

sustainable development report



Introduction and overview

Sustainable development enables corporate citizens to prosper in a responsible manner and within a framework that safeguards both their and future generations' long-term sustainability. It requires the identification and active management of those issues that could materially affect the long-term successful existence of the enterprise in the context of all stakeholders – including, but not exhaustively, shareholders and institutional investors, consumers, employees, customers, suppliers, government, unions, and local communities.

AVI Limited ("the Company") has a well-run governance framework that enables it to identify and manage material sustainability issues. The Company operates in a manner that ensures that the needs of the present generation of stakeholders are met without compromising future generations. Sustainability matters are monitored and managed, for example, by the appropriate diversity committee, health and safety committee, internal review committee, audit committee or social and ethics committee, while the overarching responsibility for matters before these committees remains vested with the Company's Board of directors ("Board"). Sustainability matters that are deemed to be of a material nature, or that require heightened focus, are elevated to the Board. Executives within the Company remain responsible for specific matters and are held accountable for their successful implementation and management.

The Company considers its sustainability responsibilities under the following three broad categories:

- **Ethics** – ethics are at the foundation of an effective and sustainable organisation that must be able to operate without censure or compromise over the long term. Proper ethics and appropriate values are central to the Company's culture and therefore to the behaviour of its employees. They assist in establishing a willingness to accept and respond to broader issues in our society, forming the basis of the Company's interactions with its stakeholders.
- **Scarce resources** – in order to ensure future generations have access to the resources on which the Company is reliant, and that the Company's viability is not compromised in the long term, the Company is intent on carefully managing those scarce resources relevant to its operations, where practical, and ensuring that its operation does not detrimentally impact vulnerable and/or endangered natural habitats, wildlife or local communities. The Company is committed to the application of sustainable practices across its operations.
- **Transformation and good corporate citizenship** – the Company recognises the moral, social and economic imperative to embrace and support transformation in South Africa and to be regarded as a valuable participant in the South African economy and society. The Company also recognises the need to be, and to be seen as, a good corporate and socially responsible citizen that is desirable to do business with.

COVID-19

On 15 March 2020 the South African Government declared a national state of disaster relating to the Novel Coronavirus Disease 2019 (COVID-19) outbreak, which had been declared a global pandemic by the World Health Organization. This was followed shortly afterwards by the announcement of a nationwide lockdown from 26 March to 16 April 2020, subject to certain regulations enacted in terms of the Disaster Management Act, 2002. This was subsequently extended to 30 April 2020, where after a gradual and phased easing of lockdown restrictions, based on a risk-adjusted strategy, was announced with effect from 1 May 2020. In addition to the enactment of the regulations, the Department of Labour and Employment enacted the COVID-19 Occupational Health and Safety Measures in Workplaces Directive (as amended from time to time) to manage the continued operations of essential services workplaces during the total lockdown and the subsequent re-opening of other workplaces thereafter.

The Company drafted, published and implemented a COVID-19 Preparedness and Response Policy in terms of which all Group companies were required to comply with the legal framework and to provide guidelines for each workplace to develop workplace-specific COVID-19 protocols. All of the Company's workplaces implemented compliant COVID-19 protocols.

As essential service providers, National Brands, I&J and certain product categories of Indigo Brands remained open during the level 5 total lockdown. Since then, under the easing of the restrictions, all of the Company's remaining businesses have re-opened.

The Company was fortunate to be able to sustain its role as a provider of essential products, during the various stages of lockdown and thereby sustain its cash flows, and pay its employees and suppliers.

Guiding framework

The following guidelines and/or standards were consulted when compiling this report:

- The King IV Report on Corporate Governance for South Africa, 2016 ("King IV report");
- The Listings Requirements of the JSE Limited ("Listings Requirements");
- The JSE Responsible Investment Index criteria; and
- The Global Reporting Initiative ("GRI") framework.

While the King IV report and Listings Requirements require the Company to prepare an integrated report, various other reporting frameworks deal with the

underlying sustainability reporting criteria. The GRI framework and JSE Responsible Investment Index have been identified by the Company as appropriate frameworks for reporting on these issues based on the Company's specific needs, its areas of operation and stakeholder concerns.

During the year the Company identified material Group-wide issues for reporting purposes and an index indicating where these issues are referenced throughout this annual report can be found on page 57. While these issues have been categorised according to the GRI framework, the Company has not undertaken a detailed self-assessment nor been formally assessed, and the decision to use the GRI and JSE Responsible Investment Index frameworks for guidance in compiling this report is not intended to declare compliance as understood in either framework. In addition the Company has been independently assessed by FTSE Russell (FTSE International Limited and Frank Russell Company) on behalf of the JSE against the FTSE Russell ESG Rating framework and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

FTSE
Russell

CERTIFICATE OF MEMBERSHIP

This is to certify that

AVI

is a constituent company in the FTSE4Good Index Series



FTSE4Good

June 2020

The FTSE4Good Index Series is designed to identify companies that demonstrate strong environmental, social and governance practices measured against globally recognised standards.

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The Company remains committed to ongoing review and re-assessment of the scope of its reporting, as well as to regular consideration of the advisability and need for formal reporting or assessment against the accepted frameworks.

Disclosures on the Company's approach to managing the matters reflecting on the Company's sustainability can be found throughout the report either as an introduction to the relevant sections or as specific disclosures on relevant issues.

Social and Ethics Committee

The Social and Ethics Committee was constituted in August 2011 in terms of the Companies Act No. 71 of 2008, as amended, and the Regulations thereto ("the Companies Act 2008"), and adopted formal terms of reference, delegated to it by the Board, as its charter. The charter is subject to the provisions of the Companies Act 2008 (in particular Section 72 as read with Regulation 43). The committee has discharged its functions in terms of its charter, and in particular reviewed the Company's activities, having regard to relevant legislation and other legal requirements and best practice, relating to:

- Social and economic development;
- Good corporate citizenship;
- The environment, health and public safety;
- Consumer relationships;
- Labour and employment; and
- The Company's ethics codes and performance.

The committee has unrestricted access to all Company information, employees and directors and is authorised, after discussion with the Chairman of the Board or the Chief Executive Officer where necessary, to investigate any matters within its terms of reference; seek external professional advice; secure the attendance of relevant consultants at its meetings; and implement policies approved by the Board. In addition the committee has the mandate to bring matters within its remit to the attention of the Board and to report back to shareholders at the Annual General Meeting.

For further details regarding the composition and meetings of the committee, shareholders are referred to the Corporate Governance Report on page 64.

Stakeholder engagement

Stakeholder engagement is an important aspect of the Company's sustainability responsibilities and it formally identifies and recognises material stakeholders with legitimate interests with whom it engages on relevant issues. Engagement with these stakeholders takes a variety of forms, depending on the matter at hand, and may vary in frequency. Where key topics and concerns are raised through such stakeholder engagements, the Company responds to the relevant stakeholders in a variety of ways, including directly or through its annual reporting. The table below lists the more obvious stakeholders and provides examples of the nature of the engagements that the Company has with them.

Stakeholder type	Nature of engagement
Shareholders, analysts and media	<ul style="list-style-type: none"> • Annual General Meeting at which shareholders have an opportunity to vote on material resolutions, including the appointment and remuneration of directors • Distribution of information via the website, including financial, brand, governance, social, ethics, and sustainability matters • Press releases and SENS announcements • Formal presentation of the half year and final financial results to the investment community • Integrated Annual Report • Interviews and media briefings • Scheduled bi-annual meetings with analysts • Ad hoc meetings with analysts and investors, both locally and overseas, as required • Meetings to resolve queries on specific matters as required
Customers and consumers	<ul style="list-style-type: none"> • Daily contact in own and customers' stores • Meetings • Consumer and product research • Marketing campaigns • Websites • Customer care and complaint lines • Customer audits

Stakeholder type	Nature of engagement
Employees and employee representative bodies (including unions)	<ul style="list-style-type: none"> • Intranet and published newsletters or notices • Bi-annual presentations by the Chief Executive Officer to the executive community • Presentations and written communication (e.g. newsletters and posters) on material issues and regulations affecting employees • Conferences and general staff meetings • Performance appraisals • Union representative forums • Workplace forums such as the employment equity and learning and development forums • Industry relevant Sector Education and Training Authorities • Independent anonymous reporting hotline • Intranet-based incident reporting system • Ad hoc events
Suppliers	<ul style="list-style-type: none"> • Product conferences • Visits and meetings • Supplier audits • Senior operational and procurement staff day-to-day interactions
Communities and non-profit organisations	<ul style="list-style-type: none"> • Corporate social investment programmes • Workplace learning and development programmes for unemployed learners • AVI graduate development programme • Partnerships and sponsorships • Ad hoc community engagements in surrounding communities, including Company sponsored employee volunteer days
Business associations	<ul style="list-style-type: none"> • Participation in, or membership of numerous associations such as the South African Chamber of Commerce & Industry; Accelerate Cape Town; the Consumer Goods Council; a number of fishing industry associations including the South African Deep-Sea Fishing Industry Association, the Responsible Fishing Alliance, the World Wildlife Fund's South African Sustainable Seafood Initiative, the Abalone Farmers' Association and the South African Mid-water Trawling Association; the Association of Food and Science Technology; the Restaurant Association; the Speciality Coffee Association; the Cosmetic, Toiletry and Fragrance Association; the Aerosol Manufacturers' Association; the Institute of Packaging; the South African Rooibos Council, and the Responsible Packaging Management Association of South Africa • Participation in association initiatives
Government or regulators	<ul style="list-style-type: none"> • Regular contact with significant industry regulators directly or through business associations

Ethics

The Company has a well-established and comprehensive Code of Conduct and Ethics ("the code") that applies to all directors and employees and provides clear guidance on what is considered to be acceptable conduct. The code requires all directors and employees to maintain the highest ethical standards and ensure that the Company's affairs are conducted in a manner which is beyond reproach. The code is communicated to all new employees as part of their induction training, published on the intranet for access at all times by employees, and published on the external website for public access. The code is aligned with the recommendations in the King IV Report and is regularly reviewed to ensure that it remains up to date and relevant.

In order to monitor ongoing compliance with the code, the Company has a formal governance framework. Within the governance framework material issues are highlighted in management reports that are reviewed by the operating executives. If appropriate, matters are elevated to the Company's Board or Audit and Risk Committee. This formal framework is supported by the Company's internal audit function, which is responsible for investigating identified areas of concern and reporting its findings to the Company's Chief Financial Officer and the Audit and Risk Committee. The Company subscribes to an independent, professional hotline disclosure service as an important component of an ethical environment. This service facilitates confidential reporting on fraud and other unethical conduct.

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Communication drives are undertaken from time to time to remind employees of this “whistleblowing” service. In addition the Company has implemented an in-house intranet-based incident reporting service that requires employees to report incidents, or potential incidents, which have caused, or could have caused, harm to the Company’s property or people on the Company’s premises. A senior employee actively manages the incident management reporting system and also engages with the ethics hotline service providers. All anonymous reports and other reported incidents are reviewed on a daily basis, and, if appropriate, thoroughly investigated. The Company has a proven track record of dealing appropriately with matters arising from the ethics hotline and incident management reporting systems. Investigations and disciplinary hearings have been held and, where appropriate, civil and criminal action has been taken.

In addition to the formal framework, it is imperative to promote a culture that is consistent with the ethical values that the Company aspires to. This is achieved through the example set by the Board and executive management, consistent enforcement of these values, and the careful selection of employees that display the desired attributes and values. The Company continues to communicate formally with suppliers and customers to secure their support for and compliance with its ethical standards.

Scarce resources and biodiversity

Fishing resources

One of the Company’s primary exposures to scarce resources that could materially impact its business is the sustainability of fishing resources (primarily deep water hake) in South African territorial waters. I&J has secured long-term hake fishing rights at a level that can support economic returns provided that the resource remains at sustainable harvest levels.

A number of fishing rights that were allocated in 2005 expired at the end of 2015 and had to be reapplied for by means of the 2015 Fishing Rights Allocation Process (“FRAP2015”). After numerous delays in the process, including an extended appeal process, the Department of Environment, Forestry and Fisheries (previously the Department of Forestry and Fisheries and the Department of Environmental Affairs, which were merged in 2019) (“DEFF”) announced the outcomes of the applications in the respective sectors. Based on the allocation process I&J was allocated 18,4% of the Hake Inshore Trawl (previously 34,1%), 13,4% of the Patagonian Toothfish (previously 17,8%), and 4,3% of the Horse Mackerel (previously 11,7%) total allowable catches. Despite an appeal, no rights were awarded to I&J for Kelp.

In adjudicating the appeals on the Horse Mackerel allocation, the Minister upheld the quantum allocation methodology applied by the Delegated Authority, namely the Deputy Director General: Fisheries Management, when awarding rights. I&J is, together with several of its industry counterparts, in the process of taking this decision on review in the Western Cape High

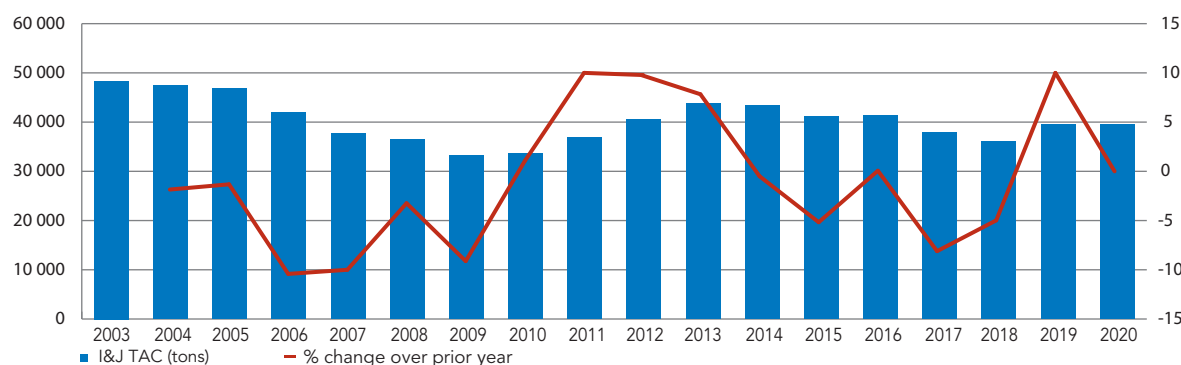
Court. A date for hearing has not yet been set and, if opposed, it is anticipated that the matter will likely only be heard during the course of 2021 at the earliest.

The current Hake Deep Sea Trawl long-term rights, along with a number of other fishing rights, were due to expire at the end of 2020. These have however, been extended to the end of 2021 to allow adequate time for the completion of the FRAP. The revised 2020/2021 project plan timeline was gazetted on 26 June 2020. The gazette provided that draft policies, application forms, and fees will be made available for public comments from 12 October to 30 November 2020. During this period public consultations will also be held. The application process will then open from 1 February 2021 and run to 2 April 2021, where-after the adjudications will run between 17 May and 30 November 2021. Although I&J’s experience in FRAP2015 has created a level of uncertainty regarding the 2020/2021 process, there are several initiatives in progress to ensure that I&J is well positioned to compete effectively for hake long-term rights in this process. In addition, there is ongoing engagement between the South African Deep Sea Trawling Industry Association – an association of South African trawler owners and operators that catch, process and market Cape hake – DEFF, and the broader fishing industry to emphasise and promote an understanding of the role of the large fishing companies in the deep sea trawling industry and the vital role they play in the ocean economy, and to seek alignment on the role and promotion of small scale fishing within the industry. To this end the South African Deep Sea Trawling Association supported a professional, independent economic study of the hake deep sea trawl industry during 2019, which report has been distributed to relevant stakeholders in the industry.

The health of the South African fishing resource is managed by DEFF. DEFF sets an industry-wide annual “total allowable catch” (“the TAC”) for each species under management and, for certain species, also sets a “total allowable effort” (“the TAE”) in which a limit is placed on the number of boats, number of men, and the number of days per year that each boat is licensed to fish. In addition to the TAC, hake trawling sector effort limitations apply which seek to ensure that the capacity of the deep-sea trawling fleet does not grow too big for the available resources.

The TAC level is managed conservatively based on scientific modelling of catch data recorded by fishing companies and annual resource survey voyages conducted by the department using either their own or chartered vessels. The graph below shows the I&J TAC over an extended period, with movements tracking the performance of the hake resource over time. After a period of several years of decreases in quota in line with resource performance, the TAC was increased by 10% in 2019, reflecting an expectation of an improvement in resource performance after a period of strong recruitment. The TAC was left unchanged in 2020.

I&J TAC 2003 to 2020



In the past few years I&J has caught a high proportion of small fish, negatively impacting freezer catch rates and land-based processing owing to an increase in the number of fish to be processed for an equivalent volume. This has been experienced previously and is part of the natural biomass cycle, which is influenced by various environmental factors. Although this proliferation of small fish negatively impacts performance in the short term, it is indicative of strong recruitment. This has been evidenced by an increase in larger fish more recently as these small fish mature.

In May 2015 the Marine Stewardship Council recertified that the South African hake resources met the requisite environmental standards for sustainable fishing for a further five years. This certification gives assurance to buyers and consumers that the seafood comes from a well-managed and sustainable resource, which is increasingly relevant in I&J's export markets. The next recertification is currently in progress and is scheduled to be concluded by December 2020. It is expected that the industry will be recertified for a further five years.

I&J strives to lead initiatives to manage fishing effort and protect breeding areas off the South African coast. Effort control measures, such as the ring-fencing initiative for the demarcation of trawling grounds, are being monitored and I&J continues to partner with DEFF to ensure compliance and enforcement thereof. I&J has a good working relationship with the World Wildlife Fund South Africa ("WWF-SA") which has resulted in the development of projects such as the responsible fisheries training programme and initiatives to reduce the incidental mortality of sea birds. During 2009 WWF-SA and I&J, together with other major South African fishing companies, formed the Responsible Fisheries Alliance ("RFA"). The alliance is intended to ensure that all stakeholders understand and support the implementation of an Ecosystem

Approach to Fisheries ("EAF") management in South Africa's fisheries. EAF seeks to protect and enhance the health of marine ecosystems. The goals of the RFA include promoting responsible fisheries practices, influencing policy on fishery governance, and supporting skills development and research in the industry.

I&J is the signatory to a Participation Agreement with WWF-SA's Sustainable Seafood Initiative ("WWF-SASSI") which provided that by the end of 2015 all seafood sold by I&J would be either:

- certified by the Marine Stewardship Council ("MSC") for wild caught products; or
- certified by the Aquaculture Stewardship Council ("ASC") for farmed products; or
- green-listed by the South African Sustainable Seafood Initiative ("WWF-SASSI"); or
- the subject of a credible, time bound improvement project.

I&J's commitments have been incorporated into the I&J Sustainable Seafood Policy ("SSP"), a comprehensive document that sets out the standards to which I&J strives to adhere and the standards expected from its suppliers. With the policy in place customers are assured that all I&J seafood products are derived from sustainably managed fisheries or aquaculture operations, or fisheries working under an improvement programme.

However, notwithstanding this policy, during I&J's fishing operations there will be incidents where species with sustainability concerns may be caught as unavoidable by-catch. I&J cannot completely avoid or exclude these species from its fishing operations but it is committed to ensuring that these species are included in an effective By-Catch Management Plan and best practice solutions are pro-actively implemented to manage and mitigate the impact on these vulnerable species.

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Water

Water is and always will be a scarce resource throughout South Africa and the recent drought in the Western Cape has served to highlight this issue. Potential shortages, interruption of municipal supply, and quality of water have all been identified as risks at many of the Companies' facilities. The subsidiary companies have invested substantial time and money in addressing the problem and have taken steps to mitigate these risks, which include using borehole water, installing water reservoirs, recycling condensate and effluent, installing a desalination processing plant at I&J, and simultaneously taking action to measure and better manage water consumption.

I&J in particular is highly dependent on potable water to produce ice for the fishing operations as well as for the processing and cleaning of fish at both the Woodstock Primary Process and the Paarden Island Value Added Processing facilities. I&J has implemented a number of water saving initiatives across the business, resulting in a reduction in excess of 80% of usage of municipal water since FY16. In 2017/2018 and in view of the drought in the Western Cape and the risk of significant water supply restrictions in Cape Town, I&J engaged with both Government and water specialists to assist in investigating alternatives with a view to securing a supply of water sufficient to maintain operations into the future. To this end a substantial investment in producing potable water from non-potable ground water, and a desalination process have been installed, both of which have assisted substantially in the reduction of I&J's dependence on municipal water.

Indigo Brands has continued its water saving initiatives and, notwithstanding the relief of good rainfall in the Western Cape in the past season, went ahead with the drilling of an on-site borehole, yielding 18 000 litres per hour of non-potable water. The investment required to purify this water is substantial and Indigo Brands will continue relying on water transported from the I&J water purification plant in the event of municipal supply interruptions.

Borehole yield and quality tests at the Rosslyn snacks factory conducted in the previous year indicated sufficient capacity to provide for over 90% of the factory's water requirements. A project is being prepared to install suitable water purification equipment and storage tanks. Process water tanks have been installed and commissioned at the Westmead biscuit factory, which will reduce the impact of water supply interruptions resulting from poor quality water reticulation infrastructure in the area. However, while back-up water tanks are in place, repeated and protracted water supply interruptions in the Isando area necessitated the use of tanker-supplied water to the Isando biscuit factory on three occasions during the year, after the back-up tanks had been depleted.

Electricity

The extreme energy shortages experienced in South Africa a few years ago and which re-occur on a regular basis, highlighted the need for the Company to be more self-sufficient and to make energy conservation a priority. Numerous energy saving initiatives have been implemented by the subsidiary companies to manage energy usage and, at the same time, generators have been installed at most of the Company's facilities to ensure continuity of supply. During the past year the back-up generator project at the Rosslyn factory got under way. Despite delays occasioned by the national lockdown in the last quarter of the year, the infrastructure is expected to be commissioned in the first half of the new financial year. Subsequent to the end of the year the Rosslyn area was impacted by infrastructure maintenance failures flowing from industrial action by the Tshwane Municipal Power Department. This has reinforced the need for self-sufficiency.

Biodiversity

South African biodiversity presents a wide variety of natural resources. Despite its relatively small land surface area, South Africa is home to 10% of the world's plant species, many of which are endangered and vulnerable. The loss and degradation of South Africa's biodiversity has serious implications for society and the economy. Large portions of the country's economy are dependent on biodiversity, including the fishing industry and agriculture based on indigenous species.

I&J's Danger Point abalone farm is situated immediately adjacent to the sea and is the Company's only property in or adjacent to an area of high biodiversity. South Africa's high energy coastline is generally unsuitable for offshore fish farming and land-based aquaculture allows for better control over environmental factors so that the impact on the environment can be limited. Although abalone aquaculture has a relatively low impact on the environment, in order to minimise any potential harm, the global abalone farming industry, including I&J, has, together with the WWF, developed a set of standards. The Danger Point abalone farm has adopted the Global Abalone Standards and has been audited by the Aquaculture Stewardship Council. Accreditation was granted in November 2015 and renewed in 2019. This eco-label is used to guarantee that I&J's abalone products are and continue to be raised in an environmentally responsible manner. I&J has also been granted approval by DEFF to further expand the farm as well as to relocate the processing plant from Walker Bay to the farm.

The Rooibos plant *Aspalathus linearis* is part of the Cape Floral Kingdom, commonly known as “fynbos”. Rooibos is indigenous to the Cederberg Mountains around Clanwilliam. At the turn of the 19th century it was common practice for the inhabitants of the Cederberg region to harvest the wild-growing Rooibos plants. The leaves and fine stems were chopped, fermented and dried to be used in a variety of ways. In 1904 a Russian immigrant and descendant of generations of tea traders, introduced Rooibos to the wider world. By 1930 a local medical doctor and botanist had discovered the secret of germinating Rooibos seeds and, together with a local farmer, developed new cultivation methods on a larger scale along the slopes of the Cederberg Mountains. This is still the only place in the world where Rooibos is grown.

The commercial farming and production of Rooibos has resulted in the establishment of a worldwide distribution network and medical science is only starting to discover the many health benefits of Rooibos. In 2010 the South African San Council (“SASC”) approached DEFF requesting negotiations with the Rooibos industry in accordance with the National Environmental Management (Biodiversity) Act of 2004 (“NEMBA”). In 2012 they were joined by the National Khoi & San Council (“NKSC”) in seeking recognition as joint traditional knowledge rights’ holders. Under the facilitation of DEFF these two parties met with the South African Rooibos Council for the first time in 2012 to start the process of negotiating an Access and Benefit-Sharing (“ABS”) agreement for Rooibos. One of the fundamental principles of an ABS is the fair and equitable sharing of the benefits arising from the commercial utilisation of indigenous biological resources.

After a long and thorough process of negotiations, an historic, industry-wide, ABS was signed in 2019 between the SASC, the NKSC, and the South African Rooibos industry. The ABS seeks to balance the interests of the indigenous communities and the sustainability of the industry and forms the basis on which these communities will access a percentage contribution from the sale of Rooibos. The ABS now brings the Rooibos industry into compliance with South Africa’s bioprospecting laws and regulations. The benefits generated will be paid to the communities through two community trusts. These trusts will be overseen by trustees selected from within the traditional communities and the local farming communities. Additional members may include independent legal advisors and representatives of DEFF, the Department of Cooperative Governance and Traditional Affairs, and the Department of Science and

Technology. The trusts will also be under the oversight of the Master of the High Court.

The industry is excited to have reached this milestone and is looking forward to growing the Rooibos industry for the benefit of the traditional communities, the local farming communities, and the wider Rooibos industry. On a global scale, natural forests are amongst the most bio-diverse habitats and are home to many people who derive their livelihoods from forest biodiversity. Large scale industrial logging and monoculture plantations are man-made causes of damage to natural forests. Protecting these and other bio-diverse habitats must be a priority for all industries and the Company is committed to addressing the issue of corporate deforestation through the development and implementation of environmentally friendly, responsible and sustainable procurement programmes, including the procurement of paper and packaging and palm oil. Details of such procurement programmes are set out in the environmental practices section of this report on pages 50 to 53.

Transformation and good corporate citizenship

Transformation

The Company recognises the moral, social and economic imperatives to embrace and support transformation in South Africa and to be a valuable participant in the South African economy and society. A transformed company in the South African context is not only one that has a workforce that is representative of the country’s racial and gender demographics and that operates with a bias towards broad-based empowerment opportunities, but one that also embraces diversity.

The Company continues to focus on transformation and remains intent on providing a workplace that encourages diversity. Transformation is considered in the context of broad-based black economic empowerment (“BBBEE”) and is measured annually by an external verification agency against the generic BBBEE scorecard. A central senior manager actively coordinates the Company’s efforts and ensures that the subsidiaries are well educated on the various facets of transformation. The subsidiaries’ progress is monitored and they are centrally assisted in the implementation of targets and various initiatives. During the year under review significant time and funds were invested in advancing the transformation plans that had been developed in previous years. The progress of these plans was reviewed at half year and appropriate and revised activities were agreed upon, where necessary.

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From FY10 to FY14, on the original BBBEE Codes of Good Practice, AVI materially improved its rating from a level 6 contributor (at 53,78%) to a level 4 contributor (at 70,25%). Since 2015 the verifications have been done against the amended Codes and for the first 3 years the Company consistently achieved a level 7 rating, discounted to level 8. In FY18 the Company improved its score and achieved a level 6 rating (78,22 points), which was then discounted to level 7 for failing to achieve the required 40% threshold on supplier development. FY19 saw further improvement to a level 5 rating, with no discounting owing to the minimum thresholds for equity ownership, skills development, preferential procurement, supplier development, and enterprise development having been achieved.

The consolidated score achieved for FY20 is level 6 (at 71,48 points) with no discounting. The main element

that contributed to the change from level 5 to level 6 was Skills Development. This was for 2 reasons, firstly the inability of the Company to continue with and complete its skills programmes during the COVID-19 lockdown, and secondly a change in the interpretation of the provision relating to the absorption of unemployed learners at the end of their skills programmes. No dispensation was given to measured entities by the Department of Trade and Industry to take account of the impact of COVID-19.

BBBEE scorecard

A comparison of the FY15 to FY20 scorecard elements is set out below. As the amended Codes differ significantly from the "old" Codes, a comparison to years prior to 2015 would not be meaningful without an accompanying analysis of the underlying data.

Six-year BBBEE scorecard

Element	2020 %	2019 %	2018 %	2017 %	2016 %	2015 %
Ownership	54,99	56,45	77,50	76,39	58,20	55,95
Management control	32,67	29,81	28,94	27,74	24,33	25,94
Skills development (including bonus points)	68,04	100,75	90,97	57,82	68,73	69,26
Enterprise and supplier development (including bonus points)	78,38	81,61	75,39	62,31	56,66	43,09
Socio-economic development	100	100	100	100	100	100

EMPOWERLOGIC

Broad Based Black Economic Empowerment Verification Certificate

A Consolidated Verification Certificate issued to

AVI Limited and Subsidiaries

Level 6 Contributor

Measured Entity	
Company Name	AVI Limited and Subsidiaries
Registration Number	1994/017201/06
VAT Number	Refer to second page
Address	2 Harries Road Illovo Johannesburg 2196
B-BBEE Status	
B-BBEE Status Level	Level 6
Element Points Obtained	EO: 13.75 points; MC: 6.21 points; SD: 13.61 points; ESD: 32.92 points; SED: 5 points
Discounting Principle Applied	No
Measurement Period Year End	30/06/2020
Empowering Supplier	Yes
<small>*Black Owned: >51% and full points for Net Value *Black Women Owned: >30% and full points for Net Value</small>	
Black Voting Rights	17.23% Black Women Voting Rights 9.00%
Black Economic Interest	12.05% Black Women Economic Interest 6.23%
51% Black Owned *	No 30% Black Women Owned * No
Black Designated Groups	1.02% Normal Flow Through Principle Applied
Issue Date	21/08/2020
Expiry Date	20/08/2021
Certificate Number	ELC9632RGENBB
Version	Final
Applicable Scorecard	Amended Codes - Generic
Applicable BBBEE Codes	Amended Generic Codes Gazetted on 11 October 2013 and Amendments Gazetted on 31 May 2019
EmpowerLogic (Pty) Ltd Reg. No.: 1995/000523/07 BBBEE Verification Agency	



SANAS Accredited

Per Gianna Le Roux
Member - Verification Committee



This certificate supersedes any previous certificates issued to the Measured entity. This certificate is the result of an independent and impartial verification of the BBBEE status of the measured entity measured against the Codes of Good Practice on Broad Based Black Economic Empowerment. This certificate has been issued in accordance with the EmpowerLogic Verification Certificate Policy. EmpowerLogic uses the Law Trust advanced electronic signature system (eSign) which is compliant with the Electronic Communications and Transactions Act no 25 of 2002. The validity of the certificate is ensured as long as the digital signature details corresponds with the Technical Signatory's details as displayed on the certificate.

Ownership

The Company achieved an ownership score of 54,99% and met the 40% threshold for net value (one of the sub-elements of equity ownership). This is in part still owing to the Company's Black Staff Empowerment Share Scheme ("the Scheme"), which was launched during January 2007 and the changes made to the Scheme in 2010, which allowed the Company to secure recognition of the Scheme for BBBEE rating purposes, thereby visibly providing support to the Company's transformation agenda. The Scheme placed 7,7% of the Company's total issued share capital or 26 million ordinary AVI shares in a trust for the benefit of its eligible black employees and, in aggregate, the participants benefited from growth in the share price over a seven-year period, with the first tranche vesting after five years.

The first tranche of shares, being one-third of the total allocation made on 1 January 2007, vested on 1 January 2012. The final tranche vested on 31 December 2018. Over the life of the Scheme, approximately 18 300 participants benefited from the Scheme and received a total gross benefit of R841 million, including 1 597 participants who left the Company's employ in a manner that classified them as "good leavers" and which good leavers received a total gross benefit of R106,6 million.

At a subsidiary level, the Company remains committed to ensuring that a direct economic benefit flows to I&J employees and the Company's Board has approved the continuation of a 5% black staff shareholding up to 2020. The total amount paid to participants since commencement of the scheme in May 2005 amounts to R41,5 million – a significant contribution towards the financial and social upliftment of I&J's employees. In addition 20% of the shareholding in I&J is held by two broad-based black empowered companies with strong commitments to the South African fishing industry. Both of these are important aspects of the focus on the transformation of the fishing industry.

Management control

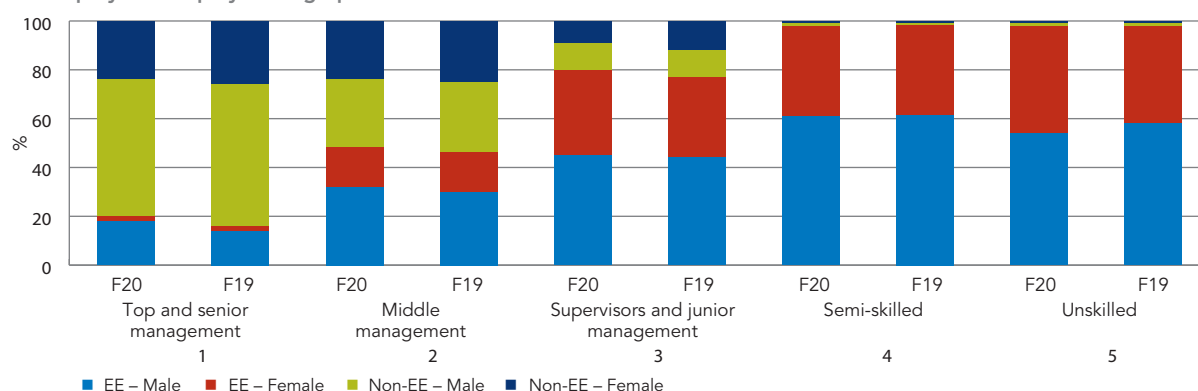
Management control measures both Board participation and employment equity as one element.

The Company achieved a score of 32,67%. Management control is an area of material importance and heightened focus for the Company. The Management Control element measures transformation at the Senior, Top and

Board levels and the Employment Equity element measures transformation at the Junior and Middle Management levels. The on-going improvement in the Employment Equity score is reflective of the Company's training and internal talent management and promotion programmes.

Attracting senior black candidates from their current employment in these less certain economic times is difficult. It is anticipated that the economic downturn in the past 12 months will exacerbate this even further with employees being loathe to leave existing employment. At time of writing, the status of the current university year is unknown and the recruitment of suitable graduating students may be delayed. The Company nonetheless continues its efforts to appoint, develop and retain black employees, especially where representation is required in the middle, senior and top management bands. The Company's employment equity efforts remain behind training, developing and mentoring black employees with the objective of retaining them and preparing them for more senior roles.

AVI employment equity demographics



Skills development

Development of the Company's employees remains a priority. Material progress has been made over the years by originating relevant learning opportunities for a broad community of employees, continually reviewing current learning services and requirements, and enhancing their alignment to the Company's needs. This has assisted the Company in the development of its employees in an appropriate manner and progressing the Company's transformation agenda.

The Company continues to have strong and credible relationships with six key Sector Education and Training Authorities ("SETA"), including the Food and Beverage SETA (which presented the Company with an award for excellence in implementing occupationally directed training programmes), the Wholesale and Retail SETA, the Transport SETA, and the Chemical Industries SETA, which enabled the Company to receive mandatory

payments of R3,89 million and discretionary grant payments of R4,3 million. Unfortunately the national COVID-19 lockdown which started in April 2020 resulted in delayed payments for the year, which are now only expected to be made in the new financial year. Furthermore, the payment holiday on the skills development levies given by the Government, resulted in reduced income for the SETAs. This could in turn impact their ability to pay grant payments already due.

The Group skills development facilitator continues to focus on the management of learnership programmes, apprenticeships, internships, and graduate and work experience programmes and during the year the Company had 606 learners (the majority of whom were black) on skills development programmes.

Learnership programmes remain a priority throughout the Group.

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In the past year National Brands supported 182 learners, of whom 31 were unemployed disabled persons on key programmes, including Business Administration.

I&J has made substantial investments in training unemployed youth for the fishing and broader maritime industry. I&J is also the first Group business to participate in the Youth Employment Service (YES programme) initiated by Government in terms of the BBBEE Act and aimed at youth employment. I&J has registered 60 unemployed youths on 12 month youth employment contracts, thereby giving them their first opportunity at employment. During the past year I&J invested in the formal training of 149 people (of whom 41 are disabled) on programmes including NQF3 and NQF4 Business Administration, NQF3 Freight Handling, NQF2 Fish and Seafood, NQF2 Wholesale and Retail Distribution, and NQF3 Maritime Operations. I&J makes every effort to find employment for learners within the business, or at one of its business partners.

Indigo Brands trained 51 learners (of whom four are disabled) and focused attention on NQF2, 3 and 4: Production Technology, as well as the Inventory Control learnership programmes. An electrical apprentice successfully completed his trade test and was retained in the business in place of a retiring electrician – an example of a well-planned and executed succession plan. For the periods, FY20 and FY21 Indigo Brands has invested in an unemployed NQF2: Production Technology learnership programme, three apprenticeships, and one Cosmetic Science (COSCHEM) bursary, all of which are progressing well. 11 Indigo Brands employees were selected to attend the AVI People Effectiveness programme in partnership with GIBS.

Spitz successfully enrolled 81 people on the UNISA retail programmes, including Retail Management and Introduction to Retail. In addition 18 store managers participated in the NQF5 Generic Management programme for wholesale and retail.

At Green Cross, 25 learners participated in the Introduction to Retail and Retail Management programmes, of whom 13 were unemployed.

Ciro enabled 10 people (of whom five were unemployed disabled persons) to complete their UNISA Barista Programme.

Since the inception of the AVI Graduate Programme in FY16, 52 students have had various opportunities within the Group. There are currently 29 graduates enrolled on a 24 month programme, while 13 have already been appointed to permanent positions, having

proven themselves through their respective programme experiences. All 29 current graduates have had the opportunity to engage in soft skills and business specific training in order to fast track their development, with those students in their second year having had the opportunity to participate in an accredited foundation management programme hosted by the Project Management Institute. This accreditation has contributed positively towards the Skills Development element of the BBBEE scorecard. There are eight new graduate positions available for recruitment in FY21, including the introduction of an engineering graduate and a project management graduate at Indigo Brands, as well as two sales graduates at National Brands.

During the year, 58 middle managers across the Company enrolled on the AVI People Effectiveness Programme hosted by GIBS. This is a 24 month programme that aims to enhance, equip and motivate leaders within the businesses in order to enable them to effectively navigate and contribute to the changing business environment. This accreditation is not only improving management skills but is also making a positive contribution to the Skills Development element of the BBBEE scorecard.

The Company continues to focus on the development of online training courses in an effort to reduce the cost and complexity of classroom based programmes, particularly in the retail businesses. The Customer Service online course is running successfully through the Spitz business and has added increasing value to our customer focus proposition. The Biscuit Technology module within the Snackworks factories is in its final stage of review before implementation and an online Baking programme has been created on the iLearn platform. Various other courses have been developed and rolled out for the support functions in order to improve efficiencies and to reach all geographies. Online training programmes will continue to be identified to replace classroom options, where possible, across all of the businesses.

The amount spent on recorded skills development initiatives in the year was R69,82 million, an amount equivalent to 3,14% of leviable amount. 3 487 employees, or 37,79% of the total workforce (including permanent and fixed term contract employees), were trained during the year, 91,91% of whom were Black (African, Coloured and Indian).

The Company achieved a score of 68,04% in the June 2020 verification (including Bonus Points) and met the required 40% threshold. Skills development remains a priority area for the Company.

Enterprise and supplier development

Under the amended Codes this element now comprises preferential procurement, enterprise development and supplier development.

The Chief Procurement Officer, in collaboration with specialist procurers in the Company, and with a focus on favouring local empowering suppliers (as defined in the amended Codes), plays a large role in the Company's enterprise and supplier development strategy. Measured on the amended Codes, the Company scored 78,38%. The Company met the 40% threshold in all three elements, namely preferential procurement (80,8%), supplier development (41,03%), and enterprise development (100%).

The Group Supplier Development Manager works closely with the business unit procurement teams to identify and review potential Supplier Development projects, both to replace imported raw material/ packaging suppliers and to develop black-owned suppliers for locally supplied raw materials, services and/or packaging. Each potential project is reviewed to ensure that the potential supplier meets the criteria stipulated in the Group's Enterprise and Supplier Development Plan and that the project is sustainable. Suitable projects are hard to find and take considerable time to review but once they have been identified and verified as being both commercially viable and contributing towards the sustainable development of local suppliers, agreements are signed and priority given to implementing the projects. Some of the projects that have been implemented include:

- Funding of rooibos tea farmers, who supply unprocessed rooibos tea, to enable them to sustainably farm the tea on the basis of off-take agreements with National Brands and other third parties.
- Heightened focus on increasing early payments to Exempt Micro Enterprises ("EME") and Qualifying Small Enterprises ("QSE").
- Funding of select supplier development initiatives across a wide range of sectors in collaboration with reputable third-party institutions, such as Inyosi Empowerment and B1SA.
- Increased focus on graduating Enterprise Development beneficiaries to Group suppliers.
- Growing the Company's business relationships with existing EMEs and QSEs within the supply chain. In particular extensive work was done to procure goods and services from Black-owned suppliers of temporary point of sale equipment, waste removal, flexible packaging consumables, personal protective equipment, and transport services.
- Establishment of an initiative with a QSE with the requisite technical competence to blend and co-package coffee for selected Ciro products.
- Localisation of previously imported flexible packaging used for key stock-keeping units in the snacks portfolio.

The Company engages with suppliers regarding their transformation needs and requires its suppliers to register on the Department of Trade and Industry IT portal, which provides a single national catalogue of vendors and their BBBEE profiles. In addition the Company engages with suppliers regarding their empowering supplier status and assists suppliers where necessary to achieve this requirement.

The subsidiaries have procurement policies addressing such matters as BBBEE targets, origin of materials, environmental awareness and sustainability, as well as labour practices and ethics. Potential suppliers are required to undergo a thorough vendor evaluation and selection process. Wherever possible, locally based suppliers are preferred over international suppliers. The Company makes every effort to ensure that it only does business with suppliers who comply with all applicable legislation and has not identified any of its suppliers where employees' labour and human rights are, or are at risk of, being violated.

Good corporate citizenship

The Company recognises the benefits of being a good corporate citizen with a commitment to contributing to sustainable economic, social and environmental development. This is achieved through working with employees, their families, the local communities and society at large to improve quality of life, and being an organisation that it is desirous to do business with.

Labour data and practices

	2020	2019
Number of permanent employees (South Africa at 30 June)	8 909	8 504
Gender split (%) (including non-South African)		
Male	59	60
Female	41	40
Ethnic split (%)		
African	70	69
White	6	7
Indian/Chinese	4	4
Coloured	19	19
Non-South African	1	1
Ethnic and gender split (%)		
Black (African, Indian/Chinese and Coloured) male	55	55
White male	3	4
Black female	38	37
White female	3	3
Non-South African	1	1

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Of the Company's permanent employees, 41,08% are members of recognised trade unions covered by collective agreements defining the terms of the relationship between the Company, the unions and the members, as well as their engagement on matters ranging from operational changes to annual negotiations on wages and other substantive issues. Union engagement is managed at an executive level within the subsidiaries, with oversight from the Company.

The Company requires the subsidiaries to have appropriate policies and procedures in place to address employee and industrial relations issues and to ensure that these policies and procedures are communicated to all employees and other relevant stakeholders.

The Company complies with all applicable labour and employment legislation, including legislation pertaining to freedom of association, child labour, and forced and compulsory labour, and is committed to the protection of all employees' human rights, the provision of decent work, and fair and sustainable labour practices. During the year no infringements of these rights or incidents of discrimination were reported.

Health, safety and wellness

The Group provides a healthy and safe work environment to its employees as a basic right and recognises that a healthy and safe workplace enhances employee morale and productivity. It is also recognised that a healthy and safe workplace is essential in the food handling industry and ensures that consumers are protected and product quality is assured.

Health and safety requirements are firstly monitored and reviewed within the risk management framework of the Group and legislative compliance is required as a minimum standard. The requisite health and safety committees are in place and training occurs on an ongoing basis. These on-site committees deal with issues as and when required, and if necessary they elevate matters to the internal review committees that they report to. If necessary, matters are referred to the Company's Board of directors or Audit and Risk Committee. In addition the Social and Ethics Committee monitors these matters. There are also various supplementary health and wellness initiatives that form part of the Group's employee engagement framework.

Statistically the Group's safety record is viewed against the industry standard disabling injury frequency rate ("DIFR"), which measures the percentage of employees that suffer a disabling injury for every 200 000 man hours worked. A disabling injury is an injury that causes an employee to miss a shift following the one on which they were injured. The Group experienced 79 disabling injuries – a notable decrease from 90 in the previous year. These injuries resulted in 761 lost days for the year, against 1 061 for the previous year, and achieved a DIFR of 0,6 for the year.

The Company categorises all injuries into 1 of 3 classes. Class 1 being damage that permanently alters a person's life ranging to class 3 that inconveniences a person's life. During the year under review there were 5 class 1 injuries, all of which resulted in broken bones or the amputation of fingers or part thereof, resulting primarily from employees' failures to comply with health and safety protocols. Each injury was properly reported and investigated and remedial and preventative actions taken, including where necessary, additional or improved employee training or changes to the work environment. In addition all employees who sustained class 1 injuries are provided with access to counselling. Throughout the businesses steps are taken to proactively identify and prevent potentially harmful situations and improve employee training.

The high safety standards adopted by the operations are continually being enhanced by accreditations from independent standard-regulating authorities.

Despite taking all reasonably practicable steps to identify, mitigate and eliminate potential exposure to the COVID-19 virus in the workplace, the Group has, together with the rest of the country, experienced the human impact thereof. The Company designed and implemented an online COVID-19 database and dashboard in order to record and track all COVID-19 related events. As at date of writing the Group had recorded 410 positive cases, the majority of whom had recovered. Sadly and regrettably however, the human toll included three deaths, two at I&J and one at National Brands.

Store robberies in the retail sector remain a reality and both Spitz and Green Cross are taking all practical measures to limit the probabilities of and risks associated with robberies in their stores, including continually updating and improving electronic surveillance, and physical security measures. As staff safety is paramount, staff are trained on how to react in the event of a robbery. In addition Spitz and Green Cross maintain a close relationship with the AVI Employee Wellness Programme to ensure that affected staff receive counselling after any traumatic event.

All of the National Brands manufacturing facilities are Food Safety System Certification ("FSSC") 22000 and American Institute of Baking ("AIB") Food Safety Standard certified. They maintained these certifications during the past year. In addition all the factories acquired and maintained their Certificates of Acceptability (now the R638 certificate) from their local municipal authorities. The Westmead and Isando biscuit factories, the Isando coffee and creamer factory, and the Durban tea factory have all maintained their ISO 14001 certification, while the Isando biscuit factory also maintained its Occupational Health and Safety Assessment Series ("OHSAS") 18001 certification.

The Indigo Brands cosmetics and aerosol factories are ISO 9001:2015 (quality management system), ISO 22716:2007 (Cosmetics Good Manufacturing Practice) and SANS 1841 (Control of Quality: Trade Metrology Act) certified. In the year under review Indigo Brands maintained compliance against SANS 1841 and ISO 22716 in both factories. 12 supplier quality management system audits were successfully completed in FY20.

The I&J Woodstock and Valued Added Processing sites have Hazard Analysis and Critical Control Points ("HACCP") accreditation, which is regulated by the National Regulator for Compulsory Specifications. In addition both I&J processing facilities have "A" listed British Retail Consortium for Global Standards ("BRC"), Higher Level International Food Standard ("IFS") global food safety certification, Marine Stewardship Council ("MSC") Chain of Custody Certification (a sustainability certification) and SANS 1841 (Control of Quantity – Trade Metrology Act) certification. The Micro laboratory at the Woodstock factory has SANAS 17025 accreditation and the Auckland Cold Store in Paarden Island is ISO 22000 and HACCP accredited, as well as ZA 282 certified (certification by the Department of Agriculture allowing the export of frozen product into the Southern African Development Community). The I&J chicken processing plant is ZA 111 certified (certification by the Department of Agriculture allowing the processing of chicken products). In addition to applying standards to the Company's own operations, the factories continue to make progress through supplier audits with a view to having all their suppliers certified to a recognised Food Safety standard. In accordance with customer requirements, the next Amfori BSCI social audit is scheduled to be conducted at I&J in September 2021. During the previous audit in September 2019 an "A" rating was achieved in each performance area with zero non-compliances, in recognition of which the audit interval was increased to every two years. The Amfori BSCI code of conduct refers to international conventions such as the Universal Declaration of Human Rights, the Children's Rights and Business Principles, UN Guiding Principles for Business and Human Rights, OECD Guidelines, UN Global Compact, and International Labour Organisation conventions and recommendations relevant to improve working conditions in the supply chain.

All of the Company's sites are reviewed annually by independent risk management consultants and continual improvement is driven through risk committees at each site, which in turn report their findings to the Company's Audit and Risk Committee, which has the responsibility for the consideration of risk management throughout the Group.

The Company is also a Top 50 subscriber to the Food Safety Initiative which operates under the auspices of the Consumer Goods Council of South Africa. It takes

all reasonable steps to collaborate with stakeholders to ensure that food produced, distributed and marketed in South Africa meets with the highest standards of food safety and nutrition, and complies with legal requirements or recognised codes of good practice.

The Company continues to recognise the detrimental social and economic impact that HIV/Aids is having in South Africa. The Company has a formal HIV/Aids policy which details, inter alia, the Company's philosophy, responsibilities, and support programmes. The Company's Board accepts responsibility for the Group's response to the issue of HIV/Aids and holds the boards of the group subsidiaries accountable for the implementation and monitoring of the response strategies set out in the policy framework. Flowing from this, policies and practices have evolved over the years that include the placement of permanent clinics at the larger sites; knowledge, attitude and practices surveys; awareness and education programmes; voluntary counselling and testing programmes; individual case management; the provision of universal precautions to prevent accidental transmission in the workplace; and the dispensing of free condoms.

Following the success of the Company-wide HIV/Aids voluntary counselling and testing ("VCT") programme that was introduced in 2007, the Company offers this service at all sites to all employees. The VCT programme achieves the objectives of raising awareness, increasing significantly the number of employees that know their HIV status and providing the Company with detailed information per site so that its efforts are appropriately focused.

The Company's larger sites have active primary health care clinics either on a full-time or part-time basis. They are well equipped and managed by appropriate medical professionals, including a doctor employed on a full-time basis in I&J. These clinics play a material role in the day-to-day healthcare management of the Company's lower income earning employees, and in a number of instances provide an out-reach programme for immediate family members. Many of the clinics are involved in doing annual medical checks for all employees, running VCT programmes, and providing flu vaccines to high-risk employees at no cost to the employees.

Utilisation levels of the employee wellness programme, managed by ICAS and introduced throughout the Company during April 2009, remain constant and the programme is well used by the Company's HR community, the Company's employees and their immediate families. The employee wellness programme covers areas that address the entire spectrum of psychosocial stressors in the workplace and at home, lifestyle diseases, and work-life balance by providing an independent, impartial, professional and confidential counselling and advisory service that extends beyond

sustainable development report continued

healthcare and, amongst other services, gives the Company's employees and their immediate family members access to financial and legal advisory services. The Company and its subsidiaries continue to actively promote the use of the employee wellness programme.

In addition to the formal employee wellness programme, a number of sites hold wellness programmes and days on matters such as diabetes; tuberculosis; HIV/Aids; eye care; cancer awareness; and generally maintaining a healthy lifestyle.

Corporate social investment

The Company's corporate social investment ("CSI") programme is aimed at bringing about positive social and economic changes to historically disadvantaged communities in the environments in which the Company operates. The Company again achieved a score of 100% for its socio-economic development in the most recent BBEE rating. On an annual basis an amount of approximately 1% of the Company's pre-tax profits achieved in the previous year is set aside for this purpose. The areas of focus are broadly education and skills development; sports, arts and culture; the environment; and health and welfare. Grants are managed through the Company's Community Investment Trust. This trust is served by elected employees who have shown an interest in CSI and an ability to manage the CSI programme. All material projects are properly vetted and monitored by the trustees to ensure that they achieve what was initially intended. In addition the Company is always cognisant of the impact, both negative and positive, that its operations could have on local communities and commits to identifying any such communities and to engaging with them regarding the prevention or mitigation of negative impacts.

During the year under review R22,4 million was available to the Company's CSI programmes. As at 30 June 2020, R21,3 million had been disbursed. In addition to the contributions made through the CSI Trust, the Company made a contribution of R10 million to the COVID-19 Solidarity Response Fund to support various government and non-governmental organisations in prevention, detection, medical, and humanitarian support

The greatest portion of the Company's CSI funding was spent on education and skills development projects. The Company supported a large group of senior scholars and channelled further support into a more focussed group of tertiary students in the following manner:

- The Ikusasa Student Financial Aid program, whose stated purpose is to provide needs-based assistance to students from poor and working-class families (the "missing middle"). This support enables students to acquire a broad set of knowledge, skills and character traits that will significantly improve their meaningful participation in the growth of the country. Areas covered include the economy, human development, leadership, ethical behaviour, and broad citizenship. The intention is to advance equal opportunity and equitable income distribution for all South Africans. The Company's contribution has assisted students in

the engineering sector with their four year degrees and includes providing meals, accommodation, transport, books and stipends, in addition to paying tuition fees.

- The Supplementary Education Trust (formerly Star Schools), continues to be a meaningful cause. Through their incubator programme learners from grades 10 to 12 are exposed to high-quality educational materials and provided with expert tuition in English, Mathematics and Science, on Saturdays and during school holidays. The Trust also provides necessary study materials, career guidance, life skills training, transport and food. The programme seeks to upgrade the learners' academic standards to enable them to further their education at a tertiary institution. The Company has contributed over R6 million to the Durban and Winterveldt incubator programmes since 2013. This money has supported learners from impoverished homes and underperforming schools in areas such as Umlazi, Inanda, Kwa-Mashu, Claremont, and Mabopane.
- The Company, in partnership with the Study Trust, has been providing full or partial bursaries to students since 2009 through its Tertiary Bursary Programme. In 2020, 20 students were provided with bursaries to assist them to further their education at various universities. The students were selected based on their financial means, academic results and preferred fields of study, which were aligned to the Company's graduate recruitment needs.
- The St Mungo Diepsloot Community Action provides Adult Basic Education and Training as a key component of its strategy to uplift and empower the community through education, vocational training and enterprise development. The key objective is to channel funding, skills and resources into sustainable projects that will benefit and build the competencies of individuals and groups within Diepsloot. The projects also allow disadvantaged youth over the age of 18 who have not achieved their matric to achieve a matric-equivalent. In 2017 funding from the Company enabled the opening of an Early Childhood Development Centre – Khulani (meaning "to grow"). By January 2020 the Centre was catering for 45 children in two classes, grades 00 and 000.
- The Company has supported the Kliptown Youth Programme since 2008. The organisation was founded in 2007 and is situated in the Kliptown informal settlement in Soweto. It provides a safe haven and educational support for 460 children and youth in grades 1 to 12. The programme provides food for the children to take to school and offers a free after-school centre with a hot lunch and additional weekend activities. The Company's support has not only been monetary but has included support through a transfer of business, finance and leadership skills and direct involvement by the Group's employees through the AVI employee volunteer programme.
- The Ruth First Scholarship Programme sponsors disadvantaged girls' attendance at Jeppe High School for Girls, one of the country's foremost public schools for girls, with full tuition, boarding costs and pocket money to grade 12. The Company is currently sponsoring eight girls in different grades.



- The Rapport Onderwysfonds supports young students from disadvantaged communities with bursaries to enable them to gain a tertiary qualification with a view to qualifying as teachers, many of whom are now teaching at schools in under-privileged communities. The Company currently supports 20 students.
- The St Mary's School Waverley Foundation provides critical resources and opportunities to girls from disadvantaged communities by supporting their education and training, and the funding of community affairs programmes. The Company is currently committed to the funding for two girls for the full terms of their secondary school studies. The bursary includes payment for tuition, boarding, study materials, uniforms, and extra-mural activities, including money to provide the necessary equipment for cultural and sporting activities.
- The Learn to Earn foundation trains students in Basic Computer skills, Office Administration, Sewing, Hospitality, and Barista programmes, across three learning centres in the Western Cape. During the past year the Company sponsored 39 students.
- Afrika Tikkun focuses on education, personal development, career development, nutrition, health, family support, skills development, and ultimately, work placement, through its Cradle to Career Model. The programme focuses mainly on young people between the ages of 18 and 29. The goal is to ensure that young graduates of the skills programmes enjoy a better quality of life through access to employment or self-employment.
- Kingsway Centre of Concern operates the Kingsway School and the Thandanani House of Refuge. The school caters for 257 learners, providing high-quality early childhood education to disadvantaged pre-school children from the informal settlement of Zandspruit and its surrounding areas. In addition the children receive food parcels to take home.
- The My Maths Buddy project of the South African Mathematics Foundation is an initiative to promote excellence in mathematics, improving results for both teachers and learners. This is done through focused workshops using the My Maths Buddy book. The book is a mathematics dictionary developed to help understand mathematics terminology. Teachers and learners are taught by the My Maths Buddy project to use the book. The Company has funded the roll-out of the project in the Reagile Primary School in Thembisa and the Bonteheuwel Primary School in Cape Town.
- The Theo Jackson Jeppe Trust provides scholarships for boys at Jeppe High School for Boys. The Company currently sponsors four boys from disadvantaged backgrounds.

1. Ikusasa Student Financial Aid Programme
2. Study Trust – Tertiary Bursary Winter Programme Graduation
3. St Mungo Diepsloot Community Action
4. Klijptown Youth Programme
5. Two Oceans Education Foundation
6. The Rapport Onderwysfonds
7. The Love Trust – Nokuphila School

sustainable development report continued

- The Two Oceans Education Foundation was established to promote and expand on the Two Oceans Aquarium educational, conservation, and research initiatives. The Foundation places emphasis on marine sciences and includes environmental education outreach programmes through the Marine Sciences Academy. The Company supports the Junior Biologist, Marine Science, and Oceanography programmes.
- Just Grace aims to alleviate poverty in the Langa community in Cape Town by supporting education attainment and skills training. They deliver a range of education, community development, and entrepreneurial projects. They identify projects with community members or through partnerships with local organisations. The Group helps to fund the Just Grace Qhubeka programme, which provides participating youths with comprehensive support and guidance over a four-year period (from grade 9 to grade 12) through 10 sub-projects, namely: academic support, social work counselling and psycho-social support, youth opportunity programme, computer training, weekly book club, computer coding/programming, life skills, women's discussion group, job shadowing, and the holiday club.
- Love Trust delivers excellent education through the Nokuphila School in Midrand. It has 650 learners from grade 000 to grade 12. In addition the Love Trust Teacher Training course is SAQA accredited to provide the Nokuphila teachers with the required skills.

Other worthy CSI initiatives that the Company supported during the year were:

- The Peninsula School Feeding Scheme that feeds children attending primary, secondary and special needs' schools, as well as orphaned and vulnerable children centres, early childhood centres, and technical and vocational education and training colleges in the Western Cape, on a daily basis. Often this is the only meal of the day for many of the children.
- The National Sea Rescue Institute ("the NSRI") of which I&J is a platinum member, and to which the Group makes an annual donation. Over the years I&J has made a substantial contribution to the organisation's infrastructure, building a state-of-the-art rescue station in the Cape Town harbour, donating a number of rescue craft, and supporting the School Drowning Prevention Programme aimed at teaching children how to recognise and react appropriately to the threats posed by open bodies of water and to assist in helping those in a potential life threatening situation. The Survival Swimming Programme is a practical approach to drowning prevention using a host of basic swimming principles to increase the chances of survival.
- I&J is a founding sponsor of the Two Oceans' Aquarium in Cape Town and has supplied fresh fish to this facility since it opened in November 1995.
- The Red Cross Children's Hospital, where I&J's contributions since 1997 have funded the construction of consultation rooms, a radiology facility in the trauma unit, an isolation ward in the

burns' unit, the upgrade and expansion of the Paediatric Intensive Care Unit, and, in collaboration with government and the Red Cross Children's Trust, the establishment of the Child Speech and Hearing Clinic at the Mitchell's Plein Hospital. In the past year the Group supported the upgrade and expansion of the emergency centre. The emergency centre is the only dedicated children's emergency unit in South Africa and operates 24 hours a day, seven days a week, providing high quality, medical, surgical, nursing and acute services.

- The Whale Coast Conservation Trust ("WCCT") was established in 2002 with a mission of unifying, coordinating and promoting environmentally sustainable living in the Cape Whale Coast region of the Western Cape. I&J has collaborated with the WCCT to inspire environmental learning and an understanding of one-planet/sustainable lifestyles through sponsorship of environmental education programmes. Following completion of the programme, schools are given "eco-school" status.
- Enactus promotes and supports leadership and professional development for registered students, challenging students to take entrepreneurial action to enable progress in order to ultimately improve the quality of life and standard of living of marginalised communities. Enactus brings together students, academics and business leaders who are committed to using the power of entrepreneurial action. Guided by the academics and business leaders, the students create and implement community empowerment projects.
- During the past year the Company supported the Enactus teams at the University of Fort Hare, the Mangosuthu University of Technology, the Walter Sisulu University, and the Vaal University of Technology.
- St Mary's Outreach Programme started in 2004 as a Catholic mission and now operates in the rural areas of Marianhill in KwaZulu-Natal, catering for destitute, unemployed youth, women and children. The programme offers a home drop-in centre for orphaned and vulnerable children, psycho-social counselling, a school health programme, community-based developments, income generation projects, and gardening projects.
- The Carel du Toit Centre, operated by the Carel du Toit Trust, offers detection, intervention and treatment for hearing impaired children to enable them to enter mainstream schooling. Support by the Company went towards the transport programme, enabling the programme to have five transport routes across the Western Cape for children whose parents are unable to pay for transport. The Centre is the only school of its kind in the Western Cape and most of the learners come from far outlying areas. More than 60% of the learners depend on the transport programme to get to school and back home.
- Food Forward SA uses surplus food to drive sustainable social development in vulnerable communities. They connect a world of food surplus

to a world of food shortages by recovering edible, nutritious, surplus foods from retailers, manufacturers, wholesalers and farmers (much of which would have gone to landfill) and re-distribute this to 670 registered beneficiaries that serve over 255 000 vulnerable people. A third of the beneficiaries are early childhood development centres, 10% are shelters and rehabilitation centres, and the balance are skills development facilities and homes for the aged.

- Heartwork reaches prisoners who have never been exposed to personal therapy or have never been afforded the opportunity to learn about their personal emotions in a controlled and secure environment. The programme objectives have enabled this access to curb the re-admittance rate that most prisoners experience. The programme also teaches coping mechanisms and integration skills. The Company's support has enabled the programme to be implemented in a number of prisons, including Leeuwkop, Boksburg, Groenpunt, Krugersdorp, and Zonderwater.
- Little Eden cares for children and adults with profound intellectual disabilities. They are provided with 24-hour nursing care, medicines, therapy, food, clothing and shelter. The Company has adopted and supports five Angels at the centre.
- Look Good-Feel Better offers skincare and make-up workshops to groups of cancer patients. The programme is designed to assist women in active cancer treatment to address their appearance, improve mental health, and manage side effects of the treatment, thus helping them to regain their self-confidence during trying times. The programme reaches 480 patients in the Groote Schuur Hospital in the Western Cape and the Charlotte Maxeke Hospital in Gauteng.
- Unjani Clinics is an enterprise development initiative aimed at empowering black women professional nurses, creating permanent jobs, and developing a sustainable clinic model for providing primary healthcare. The clinics serve the "bottom of the pyramid" and under-served markets. The clinics are founded on an owner-operator model and are based in the communities that they serve. The Company has funded the set-up of a clinic in the Gansbaai area. The only other affordable health facility is the Gansbaai Clinic, which has to serve approximately 8 000 to 10 000 people.

The Company has also been involved in or made donations to a number of other important initiatives, such as the Down's Syndrome Association, the SA Air Force Association, Action for Blind, Symphonia for South Africa (Partners for Possibility), Maths Centre, Friends of Chinsta, Gift of the Givers, Fibre Circle, the Rural Education Access Programme, Abraham Kriel Childcare, Atmore Brass Band, Blompark Ikamva Jeugontwikkeling, Gansbaai Academia, Lions Club Gansbaai, M-Jays Maths School, Masakane Pre-School, Sesterretjies Early Childhood Development Centre, Service Dining Rooms, SHARE, The Homestead Project for Street Children, Ukama Community Foundation, and Victoria Service Centre for the Aged.

At a more personal level, the Group's employees are encouraged to become involved with their local communities on Group sponsored employee volunteer days. All of the projects are selected from organisations with which the Group has established relationships and the Group gives employees time off to provide their services to these projects. This year employees came together to support the SAME Foundation for Mandela Day. The Foundation works with primary and secondary schools across South Africa by renovating their facilities and providing necessary learning equipment. AVI employees dedicated their day to the Blair Athol Primary School Project. The school serves an extremely impoverished community and employees assisted with repainting the outside of the school, and donated stationery, children's colouring books, and other educational books.

Environmental policy

The Company recognises that its use of natural resources has a socio-economic impact and a physical impact on the environment, accepts responsibility for such impacts, and pursues responsible environmental and climate change practices. This involves:

- Reducing the Company's environmental impact and continually improving the Company's environmental performance as an integral part of the Company's business strategy and operating methods;
- Compliance with all applicable environmental legislation or standards;
- The practice of responsible environmental management related to inputs (material, energy and water) and outputs (emissions, effluents and waste) affecting ecosystems and communities;
- Independent annual environmental audits at each manufacturing site measuring the impact that the particular operation has on its environment and reviewing compliance with legislation and Company policy;
- Providing a framework for setting and reviewing objectives and targets;
- Ensuring that all employees understand the environmental policy and conform to the standards it requires; and
- Reporting in the Company's annual report on performance against targets.

The Company's Board of directors is responsible for the environmental policy and for ensuring that its principles are considered in formulating the Company's business plans. The Company's Chief Executive Officer and senior management are in turn responsible for implementation of the business plans, and communication of the policy. The Board of directors has delegated the responsibility for monitoring compliance with the policy to the Company's Audit and Risk Committee. Certain aspects of this subject are also considered by the Social and Ethics Committee.

The Company remains committed to the responsible management of applicable environmental matters,

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including those which impact on climate change and relate to responsible and sustainable environmental practices, such as greenhouse gas emissions; raw materials usage and recycling; resource usage and efficiency (including water and electricity); impacts on biodiversity; and emissions, effluents and waste management. In particular the Company is alert to the impact that climate change could have on natural resources and the effect that legislative changes could have on the way the Company does business. The Company monitors relevant global and local legislation, regulations and emission-reduction targets.

The Carbon Tax Act, 15 of 2019 came into effect on 1 June 2019. Carbon Tax is aimed at reducing

greenhouse gas ("GHG") emissions in a sustainable, cost effective and affordable manner and gives effect to the polluter-pays-principle. The Company has licensed each of its affected facilities for environmental levy purposes and the relevant emissions are measured. The subsidiaries are all taking steps to measure and manage their carbon footprint in accordance with the requirements of the Act. A total of R3,8 million has been accrued in the current year results in respect of the period from June 2019 to June 2020.

Environmental data

The Company has identified the following environmental impact areas for measurement, management and reporting:

			Data									
Indicator	Unit	Carbon (kg)	2020	2019	2018	2017	2016	2015	2014	2013	2012	
1	Total water consumption by source											
1,1	Municipal	Litres	149 240	500 806 371	530 332 908	717 199 757	927 850 679	1 094 362 412	1 063 057 427	1 043 354 478	981 630 869	876 674 227
1,2	Ground water (borehole) ¹	Litres	92 262	309 604 165	123 284 000	7 719 200	1 811 000	1 301 000	2 224 000	2 152 000	43 690 000	48 650 000
1,3	Desalination	Litres	91 531	25 783 351	20 176 000	—	—	—	—	—	—	—
2	Total energy consumption											
2,1	Purchased electricity	kWh	105 465 442	102 393 633	105 411 043	99 633 276	102 473 146	107 211 709	99 915 717	106 484 439	104 363 238	102 942 232
2,2	Coal	Tons	41 262 175	14 444	14 384	13 164	13 219	19 612	14 038	13 541	14 364	13 479
2,3	Petrol	Litres	1 889 250	674 732	786 396	946 631	1 062 496	1 138 870	1 155 078	996 017	1 089 360	1 101 370
2,4	Diesel ²	Litres	36 649 951	12 363 446	8 214 665	8 132 364	6 871 614	10 585 592	9 481 650	12 268 956	19 039 640	6 498 706
2,5	Liquefied petroleum gas (LPG)	Litres	1 877 196	1 927 767	1 885 807	1 701 445	1 794 734	1 961 562	1 680 034	1 823 823	1 591 998	1 493 206
2,6	Natural gas	Cubic metres	8 482	3 107 232	3 049 839	3 084 274	3 130 938	3 396 701	3 289 399	3 482 760	3 283 150	3 371 258
2,7	Marine/heavy fuel oil ²	Litres	23 227 255	7 742 419	12 097 912	13 431 358	16 141 409	14 071 795	10 727 200	8 234 325	—	11 247 428
2,8	Paraffin	Litres	5 740 607	570 662	610 803	422 352	422 060	821 770	855 096	970 877	1 064 317	1 011 376
3	Carbon emissions for above indicators		216 453 391									
3,1	Total carbon emissions	Metric tons	216 453	216 453	220 767	213 410	221 358	231 568	188 626	196 794	216 558	208 837
3,2	Carbon emissions per employee	Metric tons	24,95	24,95	25,96	24,59	25,51	26,69	22,66	24,44	28,24	28,86

¹ Owing to the drought in the Western Cape and ongoing water restrictions, I&J drew an increased amount of borehole water

² The change in fuel-type usage reflects I&J's compliance with the requirements of the new standards imposed by the International Maritime Organisation

In addition to the key areas referred to above the Group considers, on an ongoing basis, further areas of environmental impact for possible measurement and reporting, as well as initiatives to mitigate environmental impacts of products and services, where relevant.

Environmental practices

During the year, the subsidiary companies continued their initiatives to measure and mitigate detrimental

environmental impacts. Some of the Group's activities and achievements include:

- Environmental management systems – The Isando coffee and creamer factory, the Durban tea factory and both the Isando and Westmead biscuit factories have maintained their ISO 14001 certifications. This environmental quality management system enables the factories to identify and control the environmental impact of their activities; continually improve their environmental performance; and

implement a systematic approach to setting environmental objectives and targets, achieving these and demonstrating that they have been achieved. I&J has the MSC's Chain of Custody Certification for sustainability in the fishing industry and the Aquaculture Stewardship Council Certification for sustainable abalone farming.

- Energy conservation – The current energy shortage, and global efforts to reduce greenhouse gas emissions, make conserving energy a priority for the Group. Projects in past years included: improving the efficiencies of production machinery, equipment and processes, and the installation of energy-efficient lighting solutions; the installation of electricity meters per site for the measurement of electricity consumption and consumption patterns; Demand Site Management Surveys by Eskom to enable the formulation of improvement plans; electrical load shifting where possible; the installation of a photovoltaic array on the rooftop of the Bryanston office building, and louvers to passively control heat gain; the installation of LED lighting in the Redhill warehouse; the installation of solar photovoltaic panels on the roof of the Isando warehouse; the installation of energy-efficient compressors at I&J Woodstock; and the installation of low power consumption LEDs in the majority of the Indigo Brands' facility as well as the upgrade of the power factor correction to optimise energy demand. Initiatives in the past year include:
 - Installation of LED lighting at the Westmead and Rosslyn factories;
 - Upgrading of the air compressors at the Isando biscuit factory to include variable speed drive and heat recovery functionality in order to provide warm water for ancillary processes; and
 - Replacement of the air compressors at the Rosslyn factory with more energy-efficient equipment.
- Water conservation – Poor water quality and shortages remain a significant potential risk to the Company and the subsidiaries take steps to minimise these risks. These steps include using borehole water where appropriate, reservoirs for storing water, recycling condensate produced during the heating processes back to the boilers, recycling production effluent with a view to reclaiming waste water, installing a desalination processing plant at I&J, and adopting environmentally friendly storm water reticulation, while simultaneously taking measures to measure and manage water consumption.
- Fuel consumption – Within its distribution operations there is ongoing focus on optimisation of delivery routes and distribution networks through the

utilisation of routing and scheduling software, the deployment of on-board technology, advanced fuel management systems, more efficient engines and matching of loads to vehicles, as well as driver training academies, which are all key issues in reducing fuel consumption and the Group's carbon footprint.

- Emissions, effluents and waste – The Group is committed to a waste management strategy, reducing the use of raw materials, reducing waste, re-using waste wherever possible, and recycling waste that cannot be eliminated or re-used. Key to managing waste is the monitoring and analysis of waste volumes and component parts to give the Group the information it needs to manage waste effectively. The Group also recognises its responsibility in terms of the Air Quality Act of 2004 and is committed to efficient and effective air quality management, and ensures that all ovens, paraffin and oil-fired boilers, and boiler stacks are correctly operated, well maintained and routinely inspected. In addition the factories engage with approved inspection authorities and conduct air emission surveys.
 - The International Maritime Organisation 2020 legislation required a significant reduction in sulphur emissions from maritime vessels from January 2020. I&J was able to comply with the requirements of the new standards within the timelines allowed by the South African Maritime Safety Authority.
 - Effluent plant management has been outsourced to specialists at the Isando and Westmead biscuit factories, and the Isando coffee and creamer factory. Upgrades to the effluent plant at the Rosslyn factory are in progress and should be commissioned during the first half of FY21. At the distribution centres all vehicles are washed using biodegradable chemicals and grease traps are cleaned regularly to prevent contamination of the main sewer system. In general, waste materials are classified for possible re-use, recycling or disposal, and disposals are done through registered waste disposal and recycling companies.
 - Where appropriate the factories are installing new equipment and modifying old equipment in order to reduce emissions.
 - I&J routinely re-cycles metal, corrugated cartons, used sunflower oil and used marine oil.
 - National Brands continued implementing initiatives to reduce packaging waste by right-gauging flexible packaging and removing excess packaging. The business also encourages consumers to recycle and makes them aware of the recycling categorisation of the packaging.

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- Indigo Brands commissioned a process effluent treatment and water recovery plant, which involves flocculation and removal of solids from the water, while balancing the pH levels and reducing chemical oxygen demand levels in the treated effluent.
- Logistics has replaced a number of their diesel forklifts with electric units, thereby eliminating harmful emissions.
- Raw materials
 - The Company is a member of and has representation on the Board of the South African Rooibos Council, a non-profit organisation whose goal is to protect the Rooibos Industry and to ensure the sustainability of this scarce raw material.
 - All yellow maize procured for the manufacture of liquid glucose is certified as non-genetically modified.
 - The Company has made good progress towards the use of environmentally friendly, responsible and sustainable packaging materials, including paperboard materials. The Sustainable Forestry Initiative ("SFI") and the Forestry Stewardship Council ("FSC") are the two most recognisable and legitimate certifications in paper packaging, with FSC being the most demanding. Both the SFI and FSC certify forest management programmes according to their set principles and criteria, including sustainable harvest levels, conservation of biodiversity and old growth, protection of endangered species, protection of water quality, recognition of the rights of indigenous people, prompt reforestation, forest conversion, plantations, clear-cutting, chemical use, and genetically modified trees. The Company's preferred certification for its paperboard suppliers is FSC. FSC has three product labels, namely FSC100%, FSC Recycled, and FSC Mix. FSC100% is wood that comes entirely from FSC-certified, well-managed forests; FSC Recycled is wood or paper that comes from reclaimed or re-used material; and FSC Mix is wood that is from FSC-certified forests, recycled material, or controlled wood. While not FSC-certified, controlled wood cannot be: (a) illegally harvested; (b) harvested in violation of traditional and civil rights; (c) harvested in forests where high conservation values are threatened; (d) harvested in forests being converted to plantations or non-forest use; or (e) harvested in forests where genetically modified trees are planted. Currently 98% of the Company's paperboard spend is with FSC-accredited suppliers. The remaining 2% is virgin carton board and this supply is currently under review. In addition all paperboard materials can be recycled multiple times. All paperboard materials used by National Brands are not only produced from sustainable forests which are FSC compliant, but also contain no heavy metals or mineral oils, and no fossil fuel energy is used in the production of these products. Furthermore, National Brands' major corrugate, carton and tin packaging suppliers are certified by SEDEX (a not-for-profit membership organisation dedicated to driving improvements in ethical and responsible business practices in global supply chains) and the business continues to encourage its wider supply base to aim for SEDEX certification.
 - Ciro Full Service Coffee Co. sells a range of Fairtrade, Organic, Rain Forest Alliance and UTZ (an international standard for sustainable farming of coffee, cocoa and tea) certified products. A partnership with Mbokomu Rural Cooperative Society in Tanzania assists farmers and farming communities to improve the quality of their coffee and improve processing to reduce waste.
 - In a project started last year, Indigo Brands has successfully completed trials with two of its rigid plastics' suppliers for the development of post-consumer recycled plastics, allowing for the introduction of these materials within personal care plastic packaging. This is a meaningful step towards support of the government's waste management strategy and the circular plastics' economy. Indigo Brands also continues to deliver meaningful packaging weight reductions with the introduction of 2 new body lotion packaging solutions that use significantly less rigid plastic material thereby improving the product – packaging ratio and reducing post-consumer waste plastic. Indigo Brands has now reached double-digit materials reduction with various initiatives that remove unnecessary packaging weight.
 - Palm oil is a vegetable oil from the fruit of oil palm trees and is more solid at room temperature. This makes it ideal for cooking and is an ingredient in many foods and beauty products. Palm oil has developed a poor reputation as a raw material owing to slash-and-burn deforestation. A balance needs to be found between the demand for palm oil, the economic benefits of the product, and protecting forests, wildlife and local communities. Therefore, the use of palm oil from ethical and sustainable sources as certified by bodies such as the RSPO is an integral part of the Company's environmental and sustainability policies and strategy. The RSPO is a not-for-profit association that works with stakeholders across the palm oil supply chain to make sustainable palm oil the norm. Members include plantations, processors and traders, consumer goods manufacturers and retailers, financial institutions, and non-

governmental organisations. The RSPO has developed a set of environmental and social criteria which companies must meet in order to produce certified sustainable palm oil. When they are properly applied these criteria help to minimise the negative impact of palm oil cultivation on the environment, wildlife, and communities in palm oil-producing regions. However, according to the RSPO *"although using other vegetable oils seems like a practical solution, it would actually create similar – if not even larger – environmental and social problems. Therefore, the best solution is to ensure you buy products that contain sustainable palm oil"*. To this end all the palm oil procured by the Company is from RSPO certified suppliers.

During FY20 the Westmead factory received one warning from the eThekweni municipality for cleaning of sugar filters in an open area, risking air and water contamination. The Rosslyn factory received a verbal warning from the Tshwane municipality relating to the storage of coal in an uncontained area. The Westmead factory also experienced a paraffin leak from the boiler, resulting in some paraffin entering the storm water system. The eThekweni municipality was informed of the incident and no further actions or investigations were conducted by the municipality.

Other than the notices and fines referred to above, no other fines or non-monetary sanctions for infringement of or non-compliance with environmental laws and regulations were recorded and/or levied against the Company, directors, officers or employees during the period under review and the Company experienced no major environmental incidents. No formal requests or directives have been issued by Government Agencies or local authorities for the reduction of air emissions.

Consumer and product legislation

The Company's internal legal advisers keep the Group abreast of generic and industry specific consumer and product related legislative and regulatory developments, both pending and apparent, and ensure that management and employees are informed and, where necessary, trained on these developments and the implementation thereof.

The year under review was a busy one for food and cosmetics-related legislation. The Group continued monitoring and addressing relevant changes, which includes the various Labelling Regulations, GMO Labelling Regulations, GMO Export Regulations (Namibia), Sodium Reduction Regulations, Microbiological Regulations, the Healthy Food Options initiative and the Regulations for Marketing of Food to

Children – both driven by the Department of Health and the Consumer Goods Council of South Africa ("CGCSA"), the Food Waste Management Programme driven by the Department of Trade and Industry and the CGCSA, the appointment of assignees for the inspection of agricultural products in terms of the Agricultural Products Standards Act, Export Standards and Regulations, the issuing of bio-trade permits for the Rooibos industry, draft Tea and Coffee Regulations, SANS 289 legal metrology standards for Loose Leaf Tea, Extended Producer Responsibility programme for the paper and packaging industry, Raw Processed Meat Regulations, Import Regulations, various compulsory specifications for Seafood products, EU Food Products Regulations, CODEX, Australian and New Zealand Food Safety Standards, Animal Protection Bill (relating to cosmetic animal testing), International Fragrance Association 48th Amendment, SANS standards for the identification, classification and packaging of hazardous materials in terms of the National Road Traffic Act, and the classification and labelling of dangerous substances in terms of the Occupational Health and Safety Act.

In addition the Company monitored progress on the Protection of Personal Information Act, amendments to employment and labour related legislation, and amendments to the Competition Act.

The Company works closely with relevant industry and government bodies, such as the Consumer Goods Council, Business Unity South Africa, the Department of Health, the Department of Trade and Industry, and DEFF, to develop sensible and sustainable criteria for, inter alia, food safety, nutrient profiles, advertising, marketing, and product claims.

The Company's central marketing and group legal functions ensure that there is adherence to laws, standards and voluntary codes relating to marketing and communications, including advertising, promotions, competitions and sponsorships. All applicable labelling legislation is regularly reviewed and, where appropriate, changes are made. The research and development and regulatory managers in the subsidiary companies are responsible for ensuring applicable compliance.

The Company remains a member of a number of industry associations as set out in more detail in the stakeholder engagement table.

No judgments, damages, penalties, or fines for infringement of or non-compliance with consumer or product related legislation were recorded and/or levied against the Company, directors, officers or employees during the period under review.

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Major risks

The Company and its subsidiaries have well run governance processes and sound systems of internal control which are effective in managing the conventional key areas of business risk such as brand management, manufacturing, financial management and information technology. Other risks that are often more challenging to manage, and pose a greater threat to business success, are summarised below and on the following pages:

Key risks	Comments
COVID-19	<ul style="list-style-type: none"> • The loss of life and physical and emotional stress caused by the lockdowns, forced isolation and quarantine, illness, medical expenses, and the potential loss of employment and income will have long-lasting implications for the general well-being of all South Africans and other residents of the country • Restructuring and retrenchments cannot be ruled out in an economy that was already under strain from social, financial and political uncertainty • Business interruption arising from infectious diseases and quarantine protocols and regulations • Domestic and international restrictions on movements of persons and goods • Delays in clearing of imported products, raw materials, parts and other supplies through customs • Additional governance and compliance structures and costs
Failure to stay in touch with and react quickly to changing consumer perspectives and needs, resulting in lost growth opportunities or erosion of market share	<ul style="list-style-type: none"> • Product formats and price points are managed flexibly in different parts of the consumer cycle, in line with consumer needs • Each business unit gives priority to understanding the risks and opportunities that South Africa's growing black consumer base presents, and responding in a manner appropriate to each category • The characteristics of our African export geographies are studied carefully so that we can enhance the relevance of our offering in each geography • New product development is aligned with the points above and actively pursued • Brand investment is material and consistent, with ongoing efforts to improve the efficiency and effectiveness of this spend. Under or over-spend of marketing money without an economic imperative could lead to unsustainable or diminishing brand equity
Availability of experienced and commercially minded business leaders to seek improvement and grow profits	<ul style="list-style-type: none"> • This is an ongoing challenge, particularly given the diversity of AVI's operations. Considerable resources are expended in identifying people and, where appropriate, attracting them • The Group has a flexible operating model which provides high transparency to the centre and facilitates effective interaction on key matters when needed • Remuneration and reward systems provide meaningful wealth generation opportunities for managers who excel but a low level of value in share option schemes in periods of low share price growth means a risk of loss of senior employees to more attractive opportunities, lower morale for senior employees in general, and an environment in which it is harder to attract the best people. This has been mitigated to some extent by the implementation (with shareholder approval) of new share option schemes in FY17 • Various formal and informal internal learning and development initiatives are provided but developing in-house talent is becoming increasingly more important • Inadequate progress on transformation would make it difficult to attract top equity candidates and reduce credibility with stakeholders and business partners • The difficulty in recruiting scarce skills creates, inter alia, poor management depth and limited succession planning with a risk of reduced business credibility and business effectiveness

Key risks	Comments
Changing competitive landscape that impacts on profitability	<ul style="list-style-type: none"> • A volatile currency with the risk of rapid and material weakening has traditionally been an effective protection against import competition, but has proven less so in the last few years and may not be in the future • A fairly small domestic market reduces the attractiveness of major greenfields investment in South Africa. There is the risk that surplus capacity in the market will inhibit the ability to generate economic returns on investment • New suppliers or customers entering the South African FMCG market can present both risks and opportunities. We believe that the Group has sufficient scale and relevance with its strong brand portfolio to be important to new entrants, and to be able to forge mutually beneficial trading relationships • The Company's best protection in a changing competitive landscape is to continually work to keep our brands and products relevant to consumers, to improve efficiency so that margins can be sustained when prices are constrained, and to be diligent in managing the price/volume/margin equation flexibly as circumstances require • The growth of house brands means increased price competition, difficulty in getting fair representation on shelf, pressure to manufacture house brands, and changes in consumer perceptions of house brands, which could lead to increased support and investment in capacity for those brands
Over reliance on third-party brands and diminished profitability if licences are not renewed	<ul style="list-style-type: none"> • Most of the Company's core brands are owned • Key third-party brands that the Company has access to are the Lacoste brand in Spitz, the Coty brand in Indigo Brands, and the Lavazza brand in Entyce Beverages. While we have a long history of strong and successful relationships with all of these parties and believe that our business units represent compelling opportunities to each licensor that will be difficult for other licensees to match, there is always a risk of disproportionate dependence on third-party brands and under-investment in owned brands
Sustaining and growing profit margins	<ul style="list-style-type: none"> • Top line growth is a continual focus area for all of our businesses and brings with it the opportunity to leverage fixed costs and expand profit margins • Over-reliance on the strength of core brands could lead to the retardation of key disciplines • A failure to recognise the importance of product attributes in current or innovated products leads to a reliance on brand equity and/or marketing investment • A failure to adjust objectives and strategies to current realities may lead to sudden or gradual under-performance and/or enterprise failure • A failure to invest in manufacturing capacity and/or technology at the correct time may create a risk of market share erosion from both local sources and imports, and major capacity investment remains imperative • Many of the Company's Key Value Items (KVI's) enjoy a brand premium because of their long legacy of delivery and quality. We seek to preserve this premium through retention of product intrinsics and high focus on product quality. We will continue replacement capital expenditure in those parts of our business where it is necessary to sustain efficient and high quality production • The Company has extensive exposure to foreign exchange and commodity price volatility. These exposures are hedged in a manner that allows selling prices to be managed predictably and responsibly and historically our businesses with their strong brands have demonstrated the ability to recover lost profit margin fairly quickly after periods of pressure. The notable exception being I&J, which has little ability to compensate for the impact of a strong Rand on its material export revenues, but similarly also benefits materially when the Rand is weaker • There are opportunities to improve profit margins across the group over the next few years. These include initiatives such as further programmes in central procurement, ongoing improvements in logistics and field marketing, new technology and increased automation in our factories

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Key risks	Comments
Social and political environment	<ul style="list-style-type: none"> • I&J's long-term fishing rights are dependent on an ongoing review process. If this process becomes politicised it may result in a reduced allocation of hake quota to I&J • Timeous resolution by the Department of Environmental Affairs, Forestry and Fisheries of the renewal of fishing rights • Ongoing increases in administered charges for electricity, water and property rates create additional cost pressure and reduce competitiveness relative to imports • In a two-tiered economy the Company increasingly competes against smaller operators that are not measured or monitored against increasingly onerous legislated requirements, where there is an increasing new entrant risk due to low barriers to entry technology and high margins • Increasingly inflexible labour legislation, including in particular the changes effected to the Labour Relations Act early in 2015, the interpretation of this legislation by the Courts in favour of permanent employment, and increasing demands and industrial action by labour unions, reduce competitiveness against imports, increase investment hurdles and create a growing disparity in wage costs between formal (unionised) and informal sectors • Availability of utilities, such as power and water, necessary to run business can be mitigated at extra cost, but reduce competitiveness. The declining quality of municipal water in many areas could force increased dependence on borehole water (where available) or the installation of water filtering and purification plants, all at an extra cost to the businesses • The imposition of price controls pursuant to a populist political and social agenda could impact on parts of the Company's product portfolio • Dissatisfaction with service delivery by government and municipalities could lead to civil disruption and strikes with a material adverse effect on volumes and profit • The continued decline of educational standards erodes the supply of essential skills to maintain our medium-term competitiveness • The emergence of new and ambitious social programmes that place too heavy a burden on organised business and tax-payers, to the extent that the availability of capital reduces in South Africa, and over time that compromises our ability to sustain our current asset base and competitiveness • Compliance with increasing consumer facing legislation such as that in respect of labelling, advertising, genetically modified organisms (GMOs), salt and sugar, and the increased focus on providing "healthy" alternatives to existing products, requires increased work and pressure on research and development • The outsourcing of government functions to private entities which results in the creation of additional layers of administration and costs to business, for example the appointment of external assignees in terms of the Agricultural Products Act • Changes to the Broad Based Black Economic Empowerment Codes of Good Practice with, inter alia, substantially increased financial requirements for meeting minimum compliance levels, have had a material negative impact on the scorecard rating and made it difficult to achieve and maintain the historical rating • There is increasing financial demand on the private sector to fund the Government's budget deficit and over reliance on the private sector to address social issues, e.g. university fees • Regulators such as the Competition Commission and the Department of Trade and Industry increasingly see their role as maintaining jobs without regard for the underlying economic merit of their decisions and proposals

Key risks	Comments
Environmental	<ul style="list-style-type: none"> The impact of climate change on natural resources through changing weather patterns and increased global temperatures could affect natural and agricultural resources on which the Company is dependent Climate change will attract regulatory costs which will increase operating costs Government commitments to emission-reduction targets could have a significant impact on the operating and distribution practices of the Company Deteriorating water quality through pollution, including tainted groundwater from mining operations

Going forward

The Company will continue reporting on sustainability issues in a way that focuses on material issues and provides a balanced view of the economic, social and environmental aspects of the Group to stakeholders. In particular there will be focus on:

- Further defining and implementing the scope and methods of monitoring and reporting on the environmental issues identified during the year under review, and establishing a method to set relevant objectives and targets.
- Reviewing and evolving the principles and practices of sustainable development established throughout the Group.
- Reviewing and evolving the Group's integrated reporting to ensure appropriate reporting of environmental, social and economic sustainability, underpinned by good corporate governance.

Index of material issues (referencing the 2016 GRI Standards)

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	102-19	Delegating authority	64 to 73
	102-20	Executive-level responsibility for economic, environmental, and social topics	64 to 73
	102-21	Consulting stakeholders on economic, environmental, and social topics	34 and 35
	102-22	Composition of the highest governance body and its committees	64 to 73
	102-23	Chair of the highest governance body	64 to 73
	102-24	Nominating and selecting the highest governance body	64 to 73
	102-25	Conflicts of interest	64 to 73
	102-26	Role of highest governance body in setting purpose, values, and strategy	64 to 73
	102-27	Collective knowledge of highest governance body	64 to 73
	102-28	Evaluating the highest governance body's performance	64 to 73
	102-29	Identifying and managing economic, environmental, and social impacts	49 to 53; 64 to 73
	102-30	Effectiveness of risk management processes	64 to 73
	102-31	Review of economic, environmental, and social processes	64 to 73
	102-32	Highest governance body's role in sustainability reporting	64 to 73
	102-33	Communicating critical concerns	64 to 73
	102-34	Nature and total number of critical concerns	64 to 73
	102-35	Remuneration policies	74 to 84
	102-36	Process for determining remuneration	74 to 84
	102-37	Stakeholders' involvement in remuneration	74 to 84
	102-38	Annual total compensation ratio	74 to 84
	102-39	Percentage increase in annual total compensation ratio	74 to 84
Stakeholder engagement	102-40	List of stakeholder groups	34 and 35
	102-41	Collective bargaining agreements	44
	102-42	Identifying and selecting stakeholders	34
	102-43	Approach to stakeholder engagement	34 and 35
	102-44	Key topics and concerns raised	34 and 35
Reporting practice	102-45	Entities included in the consolidated financial statements	Inside back cover
	102-46	Defining report content and topic boundaries	Inside front cover
	102-47	List of material topics	Inside front cover
	102-48	Restatements of information	Entire Integrated Annual Report, where applicable
	102-49	Changes in reporting	Inside front cover; 103
	102-50	Reporting period	Inside front cover
	102-51	Date of most recent report	Inside front cover
	102-52	Reporting cycle	Inside front cover
	102-53	Contact point for questions regarding the report	Inside front cover
	102-54	Claims of reporting in accordance with the GRI standards	33 and 34
	102-55	GRI content index	57 to 61

Aspect	Core indicator		Page/not reported
Management approach	103-1	Explanation of the material topic and its Boundary	Entire Integrated Annual Report, where applicable
	103-2	The management approach and its components	Entire Integrated Annual Report, where applicable
	103-3	Evaluation of the management approach	Entire Integrated Annual Report, where applicable
Economic performance	201-1	Direct economic value generated and distributed	27
	201-2	Financial implications and other risks and opportunities due to climate change	49 to 53
	201-3	Defined benefit plan obligations and other retirement plans	104 and 105; 129; 138 to 142
	201-4	Financial assistance received from government	108
Market presence	201-1	Ratios of standard entry wage by gender compared to local minimum wage	Not reported
	201-2	Proportion of senior management hired from the local community	Not reported
Indirect economic impacts	203-1	Infrastructure investments and services supported	Not reported
	203-2	Significant indirect economic impacts	Not reported
Procurement practices	204-1	Proportion of spending on local suppliers	Not reported
Anti-corruption	205-1	Operations assessed for risk related to corruption	32
	205-2	Communication and training about anti-corruption policies and procedures	32
	205-3	Confirmed incidents of corruption and actions taken	Not reported
Anti-competitive behaviour	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	None
Materials	301-1	Materials used by weight or volume	50
	301-2	Recycled input materials used	49 to 53
	301-3	Reclaimed products and their packaging materials	49 to 53
Energy	302-1	Energy consumption within the organisation	50
	302-2	Energy consumption outside of the organisation	Not reported
	302-3	Energy intensity	50
	302-4	Reduction of energy consumption	50
	302-5	Reductions in energy requirements of products and services	50
Water	303-1	Water withdrawal by source	50
	303-2	Water sources significantly affected by withdrawal of water	38 and 50
	303-3	Water recycled and reused	49 to 53
Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	36 to 39
	304-2	Significant impacts of activities, products, and services on biodiversity	36 to 39
	304-3	Habitats protected or restored	36 to 39
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	36 to 39

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Aspect	Core indicator		Page/not reported
Emissions	305-1	Direct (Scope 1) GHG emissions	50
	305-2	Energy indirect (Scope 2) GHG emissions	Not reported
	305-3	Other indirect (Scope 3) GHG emissions	Not reported
	305-4	GHG emissions intensity	50
	305-5	Reduction of GHG emissions	50
	305-6	Emissions of ozone-depleting substances (ODS)	Not reported
	305-7	Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant air emissions	Not reported
Effluents and waste	306-1	Water discharge by quality and destination	51 and 52
	306-2	Waste by type and disposal method	51 and 52
	306-3	Significant spills	53
	306-4	Transport of hazardous waste	Not applicable
	306-5	Water bodies affected by water discharges and/or runoff	Not reported
Environmental compliance	307-1	Non-compliance with environmental laws and regulations	53
Supplier environmental assessment	308-1	New suppliers that were screened using environmental criteria	Not reported
	308-2	Negative environmental impacts in the supply chain and actions taken	53
Employment	401-1	New employee hires and employee turnover	43
	401-2	Benefits provided to full time employees that are not provided to temporary or part-time employees	Not reported*
	401-3	Parental leave	Not reported*
Labour/management relations	402-1	Minimum notice periods regarding operational changes	Not reported*
Occupational health and safety	403-1	Workers representation in formal joint management-worker health and safety committees	Not reported*
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	44 to 46
	403-3	Health and safety topics covered in formal agreements with trade unions	Not reported*
Training and education	404-1	Average hours of training per year per employee	41 and 42
	404-2	Programs for upgrading employee skills and transition assistance programmes	41 and 42
	404-3	Percentage of employees receiving regular performance and career development reviews	41 and 42
Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	41; 62 to 73
	405-2	Ratio of basic salary and remuneration of women to men	Not reported*
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	Not reported*

* Comply with labour and employment legislation and collective agreements.

Aspect	Core indicator		Page/not reported
Freedom of association and collective bargaining	407-1	Operations and suppliers in whom freedom of association and collective bargaining may be at risk	Not reported*
Child labour	408-1	Operations and suppliers at significant risk for incidents of child labour	Not reported*
Forced or compulsory labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Not reported*
Security practices	410-1	Security personnel trained in human rights policies or procedures	Not reported
Rights of indigenous people	411-1	Incidents of violations involving rights of indigenous people	Not reported*
Human rights assessments	412-1	Operations that have been subject to human rights reviews or impact assessments	Not reported*
	412-2	Employee training on human rights policies or procedures	Not reported*
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Not reported
Local communities	413-1	Operations with local community engagement, impact assessments, and development programmes	32 to 57
	413-2	Operations with significant actual and potential negative impacts on local communities	32 to 57
Supplier social assessment	414-1	New suppliers that were screened using social criteria	Not reported
	414-2	Negative social impacts in the supply chain and actions taken	Not reported
Public policy	415-1	Political contributions	None
Customer health and safety	416-1	Assessment of the health and safety impacts of products and service categories	53
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	53
Marketing and labelling	417-1	Requirements for product and service information and labelling	53
	417-2	Incidents of non-compliance concerning product and service information and labelling	53
	417-3	Incidents of non-compliance concerning marketing communications	53
Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	None
Socio-economic compliance	419-1	Non-compliance with laws and regulations in the social and economic areas	None

* Comply with labour and employment legislation and collective agreements.