HOW WE SUSTAIN VALUE

INVESTING IN THE CAPITAL STOCKS

	SOCIAL AND RELATIONSHIP CAPITAL	OUR PEOPLE (Human capital)	OUR BRAND, REPUTATION AND COMPANY CULTURE
KEY INPUTS	› Committed workforce › Investor confidence › Constructive relationship with government and regulators › Positive supplier and customer relations › Trusted brand and reputation with consumers and society › Stable operating context contributing to sustained market demand.	› Strong and diverse board › Experienced executive team › 10 158 permanent employees › Enabling environment › Adequate governance structures › Improved reward and personal development opportunities.	› Long operating history › Strong brand and reputation › Unique product formulations and trusted recipes › Research and development capacity › Governance and business systems › Company culture.
ACTIONS TO SUSTAIN VALUE	› Product and process innovation including with value, health and nutrition, convenience and sustainability › Active engagement with suppliers › Trading terms that are fair, equal and available to all customers › Regular investor communication › Structured engagement with regulators; continued focus on compliance and societal contributions › Increased food support to communities most in need during the National Disaster period.	› Implemented our people strategy to build a diverse talent base, develop leadership capacity and creating a great place to work › Invested in employee reward and personal development opportunities – R4,0 billion on wages and benefits – R94 million on employee training › Continued focus on promoting diversity and employment equity › 2021 Southern Africa Gender Mainstreaming Champion › Prioritised employee health and safety during the lockdown period and recent regional riots › Embedded our enhanced employee wellbeing programme (THRIVE).	› Continued focus on innovation and renovation to meet consumer needs including with value, health and nutrition, convenience, e-commerce and sustainability › Deploy marketing best practice toolkit across the business › Drive relevance in value segment by building the clear benefits of our current brands.
OUTCOMES OF OUR ACTIVITIES	**Generally positive relations across key stakeholder groups** ✓ 40% reduction in marketplace incidents ✓ 25% reduction in consumer complaints ✓ R14 billion BBBEE-verified supplier spend ✓ Empowerment of Women in the Community Award and the Economic Empowerment Award in the annual Mainstreaming Awards recognising our contribution to sustainable initiatives that provide income opportunities to women and poor communities as well as our enterprise development programmes, such as the Dipuno Fund and Agricultural Aggregator Model, that empower women-owned and managed businesses. ✓ Consumer favoured swift and decisive reaction to packaging defect with KOO with net promoter score improving post the recall. **Continuing concerns in certain areas** x Pending listeria Class Action lawsuit and associated reputational concerns x Investor uncertainty on growth prospects in tough market.	**Maintained focus on employee motivation and engagement in a challenging Covid-19 context** ✓ Voted number one employer of choice in manufacturing sector by graduates ✓ Recognised as a Top Employer 2021. **Strengthened board diversity** ✓ 2021 Southern Africa Gender Mainstreaming Champion in the listed category at the annual Gender Mainstreaming Awards ✓ Women on Boards – currently 54% of our board of directors, 36% of group executive committee and 44% of senior leadership are women. **Improvements in employee health and safety** ✓ Zero fatalities (2020: 2) ✓ 9% improvement in lost-time injury frequency rate.	**Sustained a strong brand presence** ✓ Completed purpose journeys on majority of our major brands with evident impact ✓ Won Kantar award for Best Liked Ad in 2020 (Tastic). **Innovation launches** ✓ Value: new value packs in bread, chutneys, KOO vegetables and Personal Care categories ✓ Health: new product lines in the Snacks, Baby, and Personal Care categories, and relaunch of a lower calorie drinks product ✓ Further significant launches imminent in health and snackification.
SIGNIFICANT CAPITAL TRADE-OFFS	Our success as a business depends ultimately on the quality of our relationships with key stakeholders, particularly with our customers, suppliers, regulators and investors. These stakeholders often have different and sometimes conflicting priority interests (see page 27); balancing these competing interests requires trade-offs as we may be seen to favour certain stakeholder priorities over others. Investing in social and relationship capital also often requires short and medium-term financial capital inputs, placing heightened pressure on margins in the short term, but generally generating positive return over the longer term.	Labour remains one of our most significant costs. In the context of heightened demand for skills, attracting, retaining and developing executive talent can be a material short-term cost, not only depleting financial capital in the short term, but also potentially raising concerns regarding inequitable pay distribution. In the context of tough operating conditions, and pressure to increase margins, there was a strong drive to secure further labour efficiencies and productivity gains across our operations. While reducing labour costs has benefits in terms of financial capital, it has potentially significant negative implications on human and social capital.	Our legacy is built on the strength of our brands and the quality of our products, which in turn depends on our proprietary product recipes, our capacity to innovate in response to changing consumer preferences, our robust food quality and safety systems, and our innovative marketing and consumer engagement. Maintaining our leadership in these areas is key to long-term growth, but often has short-term implications on financial capital.

SEE PAGES 45 – 47 AND SUSTAINABILITY REPORT.

MANUFACTURED CAPITAL

- 41 manufacturing facilities
- 36 sites
- Logistics and distribution.

- R1,0 billion capital expenditure in manufacturing and distribution capability and technology
- Prioritised key value items during Covid-19 lockdown phases
- Initiated a new capex approval process
- Investment in information technology (IT) infrastructure and capabilities.

Continued investment in plant and equipment

✓ Ensured availability of our products and sustained food security throughout the Covid-19 lockdown phases

✓ 97% on-shelf availability.

Some challenges remain

x Continuing pressure on margins

x Product recall due to defective packaging.

Investing in plant and equipment is beneficial for longer-term growth, and often leads to cost-efficiency and reduced environmental impacts but can impair short-term financial performance. Modernising facilities may lead to job losses, negatively impacting social and human capital. Any job losses generally contribute to reduced consumer spend and undermine market growth.

SEE PAGE 40.

FINANCIAL CAPITAL

- Equity
- Borrowings
- Cash generated from operations.

- Implementation of fit-for-future operating model with clear lines of accountability
- Continued drive on operational efficiency
- Strong corporate governance structures
- Acceleration of portfolio optimisation initiatives
- Clear guiding principles in response to the growth of private label.

✓ 19,3% return on net assets (RONA) (2020: 21,1%)

✓ R54 million paid in net interest (2020: R97 million)

✓ R4,0 billion cash generated from operations (2020: R3,0 billion)

✓ Savings of R498 million (2020: R474 million)

✓ Total dividend per share declared: 826 cents (2020: 670 cents)

✓ 12,7% return on equity (2020: 9,0%)

✓ ROIC 12,1%< weighted average cost of capital (WACC) 12,2% (2020: 11,2%<12,8%)

✓ ROIC excluding the product recall and civil unrest 15,3% > WACC 12,2%.

Ensuring sustainable growth in financial capital sometimes involves significant capital investments in the short term – for example to maintain and optimise plant and equipment, invest in research and development (R&D), and develop employee talent – or alternatively involves divesting from certain businesses and/or closing of manufacturing plants. Some of these activities to optimise financial capital may be more efficient and have positive benefits in terms of safety and the environment, but come at the cost of employment opportunities, undermining social capital and contributing to broader downward trends in consumer spend. The trade-off between delivering short-term results – to enhance investor sentiment and attracting necessary financial capital – against the need to deliver longer-term sustainable growth, is one of the more challenging trade-offs affecting businesses generally.

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NATURAL RESOURCES CAPITAL

- Local and imported raw materials and ingredients
- Water for production facilities comprising municipal supply and own borehole sources
- Fuel (diesel and petrol) for distribution as well as manufacture
- Fertile soil and conducive agricultural conditions (regenerative agriculture)
- Energy for manufacturing (primarily Eskom electricity).

- Continued energy and water efficiency measures, with supporting mitigating plans to ensure continuity of production
- Investment in innovations to optimise packaging and reduce waste
- Partnerships to reduce food waste and packaging waste.

Some progress in mitigating impacts

✓ Absolute water down by 13%

✓ Total greenhouse gas emissions down by 30% due to lower year-on-year production

✓ Absolute energy use down by 20%; energy intensity down by 15%.

Challenges remain in certain areas:

x Water intensity up by 6%

x Post Covid-19 global supply chain squeeze.

Natural capital is a critical input for our activities. Our means of generating value across the other capitals unfortunately often involves some negative impact on natural capital, sometimes only evident in the longer term. The global food system is recognised as having a significant impact on biodiversity and habitat loss, climate change and packaging pollution, placing direct pressure on some of the resources we depend on, and increasing consumer and regulatory pressure for more sustainable business practices. Given our dependency on natural capital, as well as the potential impact on reputational capital, we strive to minimise environmental impacts by investing in mitigating measures in our processes, products and packaging. These measures may themselves have trade-offs – for example using more packaging to reduce food waste, or investing in carbon-efficient technologies that reduce jobs. Balancing these trade-offs is an important challenge affecting all businesses in resource-related sectors.

SEE SUSTAINABILITY REPORT.