Fair and Festive.

### **Natural Gas Project – Goldi Abattoir**



In F2018, approval was granted to conduct a feasibility study for a gas powered energy plant for Goldi due to the instability of the Lekwa Municipality electricity infrastructure. In May 2018, the feasibility study was presented and discussed with the Goldi executive team.

In August 2018, the sustainability committee agreed to commence further investigations on the gas powered energy plant proposed but identified the long term supply of natural gas as high risk.

The natural gas supply from Mozambique to South Africa via Sasol is expected to experience supply shortages from 2023. The good news is, an onshore Liquid Natural Gas (LNG) facility is in the process of being built in Mozambique and the project is expected to be commissioned in 2023/2024. First shipments of Liquid Natural Gas (LNG) are expected in South Africa via Richards Bay in 2024 and changes to the Lily pipeline to transport regasified Liquid Natural Gas (LNG) from Richards Bay into South Africa are in progress.

Single Destination Engineering is in the process of compiling a turnkey energy solution, using dual fuel (natural gas/diesel) Marine Engines for Goldi.

### **Beneficiation of Waste Project at County Fair**



Negotiations with a waste to energy development team are in progress at County Fair to build, operate and maintain an anaerobic digestion plant of converting chicken litter into biogas. Proven, Poul-AR® technology will be used to build the anaerobic digester and the biogas generated will go through an ennoblement process to produce compressed natural gas (CNG). The plan



is to investigate the use of compressed natural gas (CNG) to replace some broiler farms, using liquid petroleum gas (LPG) for heating purposes.

### **Beneficiation of Waste Project at Festive**



In F2018, negotiations between Bellmall Energy and Festive on the beneficiation of waste project was finalised and presented to Astral.

The plan is for waste water and condemned organic waste to be transferred from Festive to the Central Thermal Plant, operated by Bellmall Energy in exchange for treated water and steam. The treated water will be reused in production and 12 Megawatt Turbines will be used to convert steam into electricity at Festive. In addition, the secondary heat from the turbine will be recycled to reduce coal based energy usage at the abattoir.

The above project is placed on hold, awaiting the outcome of an appeal lodged by an Environmental Group on the approved Environmental Impact Assessment (EIA).

### **Packaging and Packaging Material Recycled**

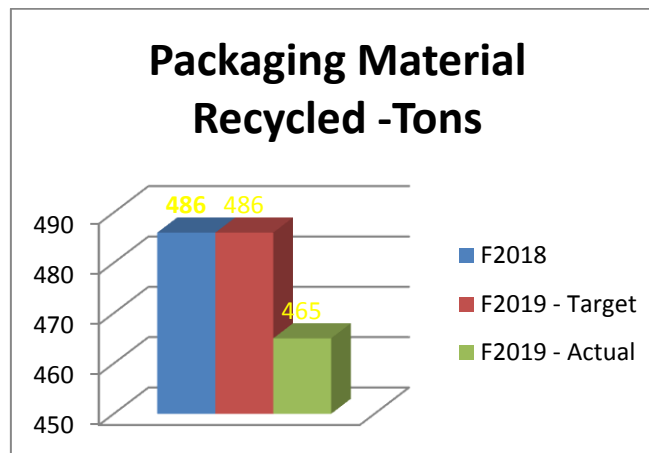
#### **Packaging Material**



Aligned with our environmental sustainability vision of implementing innovative, sustainable and value adding solutions, a packaging sustainability project was embarked upon with Tropic Plastics. Tropic Plastics is high profile innovative packaging material manufacturer and is Astral's preferred national supplier. The goal of the sustainability project was to investigate the use of a lighter weight chicken bag, manufactured using enhanced polymer.

After changing from a 50 micron 2kg chicken bag to a 40 micron bag, successful projects were implemented at Goldi, Festive, Mountain Valley and County Fair, realising a bag weight reduction of 20%. In addition to the environmental footprint reduction, economic sustainability benefits were also realised on the project.

## Waste Recycling



Packaging material recycled in F2019 is at 465 tons versus the F2019 target of 486 tons and prior year of 486 tons, a decrease of 4.3% in comparison to prior year. Plans are in place to investigate packaging material recycling opportunities at various business units in F2020.

## Waste Management



The Festive team set a zero to landfill goal, ensuring compliance to environmental legislative requirements. Effective 01<sup>st</sup> October 2016, Festive partnered with Oricol Environmental Services, a company with a triple multi-site certification. The overall strategy of Oricol Environmental Services is SHEQ excellence and turning waste into a resource.

In F2019, 6 081 tonnes of waste were collected from the Festive Abattoir and 3 613 tonnes of waste was diverted from landfill sites, a diversion of 59%.

In F2019, the Festive Kaalfontein hatchery also teamed up with Oricol Environmental Services and 1 643 tonnes of waste was collected whilst 1 571 tonnes was diverted from landfill sites, a diversion of 96%.

## **Water Management**

### **Water Security**



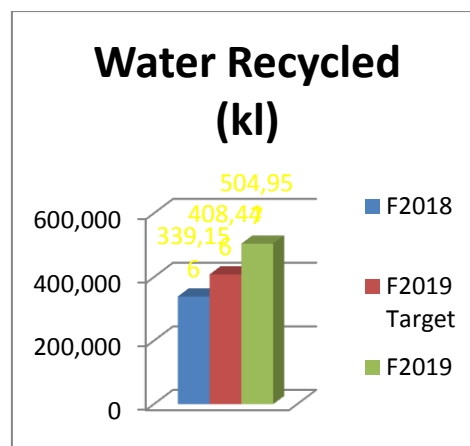
In F2017, County Fair partnered with Proxa to develop a reverse osmosis water treatment plant for the second largest poultry processing facility at Astral, County Fair Hocroft. The water treatment plant utilises Proxa's Aquamobile ultrafiltration and reverse osmosis technologies to provide County Fair with potable water for reuse in production. The reverse osmosis water treatment plant was commissioned in October 2017.

In F2019, Goldi Primary Processing experienced severe water problems due to the deterioration of the water infrastructure in control by Lekwa Municipality in Standerton. Poor management of the water infrastructure led to production disruptions and financial losses at Goldi.

Following the successful implementation of the reverse osmosis water treatment plant at County Fair, capital expenditure was approved for Proxa to commission a reverse osmosis water treatment plant for Goldi in F2020.



## Water Recycled



Water recycled in F2019 is at 504 957 kl versus the F2019 target of 408 446 kl and prior year of 339 156 kl, an increase of 48.9% in comparison to prior year. In F2019, recycled water as a percentage of total water increased to 9% from 6% in F2018.

## Procedures

- 5.1 The procurement of sustainable solutions is governed by the financial and procurement policies and procedures in place at each business unit.
- 5.2 Sustainable projects of a capital nature are governed by Astral's financial policy. Following an approval framework, sustainability projects are approved by business units before projects are submitted to the board for authorisation.
- 5.3 Each business unit is responsible to report sustainability data on Finnivo, an internal accounting reporting programme.
- 5.4 At year end, the purchasing and sustainability executive, consolidates the sustainability data and compiles the annual environmental sustainability report. The report is submitted to the company secretary and financial director of Astral.
- 5.5 The Astral environmental sustainability report is included in the annual integrated report. The Astral integrated report is available online for public viewing.