

CHAIRMAN'S REPORT

ZL Combi
Chairman



Introduction

Pioneer Foods has made a compelling start to its journey of “creating the future” towards 2018. The organisation has undergone significant change in a challenging operating environment that has enhanced the organisation’s ability to create value on a sustainable basis. The priority going forward is to maintain this momentum, entrench leading practices and to identify opportunities for growth.

It is imperative that the Group continuously considers its social, environmental and economic impact required to operate a sustainable and ethical business. Pioneer Foods continues to invest in various corporate social investment and sustainability initiatives in the communities surrounding its operations.

Governance and compliance

The Board of Pioneer Foods is committed to the principles of good corporate governance, as articulated in the King Code of Governance for South Africa, 2009 (“King III”). The Board is kept informed on the Group’s progress and performance against the approved strategy and plays a definitive role in assessing all corporate activity and investment decisions.

Pioneer Foods is a listed company involved in the manufacturing and supplying of food, beverages and related products, and is subject to a comprehensive suite of regulatory compliance requirements. The Group has developed a compliance framework that involves

the monitoring of any regulatory changes and assessing the potential impact on the Group, customers and, ultimately, the consumer. This framework is based on the Generally Accepted Compliance Practice (“GACP”), as endorsed by the Compliance Institute of Southern Africa (“CISA”).

Business environment

Pioneer Foods is directly impacted by the lacklustre market conditions that influence South Africa’s current economic, social and political environment. It is critical to the sustainability of the country that South Africa’s brand proposition is improved in the eyes of the global investment community to encourage a growth environment. Without industrial growth and significant infrastructural investment, the current social limitations of unemployment, inadequate education and increased labour unrest will continue to inhibit the country’s progress. Opportunities remain for businesses to collaborate with government on alleviating the burden of policy uncertainty and investing in real growth.

CHAIRMAN'S REPORT (CONTINUED)

Milestones

Pioneer Foods step-changed its performance in a challenging environment:

- Executive leadership established a robust and agile business model underpinned by a clear and compelling corporate strategy, thereby enhancing the Group's ability to respond to challenges and opportunities in the market.
- Restructuring at operational and corporate level resulted in improved focus and efficiencies.
- The separate positioning of the international business to drive export sales growth and expansion.
- Quantum Foods was successfully unbundled to existing shareholders and listed on the Johannesburg Stock Exchange on 6 October 2014.
- In terms of human capital, the Group is focused on creating an enabling environment of growth and leadership, and particular emphasis will be placed on driving transformation and equal opportunities within the organisation.

Prospects

Following a year of intense internal focus that produced tangible results, the focus for the coming year will be bedding down the more streamlined

structure and business model to sustain the positive impact of the strategy on the Group's value creation process.

The Group's most valued intellectual capital resides in its brands and its people, as both represent the organisation's competitive edge in the market. Pioneer Foods is focused on leveraging the existing potential in each of its brands to increase penetration through marketing and innovation initiatives, thereby unlocking growth.

Appreciation

I extend my gratitude to all Pioneer Foods stakeholders for their commitment to the Group during this period of internal transformation in a constrained external environment. I would like to thank Phil Roux and the leadership of Pioneer Foods for their tenacity and dedication to the Group strategy which will take this business into the future.

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