

SUSTAINABILITY REPORT



“Sustainability principles are aligned with the five themes of the corporate strategy. This means that Pioneer Foods considers the social and environmental impact of its daily business activities and is continuously seeking opportunities to share and create stakeholder value.”

SUSTAINABILITY REPORT

Highlights

	10 energy minimisation opportunities ("EMOs") implemented with savings estimated at R2.2 million		Provided funding for permaculture gardens at a further 57 schools to the amount of R2 million
	4th year participation in the Carbon Disclosure Project ("CDP") with an improved score of 82 in 2014 (2013: 74)		Achieved 72% rating according to CSI project Impact Assessment Study which considered the outcomes realised through the Group's contribution
	Product life cycle assessments ("LCAs") performed on apple <i>Liqui-Fruit</i> , <i>Weet-Bix</i> and <i>White Star</i> super maize meal		Supported 15 university students through The Pioneer Foods Education and Community Trust ("PFECT") bursary programme

Sustainability approach

Pioneer Foods' long-term success requires sustainable business practices in three fundamental ways:

1. The Group is reliant on agriculture, therefore environmental issues such as climate change, energy consumption and water management have a direct impact on operations and profitability
2. The Group depends on the current and future availability of human capital and skills
3. The Group produces food for general consumption and therefore has a responsibility to ensure its product offerings are beneficial and nutritious

Parallel to these three fundamental business drivers, the Group maintains its commitment to the broader community through several corporate social investment ("CSI") initiatives. It is in the Group's interest to develop the consumers of tomorrow.

Pioneer Foods benefits from a thriving economy. The Group's future success is therefore directly connected with its contribution to socio-economic development. Driving transformation across all levels of the business is a key consideration for the Group.

The governance of sustainability

The social and ethics committee is responsible for the monitoring of sustainability on behalf of the Board. Its mandate is to oversee the implementation and management of sustainability items by the executive team. Formal reporting to the committee follows quarterly reports to the executive committee. Data is collected on a monthly basis according to defined procedures. The implementation of a formal management reporting mechanism has been put on hold in the medium term. Currently, sustainability champions in each division are accountable for data collection and accuracy according to the sustainability strategies that are in place at a divisional, business unit or site level where accountability lies.

THE BOARD OF DIRECTORS



This is the first year that the Group has opted to report the core sustainability indicators in accordance with the new Global Reporting Initiative ("GRI") G4 Guidelines. The full GRI table is available online at www.pioneerfoods.co.za.

Sustainability assurance

EY has been contracted to provide limited assurance on the following key performance indicators ("KPIs") and these have been denoted with an ^{LA} in the report:

- Lost time injury frequency rate ("LTIFR")
- Fatalities
- Number of permanent employees
- Permanent employee turnover
- Scope 1 carbon emissions
- Scope 2 carbon emissions
- Water consumption

The assurance statement from EY, along with a breakdown of the basis for measurement of each indicator, is available online at <http://www.pioneerfoods.co.za/investors/financial-results-archive/>.

Compliance

Pioneer Foods' licence to operate depends on its ability to produce products for consumption by humans and animals that adhere to the necessary quality, consistency, safety and traceability standards. External audits of Group facilities are conducted regularly to maintain certification and align with best practice. The divisions subscribe to the following health and safety standards:

- HACCP (Hazard analysis and critical control points)
- ISO 14001 (Environmental management)
- ISO 18001 (Occupational health and safety)
- ISO 9001 (Quality management) – selected elements
- OSP 22000 (Food safety management) – Essential Foods
- NOSA (National Occupational Safety Association) – certain sites

A formal compliance framework ensures that the impact and applicability of compliance standards requirements are understood and managed within the Group. The Group's formal approach to regulatory compliance is described on page 84.

SUSTAINABILITY REPORT (CONTINUED)

Strategic alignment

Sustainability principles are aligned with the five themes of the corporate strategy. This means that Pioneer Foods considers the social and environmental impact of its daily business activities and is continuously seeking opportunities to share and create stakeholder value.

Material issues are regularly reviewed at executive level to identify threats as well as new value

creation and innovation opportunities. Material issues constitute those items that have a direct impact on short-term performance or have the potential to develop into directly impactful issues in the medium to long term if left unmitigated. Stakeholder concerns – including the perceptions of internal role players – inform the process of identifying material issues.

Strategic themes	Sustainability material issues	Progress in 2014	More detail
 Shape a winning corporate portfolio	B-BBEE: preferential procurement	Supplier engagements continue to improve, with a shift from a cost focus approach to a TVO (total value of ownership) approach, with a special emphasis on value-added transformation.	Preferential procurement – page 67
 Focus on power brands	Healthy, affordable products Product and food safety Genetically modified organisms (“GMOs”) Responsible sourcing	Life cycle assessments (“LCAs”) were conducted on three flagship products to establish environmental impacts of production from source to distribution. Notable events during the year: <ul style="list-style-type: none"> Sustainable palm oil procurement Animal treatment concern and solution GMO product labelling Voluntary removal of objectionable substance from all bread products These required intensified engagement with affected stakeholders. In each case, the Group was provided with an opportunity to improve its approach to operational and product responsibility.	Operational and product responsibility – page 71 Stakeholder engagement – Online
 Embed strategic customer management	Complaints B-BBEE: Socio-economic development and enterprise development	The Group has a formalised complaints management guideline in place to ensure the highest level of service in the handling of complaints. As part of its corporate social responsibility, Pioneer Foods provides support to a range of socio-economic development projects, which are aimed at improving education, the environment and food security. In 2014, almost R11 million was distributed to these projects. The Group also assists in the development of primary agriculture and supported eight commercial farming operations whose beneficiaries are mentored by external commercial farmers as well as by Pioneer Foods employees. As a JSE-listed entity, Pioneer Foods was automatically selected to participate in the 2014 index.	Operational and product responsibility – page 71 Socio-economic development – page 68 Enterprise development – page 70

Strategic themes	Sustainability material issues	Progress in 2014	More detail
 Reset the cost base and step up productivity	Climate change Energy costs Energy consumption Carbon costs Water management Transport and logistics	The Group participated in the Carbon Disclosure Project for the 4th year and published its results for the first time in 2014. The Group improved its score from 74 in 2013 to 82 in 2014. The year-on-year scope 1 and 2 carbon emissions and energy consumption increased by 3% and 6% respectively. Pioneer Foods’ corporate offices received a R213 000 Eskom rebate for a light replacement project in 2014. The Group’s partnership with the National Cleaner Production Centre of South Africa (“NCPC-SA”) resulted in the identification of a number of energy minimisation opportunities (“EMOs”). During the year, 10 EMOs were successfully implemented at four facilities. The estimated saving is R2.2 million per year. Energy Partners was appointed as the provider of the Group’s energy optimisation solutions. Water usage metres were installed at Bokomo Foods plants to improve measurement and management accuracy. The Group is in the process of replacing the entire distribution fleet in the bakeries business unit with smaller and more fuel-efficient vehicles. The targeted completion date is 2016.	Energy efficiency – page 75 Water management – page 76 Logistics – page 74
 Build a high-performance team	B-BBEE: transformation Employee relations Organisational development Diversity Skills development Training Occupational health and safety Human rights Ethics	The Group retained its level 4 B-BBEE accreditation. The Group has improved its talent and performance management framework through the establishment of new STIs and LTIs (short and long-term incentives) to recognise performance in areas directly connected with delivery of the corporate strategy. During 2014, the Group launched a curriculum for a new Brand Academy as part of its strategic drive to focus on power brands and build a high-performance team. The Group was able to offer a greater number of bursaries after adapting its policy and reducing the size of bursaries. Pioneer Foods supported 161 employee bursary holders in 2014 (2013: 81). The Group has a responsibility to ensure that the individuals employed at its various manufacturing facilities are safe at work. The LTIFR for the year was 2.47 ^{LA} (2013: 0.96). Two ^{LA} fatalities were reported during the period. More information on the Group’s operational health and safety is available online. Ethics and human rights underpin the Group’s approach to corporate governance.	Employee engagement – page 62 Transformation – page 64 Skills development – page 65 Occupational health and safety – Online Ethics – Corporate governance – page 88 Human rights – Corporate governance – page 88

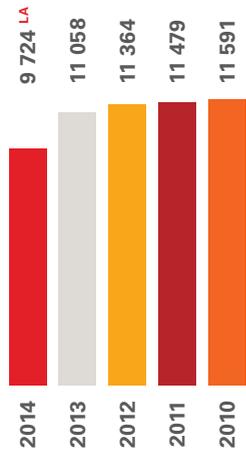


Employee engagement

Strategic alignment: Build a high-performance team

Employee engagement plays a pivotal role in the success of the business. The rightsizing exercise of the past 18 months has affected workforce dynamics as the Group sought to achieve optimal human capital investment.

Total workforce*

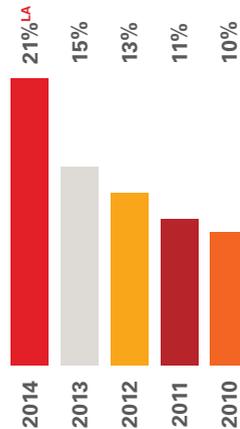


Employee statistics

Total employee numbers, including permanent employees and contracted employees, reduced by 12% to 9 859 at 30 September 2014, of whom 9 724^{LA} are permanent and 135 contracted employees. Employee turnover of permanent staff increased to 2 130, a rate of 21%^{LA}.

The significant decrease in employee numbers and consequent increase in turnover rate are the direct result of the rightsizing exercise in 2013. Many of the job losses occurred in the poultry business that underwent considerable downturn. This process was undertaken in an ethical and responsible manner to protect the rights of all Pioneer Foods employees, and the organisation has emerged a leaner, more agile business, better positioned to compete in a volatile and competitive market. Efforts were made to place as many affected employees elsewhere within the Group.

Employee turnover



* Permanently employed by wholly-owned South African operations.

Organised labour

The Group supports its employees' rights to collective bargaining, and employees are free to associate with the labour union of their choice to negotiate their terms of employment. Total union membership for 2014 was approximately 86% (2013: 86%) of the bargaining unit and approximately 58% (2013: 62%) of permanent employees.

There were 2 cases of industrial action during the year and these were within the Essential Foods business.

Organised labour



Organisational development

Leadership alignment was prioritised as a key enabler of building high-performance teams and sustaining the organisation's transformation. The executive team embarked on a journey to build leadership coherence and inculcate shared responsibility through a series of facilitated workshops which culminated in the development of a revitalised leadership brand. This blueprint outlines the differentiating capabilities that the organisation seeks to nurture and embed to create a high performance culture.

As part of its strategic focus on talent management, the Group took steps to stimulate a renewed sense of pride among employees and launched an integrated reward and recognition scheme in the form of STIs and LTIs (short and long-term incentives). Pioneer Foods employees were invited to nominate colleagues for achievements in areas directly connected with the five strategic themes. A total of 819 nominations were received, indicating a positive response.

In memoriam

The Group mourns two employees^{LA} who lost their lives in road accidents while on duty. Lindokuhle Eliot Malevu was shot while driving and passed away on 13 November 2013. Ralton Alphonso Manuel was involved in a fatal accident on 17 March 2014. Pioneer Foods is committed to the safety of all employees and strives towards a zero fatality target.

SUSTAINABILITY REPORT (CONTINUED)



Transformation

Strategic alignment: Build a high-performance team

Pioneer Foods is focused on building a high-performance team that is diverse and representative of South African demographics.

Broad-based black economic empowerment ("B-BBEE")

Improvements in the Group's B-BBEE score in certain categories can be attributed to Pioneer Foods' continuous aim to provide previously disadvantaged candidates with opportunities. The Group was rated according to the Agricultural B-BBEE Sector Scorecard ("AgriBEE") and retained its level 4 B-BBEE accreditation.

B-BBEE scorecard

B-BBEE element	Weighting (AgriBEE codes)	2014	2013
		Unaudited score (AgriBEE codes)	Audited score (AgriBEE codes)
Ownership	20	15.3	15.3
Management control	10	5.4	5.2
Employment equity	10	3.2	3.0
Skills development	20	8.8	11.5
Preferential procurement	20	12.5	11.1
Enterprise development	10	10.0	10.0
Socio-economic development	10	10.0	10.0
Total	100	65.2	66.1
Level		4	4

Ownership

Of the economic interest of the Group 17% (2013: 17%) is held by black people, largely the result of the Phase II B-BBEE transaction in March 2012.

Management control and employment equity

Management control is 36% black (2013: 36%) at the Board level and black females represent 29% (2013: 25%) at top management level.

The Group improved its employment equity score at senior and top management levels. This is the outcome of the shift away from multifarious equity planning and delivery processes at the operating level, in favour of fewer, more coherent equity plans at each business unit. This has improved leadership line of sight and accountability for the broad transformation objectives.

Designated employees per level*

Designated employees per level	2014	2013	2012	2011	2010
Junior/unskilled	97%	97%	97%	93%	93%
Senior management	40%	35%	34%	33%	32%
Top management	50%	38%	40%	40%	36%
Mid management	60%	62%	60%	59%	57%

* Excludes fixed-term employees and other nationalities



Skills development

Strategic alignment: Build a high-performance team

Skills development is integral to the Group's focus on enhancing its human capital for the future sustainability of Pioneer Foods.

This is entrenched by the various capability building initiatives directly related to the five strategic themes.

Customer-centric approach

To transform the organisation into a customer-centric business, skills development initiatives in marketing, innovation and customer management are emphasised. A highlight was the development

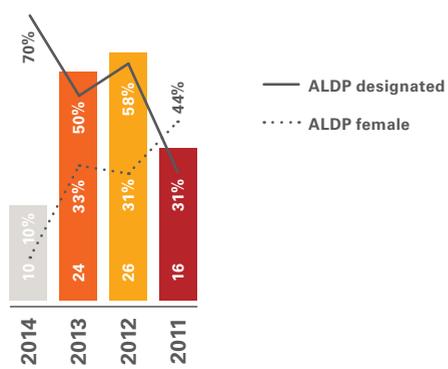
of the Pioneer Brand Academy curriculum. In addition, a customised Key Account Management course was launched and 14 customer and key account managers were enrolled on the pilot programme.

Pioneer Foods Academy of Learning

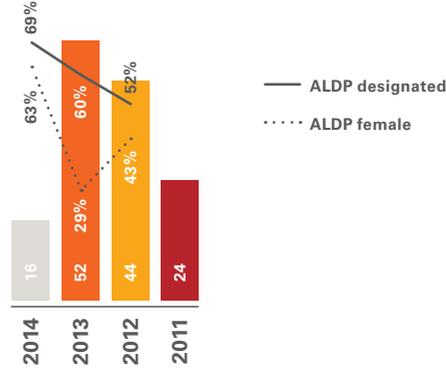
Leadership development forms a key part of the Group's talent retention plan and is offered through two formal programmes – the Advanced Leadership Development Programme ("ALDP") and the Foundational Leadership Development Programme ("FLDP"). A total of 26 employees were enrolled on the two leadership programmes in the Academy in 2014. A high percentage of students on the courses are from designated groups and in the FLDP more than 50% are female.

SUSTAINABILITY REPORT (CONTINUED)

ALDP representation



FLDP representation



Skills pipeline

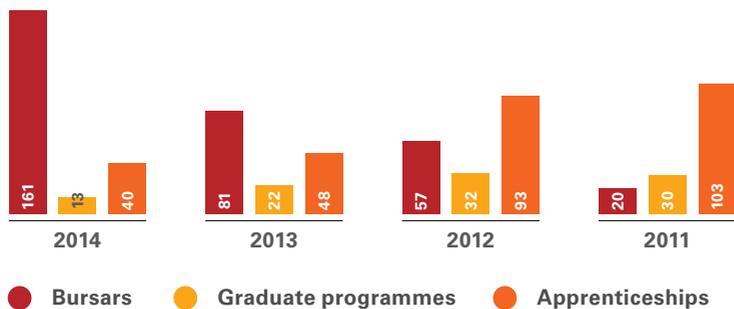
The Group invests in future skills through apprenticeships, graduate programmes (internships and in-service), learnerships and employee bursaries. In 2014, there were 40 apprenticeships (2013: 48), 13 graduate programmes (2013: 22) and 161 employee bursaries (2013: 81) in place. There were also 201 (2013: 341) learnerships provided through the different divisions of the Group.

The significant increase in bursaries is the result of lowering the amounts provided, thereby increasing

the number of bursaries available. The Group has seen a decline in apprenticeship and graduate programme numbers over the past few years as a result of stricter forecasting being applied to the recruitment of students to ensure there is sufficient capacity to place every individual. Additionally, the reorganisation of the business has focused primarily on building and developing employees internally.

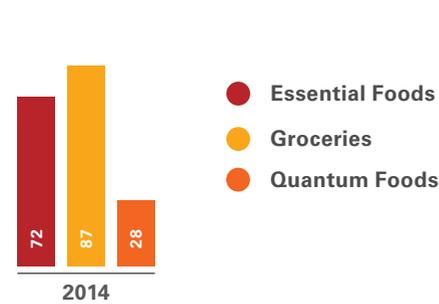
The Group will focus on apprenticeships, learnerships and graduate programmes in the coming year, with specific emphasis on engineering fields.

Skills pipeline



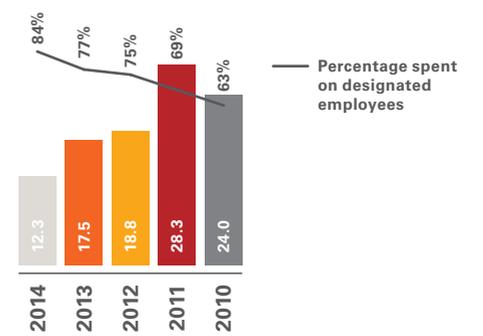
Total skills development spend for the year to September 2014 was R12.3 million (2013: R17.5 million). Of the total spend, R10.3 million (84%) was spent on designated employees.

Learnerships (Total 187)



The reduced allocation for skills development is the direct result of the organisational restructuring, cost management and rightsizing exercise. As the organisation settles into the new operating model, more focus will be placed on this aspect of the business.

Skills development spend (R'm)



Preferential procurement

Strategic alignment: Shape a winning corporate portfolio

The Group considers preferential procurement a core aspect of its strategic objective to shape a winning corporate portfolio.

In the agricultural sector there is a particular need to support farmers from historically disadvantaged backgrounds by creating markets that will result in economic empowerment in rural areas.

Supplier verification

Pioneer Foods improved its approach to supplier engagements by shifting to a total value of ownership ("TVO") approach. This resulted in more emphasis on transformation, leading to a number of high-value contracts being allocated to a vendor base with level 4 or higher B-BBEE credentials. The Group is currently sourcing a partner to assist in enhancing supplier development efforts.



Corporate social investment ("CSI")

Strategic alignment: Shape a winning corporate portfolio

Food security remains a major concern in South Africa. The Group channels its corporate social investment towards addressing the key causes of societal underdevelopment that lead to hunger and poverty.

Through its partnerships, the Group is involved in a variety of community projects in education, environment and food security. These projects – which focus on vulnerable groups such as women and children primarily in rural contexts – receive 90% of funds distributed by the Group, while the remaining 10% is allocated to feeding schemes. Pioneer Foods distributed almost R11 million to beneficiaries.

Pioneer Foods commissioned an impact assessment in partnership with an external service provider during 2014. The aim was to identify areas where the Group's contribution is making a significant impact and where to provide more meaningful development opportunities. The results showed a 72% project impact achievement.

Education

The Pioneer Foods Education and Community Trust ("PFECT")

In FY2014 the trust activities were mainly in three areas:

- Provision of bursaries
- Support to deserving projects
- Development of Mbekweni Youth Centre

Mbekweni Youth Centre

The trust decided in the previous financial year to develop a youth centre in Mbekweni township. The trust will refurbish and extend an existing building with a provisional budget of approximately R12 million, comprising capital and operations expenditure, allocated for 2015. Building has already commenced.

Bursaries

The PFECT bursary programme continues to support students in the fields of accounting, engineering and marketing. In 2014 R1.4 million was allocated to 17 students. In 2015, the number of students will increase to approximately 30. For the new cohort, beneficiaries of Pioneer Foods employees were also invited to apply.

Environment

World Wildlife Fund South Africa ("WWF SA")

An enterprise development and conservation model ("People Working for their Environment") has been established in the Nelson Mandela Bay Metropole ("NMBM") in the Eastern Cape, following the success of a three-year pilot programme with the Table Mountain Fund funded in collaboration with the Western Cape government. The project was launched in February 2014. This model aims to develop a sustainable small land management business in the peri-urban context of the NMBM, and to provide natural resource management services to key conservation sites.

Paardeberg Sustainability Initiative ("PSI")

The Paardeberg Sustainability Initiative (PSI) recognises the threats to the biodiversity and natural resources in the Western Cape Boland area of South Africa. The primary threat is economic pressure facing some farmers and land users of the mountaintops and surrounding areas. The PSI has continued to grow in capacity and now supports land users to protect natural resources through the PSI National Resources Management ("PSI NatReM") Land Users Incentive Scheme. In this project, the PSI has created 90 sustainable jobs to fulfil its mandate and address economic aspects of sustainability.

The sale of woodchips to the Group's relevant bakeries as a coal replacement remains the most promising option to pursue to ensure the jobs created become sustainable.

Food security

Foodpods Kayamandi

Foodpods Kayamandi is a Women's Development Programme in Kayamandi township, in Stellenbosch in the Western Cape, focusing on agriculture, food security and entrepreneurship. Over the past year, the project has transformed an unused, inaccessible and arid piece of land at the Kayamandi High School into a large-scale agricultural hub, with the capacity to produce 76 800 vegetable bunches every year, making it the largest township-based, container-grown, agricultural hub in South Africa.

Foodpods Kayamandi provides full-time employment to a group of horticulturalists and site keepers, as well as a number of female growers from the community. Local and international interns and volunteers also contribute to the project, providing business and management support. By investing in the Foodpods project, Pioneer Foods is helping local women to develop the skills and resources to provide for their own food in a model that can be replicated in under-resourced communities across South Africa.

Limani: Towards Food Security for Communities

Limani, a permaculture food gardening project implemented by Food & Trees for Africa ("FTFA"), was launched at Shikhati Primary School near Tzaneen, Limpopo Province, in June 2012. The school has since been developed as a resource centre for other schools in the area. As part of their training, schools are encouraged and equipped to harvest rain water and to use mulch to preserve soil moisture, while garden infrastructure and equipment were also upgraded and donated to the schools.

Commercial earthworm farms have been established to produce high-quality compost soil for vegetable gardens. Schools have been equipped with solar cooking kits. All schools are able to supplement their feeding programmes with fresh vegetables and many learners and other community members have started individual gardens following the success of the school gardens.

The project received a R6.9 million grant from the European Union in 2013. Pioneer Foods has agreed to match the funding needed to implement permaculture food gardens at an additional 57 schools.

Feeding schemes

The African Children's Feeding Scheme ("ACFS")

ACFS receives co-funding from Pioneer Foods to purchase milk to support 13 feeding centres in Soweto and the surrounding informal settlements. About 31 000 children benefited from this support during 2014. As part of the programme, the parents and guardians of the assisted children are empowered with skills that should eventually make them independent and able to exit the programme.

SUSTAINABILITY REPORT (CONTINUED)

The following skills were provided to 1 200 direct beneficiaries during the year:

- Food gardening for food security (for survival as well as for commercial purposes)
- Sewing, beadwork, woodwork and baking (to start small businesses and provide employment opportunities)
- Health education

The organisation also runs school holiday programmes that focus on life-skills training and educational games and activities to keep children occupied and away from abusive home environments.



Enterprise development

Strategic alignment: Shape a winning corporate portfolio

Pioneer Foods retained full points for the enterprise development aspect of the B-BBEE scorecard for the third year in a row.

The Group encompasses an extensive value chain, which includes farmers and producers across the country, and therefore focuses its enterprise development activities on the development of primary agriculture in South Africa.

Stellenbosch Community Development Programme ("SCDP")

SCDP's focus is on nutrition and health by fighting malnutrition, preventing stunted growth and addressing obesity in Kayamandi, at Stellenbosch, by providing more than 1 800 children (including 750 crèche children under the age of five) with a meal every school day and most school holidays.

Pioneer Foods' co-support extends towards the provision of a cup of milk per day for every child who is part of SCDP's programme. Pioneer Foods also sponsors the salary of a Sustainable Livelihoods mentor.

Primary agriculture

The Group provided R1.7 million (2013: R3.5 million) to enterprise development projects in 2014, of which 76% (2013: 74%) was allocated to primary agriculture projects. During the year, Pioneer Foods supported eight commercial farming operations whose beneficiaries are all mentored by external commercial farmers and by internal Pioneer Foods employees.

The majority of the Group's production footprint remains biased towards the Western Cape, with 75% (2012: 69%) of spend going towards projects in the province.



Operational and product responsibility

Strategic alignment: Focus on power brands
Embed strategic customer management



Pioneer Foods' social and legal licences to operate require that it provides products and services of a consistently high quality to a broad range of stakeholders.

Product life cycle assessment ("LCA")

The Group concluded life cycle assessments by an external service provider on three flagship products – apple *Liqui-Fruit*, *Weet-Bix* and *White Star* maize meal. Undertaking a life cycle assessment allows the Group to consider emissions impacts when deciding on supplier selection, materials sourcing, product design and manufacturing processes. It highlights cost-saving opportunities while demonstrating environmental responsibility leadership.



Apple *Liqui-Fruit*

Total product carbon footprint for 1 litre box: 1 062 grams CO₂e

- Farming: 22% total greenhouse gas emissions
- Apple storage: 17% total greenhouse gas emissions
- Concentrate processing: 31% greenhouse gas emissions
- Apple *Liqui-Fruit* production: 30% greenhouse gas emissions



Weet-Bix

Total product carbon footprint for 450 gram box: 572 grams CO₂e

- Farming: 35% total greenhouse gas emissions
- Storage and cleaning: 3% total greenhouse gas emissions
- *Weet-Bix* production: 62% total greenhouse gas emissions



White Star super maize meal

Total product carbon footprint for 1 kilogram bag: 176 grams CO₂e

- Farming: 69% total greenhouse gas emissions
- *White Star* production: 31% total greenhouse gas emissions

SUSTAINABILITY REPORT (CONTINUED)

Customer service and complaints

Pioneer Foods has a robust complaints management system. While some business units outsource this function, responsibility and reputational risk

ultimately lie with Pioneer Foods, and formal Group procedures are therefore rigorously implemented. A 15-day turnaround target is in place for the resolution of complaints.

Business unit	Unit of measurement	Number of complaints 2014	Number of complaints 2013
Essential Foods – Grains	per 1 000 000 units sold	14.18	6.59
Essential Foods – Bakeries	per 1 000 000 units sold	4.98	5.74
Groceries – Beverages	per 1 000 litres	0.16	0.09
Groceries – ex-Bokomo	per 100 000 units	0.0016	0.0013
Groceries – ex-Bokomo SAD	per 1 000 tonnes	0.025	0.017
Quantum Foods – Nova	per 1 000 tonnes	0.19	0.25
Quantum Foods – Tydstroom	per 1 000 tonnes	0.001	0.003
Quantum Foods – Nulaid	per 1 000 doz	0.02	0.02

Environmental fines

No environmental fines were paid in the financial year.

Operational and product responsibility key events

The table on the next page provides a summary of notable events for the year and how Pioneer Foods is responding. A breakdown of Pioneer Foods' overall approach to stakeholder engagement, including stakeholder groups, concerns and Group response, is available online at www.pioneerfoods.co.za.



Key event	Stakeholder concerns	Pioneer Foods' response
Sustainable palm oil procurement		
<p>As a versatile and highly efficient food ingredient, palm oil is in huge global demand, resulting in the deforestation of surrounding rainforests.</p> <p>By procuring palm oil from these plantations, businesses indirectly support this unsustainable practice and are exposed to the associated reputational risk.</p>	<p>Consumers expect companies to source raw material from sustainable suppliers and increasingly make their product selection based on whether the producer is socially responsible.</p> <p>This is of material concern to retailers trying to mitigate their environmental impact and maintain the patronage of discerning consumers.</p>	<p>Pioneer Foods is a member of the roundtable for sustainable palm oil sourcing and has drawn up a two-year plan whereby only 100% certified suppliers of this product will be considered.</p> <p>Palm oil is an ingredient in raisins and this will be replaced by March 2015. Small amounts are found in the mixtures used for biscuits and rusks.</p> <p>Pioneer Foods participated in the Carbon Disclosure Project Forests programme for the first time in 2014.</p>
Animal treatment concern and solution		
<p>A regrettable incident occurred at a Nulaid cull depot in Phokeng, Rustenburg, where layer chickens ready for culling were not being treated in line with Nulaid's animal welfare standards.</p>	<p>The NSPCA raised concerns about the treatment of chickens at the culling depot, which received attention in the media.</p> <p>A court order was received and, within two days, Nulaid had complied with the directives of the court order. The NSPCA again visited the depot and was satisfied that there were no other animal welfare issues.</p>	<p>Disciplinary action was taken against the responsible employees at Nulaid and awareness training on safe handling was rolled out at other sites.</p> <p>Improved systems and the establishment of a regular audit of all Nulaid facilities by the organisation.</p>
GMO product labelling		
<p>Genetically modified organisms ("GMOs") are a growing global consumer issue. The debate features advocates of the technology and those who maintain that the environmental and other impacts of GMOs remain unproven.</p>	<p>Food labelling regulation R146 contains regulatory requirements that all products comprising more than 5% GM ingredients be clearly labelled for the benefit of the consumer.</p> <p>Consumers expect to be able to make an informed choice about their nutrition and trust that the food they buy in stores is thoroughly labelled.</p>	<p>All Pioneer Foods products are clearly labelled and GMO data fully disclosed, thereby enabling customers and consumers to make informed choices for themselves.</p>

SUSTAINABILITY REPORT (CONTINUED)

Key event	Stakeholder concerns	Pioneer Foods' response
Voluntary removal of objectionable substance from all bread products		
<p>In the first half of the year, a substance used in commercial baking, namely azodicarbonamide ("ADA"), was removed from all Essential Foods products.</p> <p>This formed part of the Group's bread quality improvement drive to revitalise the <i>Sasko</i> brand and establish Pioneer Foods as a responsible producer.</p>	<p>The ingredient is objectionable to consumer activists for its use in other commercial products not for human consumption.</p> <p>From a regulatory perspective, ADA is approved safe by the Department of Health and other international regulatory authorities applying Codex Alimentarius, the international standard adopted in health regulations across the globe.</p>	<p>Prior to the emergence of consumer action, Group leadership launched a project to remove ADA from all products in which it had previously been used, namely white and brown wheaten flour and bread produced in the Eastern and Western Cape.</p> <p>Mainstream retail products such as self-raising and cake flour have never contained ADA and were therefore unaffected.</p> <p>The Group has invested in dedicated research and development involving scanning all Essential Foods products down to micro ingredient level for content with potential negative consumer connotation, irrespective of regulatory allowance and compliance.</p>



Logistics

Strategic alignment: Reset the cost base and step up productivity

Logistics services were centralised as part of the strategic drive towards cost efficiency and streamlining the business.

Replacing bakeries fleet

The Group is in the process of replacing the entire distribution fleet of the bakeries business unit by the end of 2016. The new vehicles will be smaller and more fuel efficient.



Energy efficiency

Strategic alignment: Reset the cost base and step up productivity

Energy management is considered as a priority issue by the Group, due to uncertainty of supply, rising cost of energy and the impending carbon taxation proposed for 2016.

Scope 1 or direct emissions were 116 715 tCO₂e^{LA} (tons of CO₂ equivalent) and total scope 2 or indirect emissions were 263 824 tCO₂e^{LA}, bringing total combined emissions to 380 539 tCO₂e.

In 2014, 692 919 MWh of energy was consumed (2013: 668 513 MWh, excluding Quantum Foods). Of this, 62% (426 747 MWh) relates to direct energy and the remainder to indirect or purchased electricity and steam. This is an increase of 3% (direct) and 6% (indirect) of energy consumed over 2013.

Carbon Disclosure Project ("CDP")

The CDP challenges companies to measure and report their carbon emissions to create transparency between investors and other stakeholders. Pioneer Foods has participated in the CDP for four years and has made its results public for the first time in 2014. The Group improved its score from 74 in 2013 to 82 in 2014.

2014		2013	
Score	Band	Score	Band
82/100	D	74/100	D

Emission reduction opportunities ("EMOs")

Over the past 18 months, the Group partnered with the National Cleaner Production Centre of South Africa ("NCPC-SA") in conducting energy efficiency assessments at its production facilities. As a result, 10 identified EMOs are in the process

of being implemented. Associated savings are expected to amount to R2.2 million. There are a number of EMOs currently undergoing feasibility studies or are in planning phase.

A summary of EMOs identified, planned or in progress per site is available online at www.pioneerfoods.co.za.

SUSTAINABILITY REPORT (CONTINUED)

Woodchip boiler

At the end of the financial year, Pioneer Foods partnered with an external service provider to install a woodchip boiler at the Claremont bakery in the Western Cape, following the successful installation of the first boiler at the newly commissioned Shakaskraal bakery in KwaZulu-Natal. The wood comes from waste from sawmills, pallet manufacturers and other industrial enterprises and is used as a sustainable heating fuel to generate

steam at the bakery. Investigations are under way to integrate the wood sourcing with other projects, for example from the WWF land management clearing sites and the PSI sustainability initiative.

Electrical consumption to run the required machinery to generate the woodchips is as low as 6.8 kWh and wood is considered a carbon-neutral fuel as the carbon emitted through the chimney stack is reintegrated in the soil by the cultured forests.



Water management

Strategic alignment: Reset the cost base and step up productivity

Water is one of the key resources used in agriculture and production, and is therefore a vital component of Pioneer Foods' business.

The Group is on a journey to better understand its water usage to successfully implement management strategies that contribute to the sustainable supply of this resource. In the medium term, this is expected to result in suitable long-term adaptation plans for water usage across the Group's value chain.

During the year, water usage metres were installed at Bokomo Foods plants to improve the accuracy of consumption data collection and usage management.

Usage

Water usage and quality is monitored at all business units, as well as the quality of the water used in the production process. On-site water treatment facilities at certain Ceres Beverages and Quantum Foods sites are used to treat water before and after use at the sites. In 2014, 3.1 million m³ of water was withdrawn (2013: 4.7 million³), which is a reduction of 33%. This was a result of the purchase of water meters at one of the Group's largest water-consuming sites. The actual monthly consumption was far less than the amount calculated in the previous year.

Year-to-date progress on five-year target (water m³/ton of production '000)

Year-to-date progress on five-year target	2014	2013
Annual usage (m ³ /'000)	1.20	1.79
Percentage reduction in water usage	33%	7%

Future sustainability goals

B-BBEE 2015 targets

The Revised B-BBEE Codes of Practice were gazetted on 11 October 2013 and with the transition period ending in the first part of 2015, Pioneer Foods switched from the Agri-Codes to the revised codes on 1 October 2014. Compliance levels have

been redefined and the new 40% hurdle rates on the elements (ownership, skills development and enterprise and supplier development) will result in many companies, including Pioneer Foods, dropping a few levels. Focus in 2015 will be on enterprise and supplier development. A women's development flagship programme is already being developed.

B-BBEE Scorecard Element	Weightings	2015 target
Ownership	25	12.9
Management control	15 (+4)	11.0
Skills development	20 (+5)	6.0
Enterprise and supplier development ("ESD")	40 (+4)	14.0
Socio-economic development ("SED")	5	2.0
TOTAL	100 + 13 bonus points	45.9
Level		8

Carbon emission targets

- Direct energy: 10% reduction
- Indirect energy: 8% reduction
- Water: 5% reduction

Water management

Recent studies have demonstrated the interconnection between food, energy and water – meaning that one drives the demand of another in this triangular relationship. In the context of climate change, these studies have emphasised the food and water link. Within the Group's upstream value chain, this pressure is increasing. Partnerships with academic institutions and organisations such as WWF are being explored.

Waste management

Waste management provides further opportunities towards the creation of value, and an extension of the Group's engagement with the NCPC through the Western Cape Industrial Symbiosis Programme (WISP) demands closer investigation.