











www.quantumfoods.co.za

Integrated Report **2021**

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Our brands





Investment case

Through the Group's business activities, Quantum Foods generates financial and non-financial value for its stakeholders:

Balanced and optimised portfolio

- Quantum Foods reduced its exposure to the cyclical nature of the poultry industry by exiting the broiler meat market in 2016
- The Group is the largest contract producer of live broilers, supplying its own day-old chicks and feed to the South African market
- Continued focus on growing revenue from external feed sales, livestock and investments made in recent years to expand operations in the Group's other African countries
- The leading egg business in South Africa, with Nulaid achieving the status of the best egg brand in the country for the ninth consecutive year
- A strong market position with growth potential in animal feeds, livestock and eggs

Africa growth traction and prospects

- Proven track record of success in Africa – operating in Zambia and Uganda for more than 22 years
- Excellent base from which to expand current portfolio in Sub-Saharan Africa
- Strategic opportunities in other African countries will be considered

Efficient cost base

- The Group has an efficient cost base, and cost management remains a key focus
- The current cost base provides an ideal position from which the Group can make bolt-on acquisitions
- Targeted cost-saving initiatives are identified annually

Solid cash-generating ability

- Quantum Foods has no material debt on its balance sheet and has sufficient debt capacity to enable organic growth, as well as growth through acquisitions
- The Group has a healthy asset base from which to grow production of feed, layer and broiler livestock without significant further investment
- Proven record of converting profits to cash

The right people

- The Group has a team of talented, experienced and motivated employees with a strong desire to succeed while maintaining sound environmental, social and governance ("ESG") standards



Group revenue increased by 6% to

R5 401 million

Increased revenue, primarily from feeds and broiler farming, but also from other African countries. Marginal decrease from eggs and lower revenue from layer farming.



Headline earnings decreased from R156 million to

R102 million

Higher earnings from other African countries, offset by a significant decrease in earnings from farming.



Headline earnings per share decreased from 80.5 cents to

52.2 cents

Earnings include profit on the sale of shares held in Bergsig Breeders (Pty) Ltd (previously an associate), which is not included in headline earnings.



Earnings per share decreased from 80.1 cents to

53.9 cents

Earnings from farming businesses were negatively affected by the outbreak of highly pathogenic avian influenza ("HPAI"), a Western Cape abattoir customer exiting the business and lower production on farms.

The Group continued to provide essential goods throughout the

COVID-19

lockdown period without any significant disruption to operations.

The number of employees increased from 2 425 in 2020 to

2 567

in 2021.

Nulaid received the

2021/2022

Ask Africa Icon Brand Surveyor egg category award.



More information is provided in the business overview section on page 28



Welcome to our 2021 integrated report

This is the integrated report for Quantum Foods Holdings Limited and its subsidiaries ("Quantum Foods", "the Group" or "the Company"). It covers the financial period from 1 October 2020 to 30 September 2021 (FY2021)¹.

This report is aimed primarily at the Group's shareholders and other interested stakeholders. It provides a holistic overview of Quantum Foods' strategy, performance and business activities, as well as a measure of the Group's ability to ensure a sustainable business future.

Scope and boundary

Quantum Foods is a public company, duly incorporated in South Africa under the provisions of the Companies Act, No. 71 of 2008, as amended ("the Companies Act"), and its regulations. It is listed on the main board of the JSE Limited ("JSE") in the "Farming and Fishing" sector under the share code QFH.

This report was compiled using the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV")² and the International Integrated Reporting Council's Integrated Reporting Framework. It provides financial and non-financial performance data on the Group's business activities in all its operating geographies. This includes South Africa, Mozambique, Uganda and Zambia as well as all of the Group's subsidiaries.

 More information is provided in the business overview section on page 28.

The scope of non-financial information provided in this report is similar to that provided in the previous year, with a primary focus on the Group's South African business activities. Quantum Foods aims to improve the level of integration of its reporting over time.

Report principles and comparability

The Group did not implement any material changes to its business model in either the 2020 or 2021 financial years that affect the comparability of reporting.

The summarised consolidated financial statements provided in this integrated report are extracted from the full statutory financial statements available on the Group's website: <https://quantumfoods.co.za/financial-reports/>. The financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the Companies Act and the JSE Ltd Listings Requirements ("JSE Listings Requirements") and were audited by PricewaterhouseCoopers Inc. ("PwC").

Assurance

The Group did not seek external assurance for the integrated report as a whole. However, assurance for certain elements of this report was provided by a combination of internal and external sources. This integrated report is the product of comprehensive and detailed internal content development and control processes, with oversight and responsibility at executive level. Quantum Foods' broad-based black economic empowerment ("B-BBEE") score was externally assured by AQRate. The Group appreciates the need for an increased level of external assurance in its reporting of non-financial elements in particular and will continue to pursue improvement in this area.

Forward-looking statements

Certain statements in this integrated report may constitute "forward-looking statements". Actual results and performance of the Group may differ materially from those implied by such statements due to many factors. Readers are therefore cautioned not to place undue reliance on such statements. The Group does not undertake any obligation to update any revisions to these statements publicly after the date of this report.

Board approval

Quantum Foods' board of directors ("the Board"), assisted by its audit and risk and other committees, is ultimately responsible for overseeing the integrity of the integrated report. The Board confirms that it has collectively reviewed the output of the reporting process and the content of the integrated report, and therefore approves the report for release.

WA Hanekom
Chairman




HA Lourens
Chief Executive Officer

Feedback


Quantum Foods is committed to communicating meaningfully with its stakeholders. The Group would therefore appreciate feedback on the effectiveness of this report. Any feedback can be emailed to Quantum Foods' company secretary, Marisha Gibbons, at Marisha.Gibbons@quantumfoods.co.za.

 This report is available on the Company's website: www.quantumfoods.co.za/annual-reports/.

We use the following icons to reference the six capitals, which we use to create sustainable stakeholder value:




-  Financial
-  Manufactured
-  Intellectual
-  Human
-  Social and relationship
-  Natural

Navigational icons

 This icon refers to where additional information can be found in this report.

 This icon refers to where additional information can be found on the Company's website: www.quantumfoods.co.za.

The following icons are used to reference our four strategic themes:

-  Profitable growth through industry cycles
-  Customer and product focus
-  Operational excellence
-  Enhance the performance culture

¹ Where narrative within the report relates to a specific financial year, these years are referenced as FY2020, FY2021, etc. All years not specified as a financial period refer to the calendar year.

² Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

Commonly used terms

The following industry terms are commonly used throughout this report:

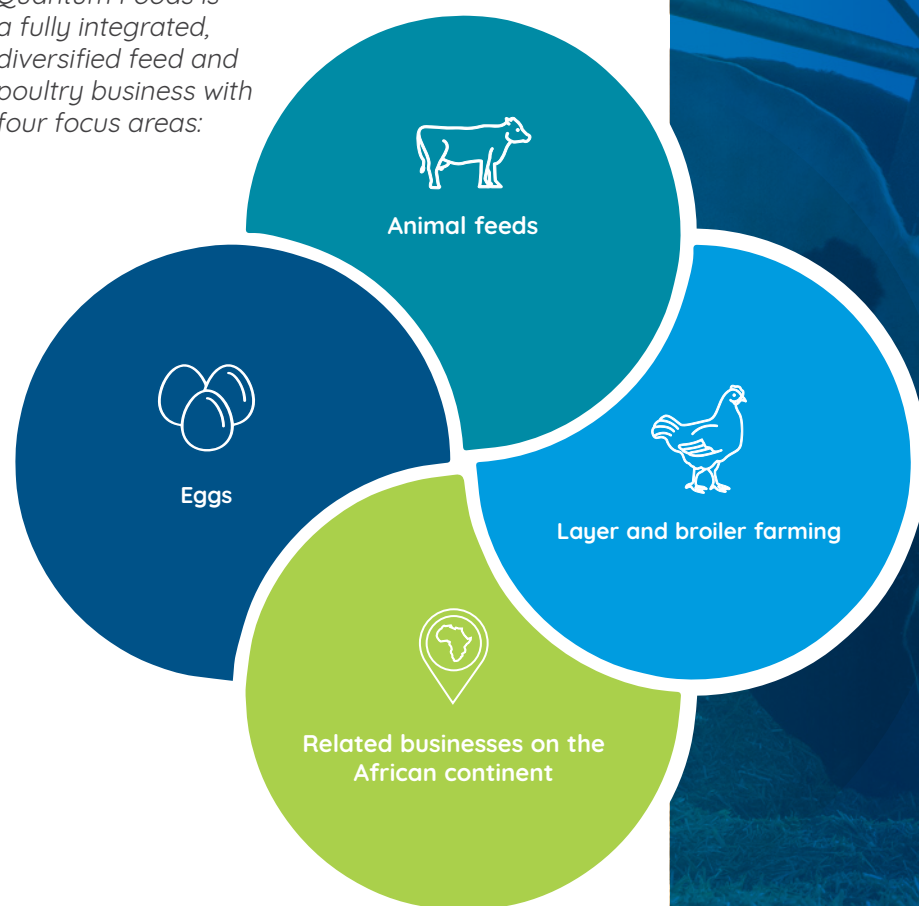
Birds	All varieties of live chicken, including meat-type chicken, egg-type chicken, day-old chicken, layer chicken, etc.
Broilers	Also “broiler chickens”: a young, tender chicken of a meat-type strain suitable for roasting or grilling.
Day-old chicks	Chicks that are one day old, usually from the same stock as broilers.
Day-old pullets	Female layer chicks that are one day old.
Feed conversion rate	The quantity of feed, in kilograms, required by birds of the egg type to produce one dozen table eggs, or required by birds of the meat type to produce one kilogram of broiler meat.
Free-range eggs	Eggs produced from poultry kept in natural conditions that include freedom of movement.
Hatching eggs	Fertile eggs produced on a breeding farm.
Higher-value eggs	Extra-large, jumbo, free-range, canola and pasteurised eggs.
Layers	Mature female chickens (at least 19 weeks old) used to produce marketable egg products.
Liquid eggs	A product especially for the catering industry, where eggs are sold in liquid form.
Livestock	Farmed animals kept for commercial use.
Parent stock	Chickens bred specifically for further reproduction. There is different parent stock for broiler and egg-type chickens.
Point-of-lay	The age at which a pullet lays its first eggs.
Poultry	All forms of domestic fowl, e.g., chickens, turkeys, ducks, geese, etc.
Rearing	The process of growing a day-old chick or pullet into a mature bird.
Table eggs	Eggs intended for consumption. Table eggs are normally graded according to a number of criteria, including weight and quality.



Quantum Foods at a glance

Profile

Quantum Foods is a fully integrated, diversified feed and poultry business with four focus areas:



The Group provides quality animal feeds and poultry products to South African and selected African markets and is the largest producer of eggs in South Africa.

Salient features



5.9%
of Group revenue from other African countries
(2020: 5.5%)



739 554 tons
of feed supplied
(2020: 779 864 tons)



1 089 million
eggs and egg products sold
(2020: 1 189 million)



74 million
day-old chicks produced
(2020: 76 million)

External revenue contribution

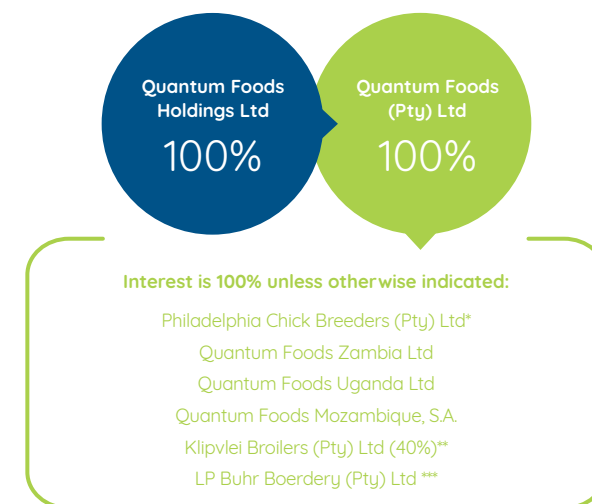
R million

	2021	2020
Animal feeds	2 441	2 237
Layer and broiler farming	1 412	1 350
Eggs	1 229	1 230
Related businesses on the African continent	320	278

Revenue contribution per business

	2021 %	2020 %
Animal feeds	45	44
Layer and broiler farming	26	27
Eggs	23	24
Related businesses on the African continent	6	5

Group structure



* The assets of Philadelphia Chick Breeders (Pty) Ltd were distributed to Quantum Foods (Pty) Ltd on 31 July 2020, and a process to deregister Philadelphia Chick Breeders (Pty) Ltd commenced.

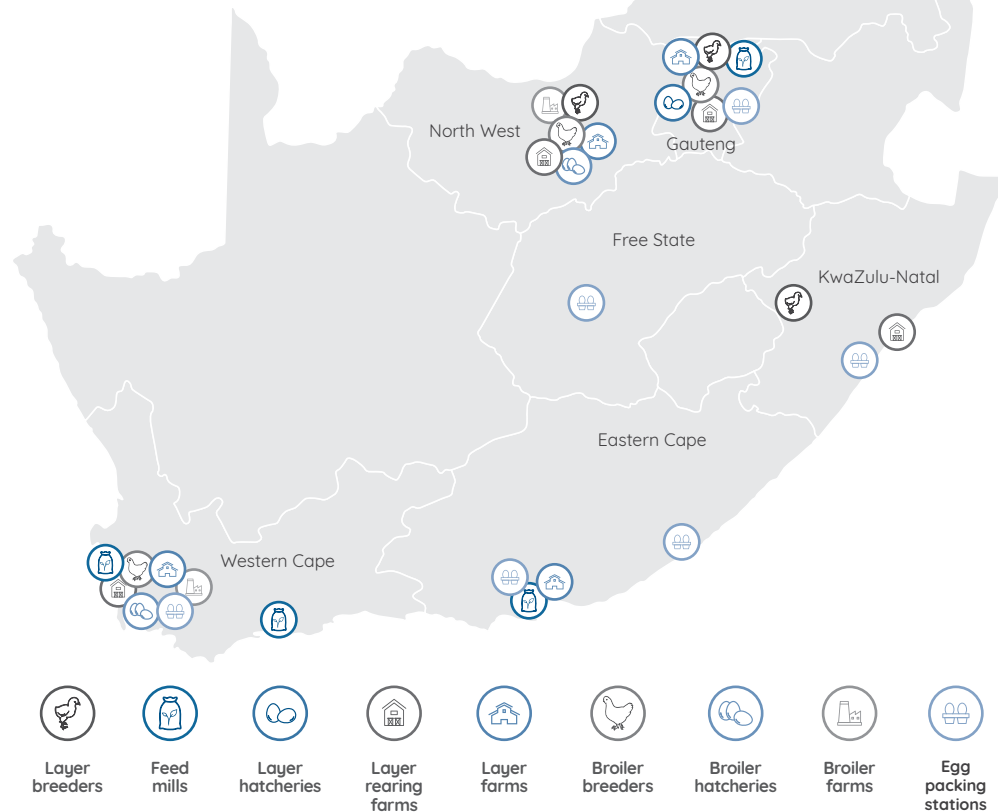
** Quantum Foods (Pty) Ltd acquired a 20% interest in Klipvlei Broilers (Pty) Ltd on 8 March 2020 and acquired an additional 20% interest on 30 September 2021. Klipvlei Broilers (Pty) Ltd is a Western Cape-based broiler contract grower that supplies the Group.

*** Quantum Foods (Pty) Ltd acquired a 100% interest in LP Buhr Boerdery (Pty) Ltd on 31 January 2021. The assets of the company were distributed to Quantum Foods (Pty) Ltd on the same day, and a process to deregister LP Buhr Boerdery (Pty) Ltd commenced.

Other Quantum Foods (Pty) Ltd sold its interest in Bergsig Breeders (Pty) Ltd, previously accounted for as an associate, on 18 June 2021.

Geographic footprint

South Africa



Animal feeds



Quantum Foods' feed mills are located in the Western Cape (Malmesbury and George), Eastern Cape (Paterson) and Gauteng (Pretoria). The majority of feed volumes produced are sold externally, with the balance being consumed internally by the Group's integrated layer and broiler poultry operations. The majority of external feed sales are to the dairy and poultry markets.



Table eggs

Table eggs are distributed from egg packing stations (located in the Western Cape, Eastern Cape, KwaZulu-Natal, Free State and Gauteng) or sold in ungraded form from egg farms. The majority of table egg sales are to the retail sector. *Nulaid* also sells liquid egg products to the industrial market.



Layer livestock

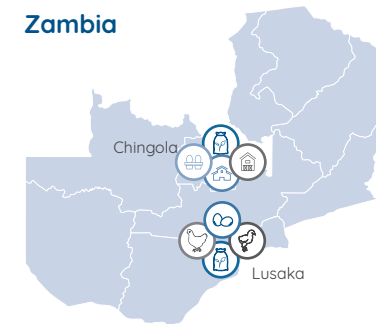
Layer livestock constitutes day-old chicks and point-of-lay hens of the Lohmann breed.



Broiler livestock

Day-old broiler chicks of the Cobb500 breed are sold under the *Bellevue Chix* brand from hatcheries located in the Western Cape and the North West. These chicks are either sold as day-old broiler chicks or as live broilers to third-party abattoirs under the *Tydstream Poultry* brand. Live broilers are produced on a combination of Company-owned and contracted broiler farms.

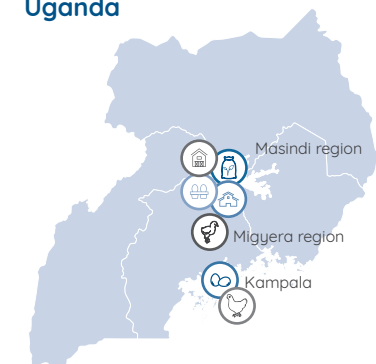
Zambia



MEGA

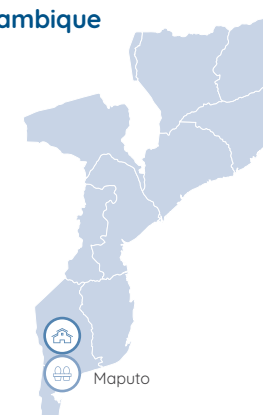
Quantum Foods Zambia operates a broiler and layer breeder business (selling day-old chicks) and a table egg business. In Lusaka is a parent breeding facility, a hatchery and a feed mill. The breeding facility produces day-old pullets and day-old broiler chicks. Day-old pullets are supplied to the Chingola layer rearing farm as well as to the external market, while day-old broiler chicks are all sold. The table egg business, comprising a layer rearing farm, layer farm and feed mill is located in the Copper Belt. Both of these facilities sell feed to the external market.

Uganda



These operations comprise a broiler and layer breeder business, a feed business and a table egg business. The Kampala sites comprise parent breeding facilities for broilers and a hatchery. The layer breeders are housed on a farm in the Migyera region. The hatchery produces day-old pullets and day-old broiler chicks. The day-old pullets are either transferred to the Masindi layer rearing farm or sold to external customers, while day-old broiler chicks are all sold.

Mozambique



Quantum Foods Mozambique operates a table egg business that supplies the retail and informal markets.

Financial performance information

		2017	2018	2019	2020	2021
Earnings						
Revenue	R million	4 052	4 122	4 418	5 095	5 401
Operating profit*	R million	149	472	245	220	144
Operating profit margin*	%	3.7	11.5	5.5	4.3	2.7
Earnings	R million	128	362	189	155	106
Headline earnings	R million	112	361	189	156	102
Segment operating profit*						
Eggs	R million	46	287	38	6	(5)
Farming	R million	47	99	112	122	34
Animal feeds	R million	78	69	89	99	101
Other African countries	R million	(10)	31	14	6	31
Head office costs	R million	(12)	(13)	(9)	(13)	(17)
Financial position						
Total assets	R million	2 255	2 515	2 514	2 645	2 785
Total liabilities	R million	(563)	(660)	(677)	(759)	(785)
Total equity	R million	1 692	1 855	1 837	1 886	2 000
Net assets	R million	1 658	1 656	1 859	1 939	2 303
Returns						
Return on net assets	%	9	29	14	12	7
Shareholder returns						
Earnings per share	cents	55.7	164.3	92.6	80.1	53.9
HEPS	cents	49.0	163.9	92.3	80.5	52.2
Dividend per share (declared)	cents	12	41	23	16	-
Special dividend per share (declared)	cents	22	49	10	-	-
Dividend cover	cents	4.1	4.0	4.0	5.0	-
Total dividends declared for the year	R million	76	192	64	31	-
Share repurchases	R million	29	55	63	4	-
Dividends plus share repurchases as % of headline earnings	%	93	68	67	23	-
Share statistics (JSE)						
Market value per share at year-end	cents	300	425	365	618	540
Closing earnings yield - (headline earnings)	%	16	39	25	13	10
Closing dividend yield	%	11	21	9	3	-
Closing price-earnings ratio	times	6.1	2.6	4.0	7.7	10.3
Number of shares in issue	'000	222 315	210 530	200 025	200 025	200 025
Number of shares issued excluding treasury shares held	'000	222 315	210 195	192 917	194 263	197 547
Number of shares traded	'000	31 357	24 209	55 253	187 014	67 111
Number of shares traded as a percentage of shares in issue	%	14	11	28	93	34

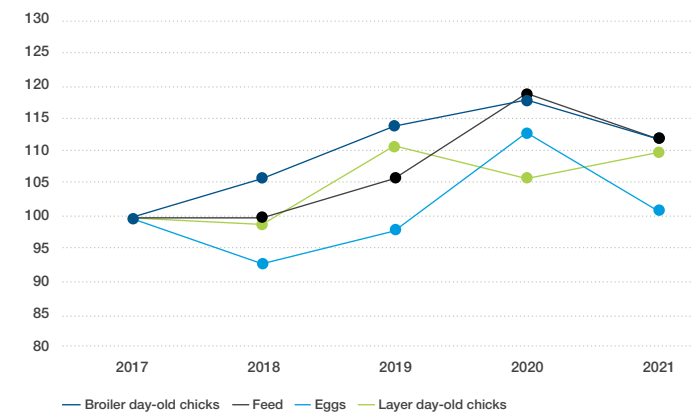
* Excluding items of a capital nature

Definitions

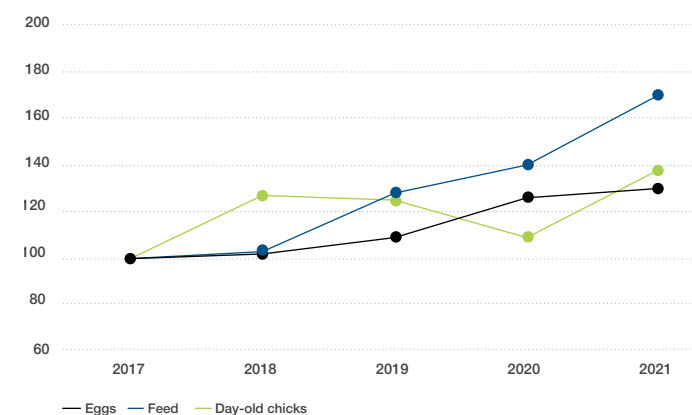
Net assets	Total assets less total liabilities excluding cash and cash equivalents, borrowings, normal and deferred tax
Return on net assets	Operating profit as a percentage of average net assets
EPS (earnings per share)	Net profit for the year divided by the weighted average number of shares in issue during the year (excluding treasury shares)
HEPS (headline earnings per share)	Headline earnings divided by the weighted average number of shares in issue during the year (excluding treasury shares)
Dividend cover	HEPS divided by the dividend per share
Closing dividend yield	Dividends per share as a percentage of market value per share at year-end
Closing earnings yield	HEPS as a percentage of market value per share at year-end
Closing price-earnings ratio	Market value per share divided by HEPS at year-end

Non-financial performance information

South African volumes



Other African countries volumes





Value chain and business model

Quantum Foods generates value by providing affordable access to poultry products for the full spectrum of consumers in South African and selected African markets. This takes the form of eggs and broilers as a core source of human nutrition, especially in Africa, where there is a need to mitigate the increasing risk of food and resource scarcity.

The Group creates value for customers and consumers by ensuring a consistent and fresh supply of:

- Eggs and egg products for human consumption or further processing
- Day-old chicks or point-of-lay hens to livestock farmers
- Live broilers for processing by customers
- Feed for animal consumption

Products are competitively priced and sold under trusted and market-leading brands. The Group's business activities enable an integrated and diversified value chain that supports Quantum Foods' own poultry operations, while servicing the external market locally and in selected African countries. Leading expertise and dedicated points of contact support a strong focus on responsive and customised service and technical solutions (particularly in feed).

Intellectual property and licensing rights ensure continued value creation and provide shareholders with the certainty that the Group's competitive position remains viable and sustainable, with growth opportunities in market expansion and product innovation.

The Group's value creation is supported by its stock of the six capitals:



Financial

The combination of a largely ungeared statement of financial position and sufficient debt capacity to enable growth and revenue generated, provide Quantum Foods with the financial capital it needs to grow.



Manufactured

Strategically located egg packing stations, feed mills, commercial hatcheries and poultry farms support Quantum Foods' business activities and enable extensive distribution coverage, locally and into Africa.



Intellectual

Leading brands, access to world-class poultry genetics and animal feed research, in-house expertise and feed and farming capabilities (particularly with regard to layers, broilers and feed formulation) provide Quantum Foods with intangible assets that support value creation.



Human

The skills, expertise and experience of Quantum Foods' employees are critical in creating value.



Social and relationship

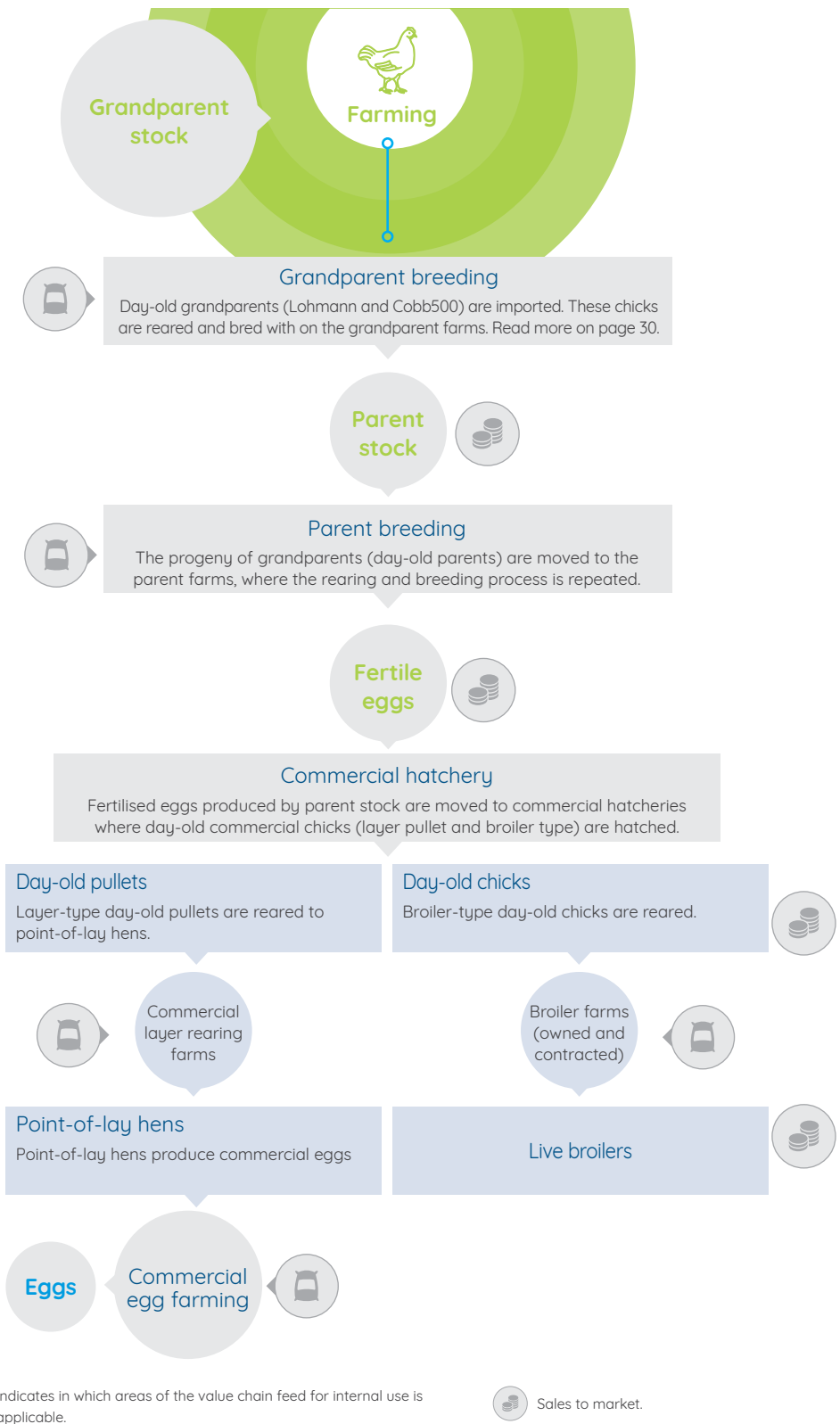
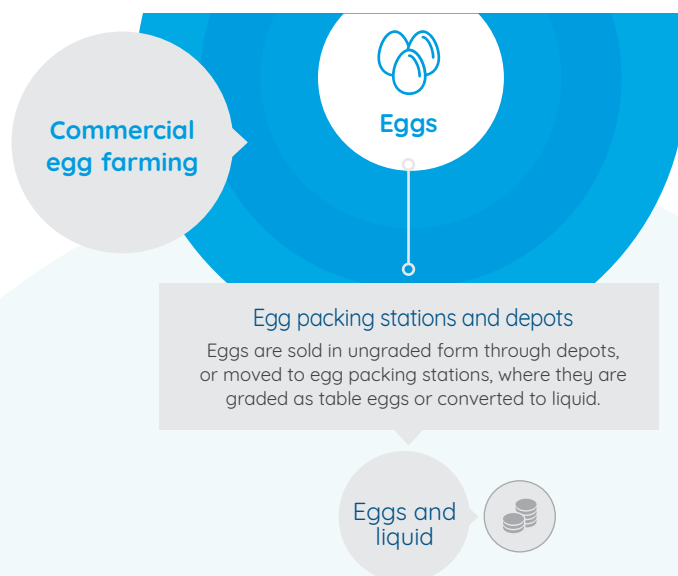
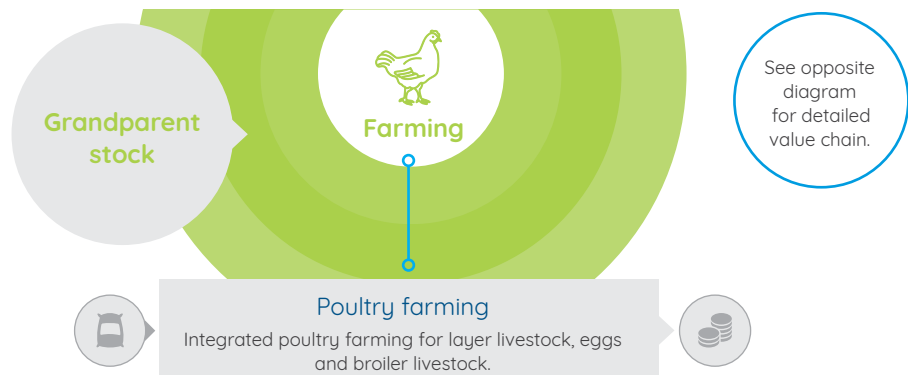
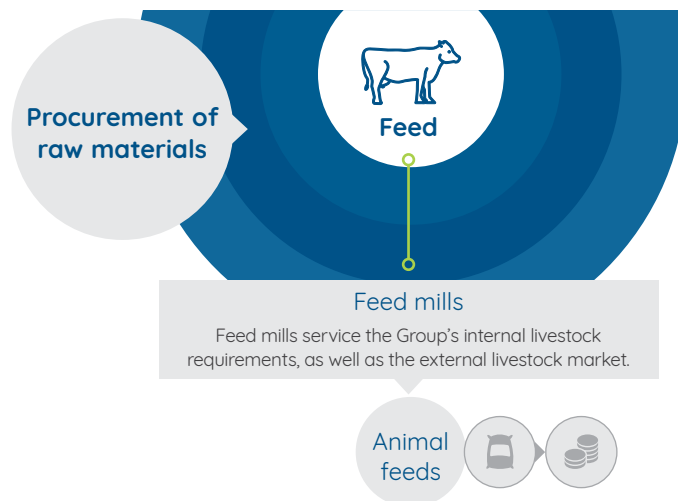
A wide range of activities and interactions support Quantum Foods' relationship with its customers, suppliers and communities. The Group's working relationship with the National Society for the Prevention of Cruelty to Animals ("NSPCA") supports animal welfare, which is critical to the business's success. The Group's involvement in education and food security projects further supports community upliftment.



Natural

The Group relies on a range of natural resources to enable its business activities. This includes, most importantly, grain, water and gas.

The following diagrams illustrate Quantum Foods' business activities and value chain:



Material matters

Quantum Foods identified the matters that could significantly impact its value-creation abilities. Mitigating the risks and capitalising on the opportunities identified per material matter is integral to executing the Group’s strategy.

In 2021, we critically evaluated our material matters to ensure that they reflect those with the most significant impact on our ability to create value. Senior decision-makers participated in a structured process to identify and prioritise the economic, environmental and social matters for inclusion in this report, taking into account the six capitals set out on page 17. These matters were presented to and approved by the Board and are linked to the capitals, our strategic themes and the risks faced by the Group. The outcome of this process was that:

- Our previous material matters, namely “Ability to recover rising input costs” and “Optimised procurement and the availability of key raw materials”, were merged into “Cost and availability of key raw materials”
- “Human disease, such as COVID-19” and “Health and safety” were merged into a single material matter
- “Innovation” was removed as a material matter

We specifically considered the impact of COVID-19 and included its possible effects where material. As we operate in the agri-food value chain, operations continued throughout the various stages of lockdown. COVID-19 had an indirect negative impact on the Group as a result of, *inter alia*, limited economic growth brought about by COVID-19. Similar to the trend experienced by other countries, demand for the Group’s products, especially eggs, remained satisfactory throughout the lockdown periods. This reduced the pandemic’s effect on our business.



More information is available throughout this report, as referenced. We have linked our material matters to our four strategic themes:



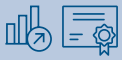

Insight into our strategic themes and risks is available from page 33.

Economic

LACK OF ECONOMIC GROWTH IN SOUTH AFRICA	Timeframe of impact Medium to long term	Strategic link 	Capitals impacted
<p>Why material</p> <p>Poor economic growth in South Africa negatively impacts consumer demand, limiting the Group’s ability to recover rising input costs and achieve growth. COVID-19 exacerbated limited growth, and it may take several years for South Africa’s economy to recover.</p>	<p>Business response and opportunities</p> <p>Eggs and chicken remain the most affordable animal protein products for human consumption. While this presents growth opportunities for the Group, expansion of its South African production capacity must be balanced against the economic growth projections for the country. Egg and poultry livestock markets in other African countries are less concentrated, and further investments were made in Uganda during 2021 to expand the production capacity supplying these markets.</p>		

GROWTH OPPORTUNITIES	Timeframe of impact Medium to long term	Strategic link 	Capitals impacted
<p>Why material</p> <p>Quantum Foods regards growth not as a choice, but as essential for continued value creation.</p>	<p>Business response and opportunities</p> <p>The Group’s product portfolio targets demand for affordable animal protein. This mitigates the risk of significant changes in demand for its products arising from poor economic growth. The Group’s financial capital, feed and farming capabilities, access to world class genetics, experienced management teams, and footprint in South Africa and the rest of Africa enable it to identify and realise growth opportunities in the table eggs, livestock and feed value chains across the continent. Growth outcomes for 2021 include:</p> <ul style="list-style-type: none"> • Acquiring Helderfontein Broiler Farm in the Western Cape • New pelleting equipment for the feed mills in Malmesbury and Pretoria • Capacity expansion at a layer farm in Gauteng • Increasing the breeder farm capacity in Uganda • Expanding a broiler hatchery in the Western Cape 		

COST AND AVAILABILITY OF KEY RAW MATERIALS	Timeframe of impact Short to medium term	Strategic link 	Capitals impacted 
<p>Why material</p> <p>The cost and availability of key raw materials required for animal feeds production are an ongoing concern. In particular, feed raw material costs are the largest contributor to overall poultry production costs for broiler meat and eggs. Incorrect procurement decisions or interruption of supply can therefore significantly impact business profitability. A volatile Rand, fluctuations in the cost of local and international grain crops and supply chain disruptions affecting availability threaten the Group's profitability. The Group's main exposure to the cost of key raw materials is in the egg business, where the selling price of eggs is determined by supply and demand and, to a lesser extent, the cost of production (of which feed is the main contributor). These dynamics result in cyclical profitability due to varying margins and the risk of being unable to recover fluctuating raw material costs in final product prices.</p>	<p>Business response and opportunities</p> <p>The Group's centralised procurement team mitigates this risk by sourcing and securing feed raw materials through agreements with dependable local and international suppliers. Quantum Foods recovers increases in input costs through a relentless focus on procurement, currency movement, efficiencies, and cost and margin management. For example, the Group continued its programme to upgrade older poultry houses to more modern, environmentally controlled facilities to improve efficiency.</p>		

MANAGE INDUSTRY PROFITABILITY CYCLES	Timeframe of impact Medium to long term	Strategic link 	Capitals impacted 
<p>Why material</p> <p>Poultry companies are significantly exposed to:</p> <ul style="list-style-type: none"> Changes in the cost of feed raw materials, which are <i>inter alia</i> impacted by crop growing conditions and the value of the Rand Product pricing in a market where supply and demand dynamics rather than production costs impact the prices that can be achieved <p>The Group's main exposure is in the egg business.</p>	<p>Business response and opportunities</p> <p>The Group has limited ability to mitigate this risk by monitoring industry trends for the production of day-old layer chicks and adjusting production planning accordingly. During the year, 77% of Group revenue (2020: 76%) was generated by the feeds, farming and operations in other African countries. Historically, these businesses have been more resilient to industry cycles than the egg business. Due to high levels of operational efficiency achieved in the egg value chain (including improved egg packing station efficiencies, effective cost management and high levels of distribution efficiency), the Group implemented a strategy to grow volumes to retain its position as South Africa's largest egg producer. This strategy will result in increased volatility in earnings from this business – offset by the solid earnings base provided by the feeds and farming business.</p>		

Environmental

POULTRY DISEASE	Timeframe of impact Short to medium term	Strategic link 	Capitals impacted 
<p>Why material</p> <p>Outbreaks of poultry disease can significantly impact the productivity, efficiency and financial performance of the Group's farming operations. South Africa experienced a second outbreak of HPAI in 2021 (previous outbreak in 2017). The 2021 outbreak again resulted in a significant decrease in the national flock and was devastating for farmers without a wider geographic footprint.</p> <p> Read more on page 29.</p>	<p>Business response and opportunities</p> <p>Biosecurity, vaccination and monitoring programmes are continually reviewed with the assistance of veterinary consultants to improve the protection of the birds and ultimately improve farm production efficiencies. In 2021, the Group incorporated limited insurance into the risk mitigation strategy to mitigate against the financial losses of HPAI.</p> <p> Read more on page 38.</p>		
PROTECTING THE ENVIRONMENT	Timeframe of impact Long term	Strategic link 	Capitals impacted 
<p>Why material</p> <p>As an agricultural business, the long-term sustainability of Quantum Foods depends on its ability to access a range of natural resources. It is therefore in the Group's interest to protect the environment by promoting sustainable agricultural and production practices, particularly with regard to water usage.</p> <p> Read more on page 53.</p>	<p>Business response and opportunities</p> <p>The Group has implemented various initiatives to reduce water wastage and reduce electricity consumption generated from non-renewable sources. These initiatives assist in reducing the environmental impact of the Group's operations.</p> <p> Read more on page 54.</p>		

Social

ENSURING THE NECESSARY SKILLS TO DRIVE A HIGH-PERFORMANCE CULTURE	Timeframe of impact Short to medium term	Strategic link 	Capitals impacted
<p>Why material</p> <p>The business requires rare skill sets. This is particularly relevant in the layer farming operations, where succession and the external appointment of suitably skilled candidates can be challenging. Attracting and retaining talented employees who can drive an optimal performance culture is therefore a priority for the Group.</p> <p> Read more on page 56.</p>	<p>Business response and opportunities</p> <p>The Group continues to strengthen its management teams through a combination of key appointments and talent development. The Group continued its internship programme during the year.</p> <p> Read more on page 56.</p>		

ELECTRICITY SUPPLY	Timeframe of impact Short, medium and long term	Strategic link 	Capitals impacted
<p>Why material</p> <p>The Group depends on an adequate and stable supply of electricity throughout its operations. An interrupted electricity supply mostly impacts the Group's feed mills, which are not all equipped with standby generators, which allow for uninterrupted manufacture of feed during periods of electricity interruption. Interruption in electricity supply negatively affects the efficiency and operating costs of facilities equipped with standby generators.</p>	<p>Business response and opportunities</p> <p>To supplement electricity supplied by Eskom, the Group continues to invest in solar electricity projects, thereby reducing its demand on the national grid. In 2021, pellet production capacity was increased at the Group's two largest feed mills, Malmesbury and Pretoria, rather than equipping the mills with a backup power source. This allowed the mills to meet production requirements and resulted in increased production capacity during periods of uninterrupted electricity supply.</p> <p> Read more on pages 41 and 54.</p>		

WATER AVAILABILITY AND QUALITY	Timeframe of impact Medium to long term	Strategic link 	Capitals impacted
<p>Why material</p> <p>To sustain a healthy agricultural business and achieve optimal production efficiencies, the Group depends on continuous access to high-quality water across its operations, particularly in its poultry operations. Climate change has the potential to impact the business in the long term. Water availability, especially in the Eastern Cape, remains a concern.</p>	<p>Business response and opportunities</p> <p>Continuous water quality analysis guides the implementation of systems on farms to ensure birds have access to good quality water. Feed mills, egg packing stations and hatcheries are mainly in urban areas and dependent on municipal water supply. Although this did not significantly affect the Group's operations in 2021, the failing infrastructure in some municipal areas is a concern. The Group has water contingency plans in place if its current water supply is interrupted.</p>		

HEALTH AND SAFETY AND HUMAN DISEASE (SUCH AS COVID-19)	Timeframe of impact Short to medium term	Strategic link 	Capitals impacted
<p>Why material</p> <p>Quantum Foods is committed to ensuring that its operations are conducted in an environment that supports the health and safety of employees and the animals with which they work. Human disease can cause significant business disruption, either due to higher numbers of employees being unable to work, or business operations being closed for a period of time.</p>	<p>Business response and opportunities</p> <p>Internal audits of premises are conducted regularly, on a rotational basis, to evaluate and improve health and safety compliance. Training of employees to ensure the necessary health and safety awareness and competency remains a priority.</p> <p> Read more on page 56.</p> <p>The Group implemented COVID-19 measures in line with the Disaster Management Act, No. 57 of 2002 to reduce the risk of infection. Where possible, employees work/worked from home. Stringent protocols were followed where employees tested positive for COVID-19 and the Group managed to continue its operations and support functions without any significant disruption throughout the year. During the period, 182 employees tested positive for COVID-19 and sadly four employees passed away due to COVID-19-related illness.</p> <p>The measures implemented to mitigate the COVID-19 risk prepared the Group for the potential impact of other human diseases that could disrupt operations.</p>		

PRODUCT SAFETY AND QUALITY	Timeframe of impact Short, medium and long term	Strategic link 	Capitals impacted
<p>Why material</p> <p>The Group produces products for human and animal consumption. Quantum Foods must therefore adhere to strict food safety protocols to retain its licence to operate.</p>	<p>Business response and opportunities</p> <p>The Group has stringent quality control processes in place and a dedicated consumer feedback channel is actively monitored to ensure any issues that arise are attended to swiftly and professionally.</p> <p> Read more on page 52.</p>		

TRANSFORMATION	Timeframe of impact Medium to long term	Strategic link 	Capitals impacted
<p>Why material</p> <p>Quantum Foods recognises its obligation to contribute towards improving the socio-economic status of historically disadvantaged South Africans ("HDSAs"). The Group also appreciates the benefit to stakeholders of introducing increased levels of diversity throughout its management structures.</p>	<p>Business response and opportunities</p> <p>While the agricultural industry faces many transformation and skills challenges, the Group is committed to identifying and developing new managers and leaders, especially at farm level. The focus remains on transformation across the various pillars of the B-BBEE scorecard.</p> <p> Read more on page 54.</p>		

ANIMAL WELFARE	Timeframe of impact Short to medium term	Strategic link 	Capitals impacted 
<p>Why material</p> <p>Livestock husbandry is critical to the success of the business. Quantum Foods therefore has an obligation to treat animals in accordance with required protocols, not only from an ethical and legal perspective, but also due to the concomitant impact on mortality and livestock production.</p> <p> Read more on page 58.</p>	<p>Business response and opportunities</p> <p>The Group has a zero-tolerance approach to non-compliance with animal welfare regulations and requirements. The Group frequently engages with external parties on matters related to animal welfare transparently and openly. Internal audits and regular employee training are conducted to ensure compliance to standards. Optimal livestock husbandry practices and facilities create an environment for improved farming production efficiencies.</p>		
CUSTOMER AND SUPPLIER ENGAGEMENT	Timeframe of impact Short, medium and long term	Strategic link  	Capitals impacted 
<p>Why material</p> <p>Quantum Foods recognises that reasonable engagement with customers and suppliers is a key requirement to ensure the sustainability of the business.</p> <p> Read more on page 67.</p>	<p>Business response and opportunities</p> <p>The Group considers the reasonable expectations of material stakeholders when conducting its business activities.</p>		



Business overview

Industry features

Companies operating in the feed, egg and poultry industries in South Africa, Mozambique and Uganda experienced challenging trading conditions during the reporting period. Trading conditions for egg businesses in Zambia were favourable.

Higher production costs and selling price pressure in South Africa

The cost of feed raw materials, especially maize and soya meal, increased significantly from 2020. The expectation of less favourable weather conditions in key planting areas of North America and South America resulted in an increase in the international prices of these commodities. The strengthening of the Rand against the US dollar in the same period and the excellent local maize crop harvested in 2021 partially reduced the full effect of the change in international prices. The cost of other feed ingredients and additives increased substantially in 2021 due to a combination of global supply chain disruptions and changes in local consumer buying patterns, which affected the cost of hominy chop and wheat bran. Hominy chop and wheat bran are by-products of the milling industry and reduced demand for consumer products reduced the supply available to the feed industry. These factors resulted in a substantial increase in the cost of feed in South Africa in FY2021 as compared to FY2020. Deteriorating electricity supply and poorly maintained municipal infrastructure, which particularly impacted the Group's South African operations, further increased production costs. In South Africa, egg selling prices were suppressed due to lower demand in the first half of the year. This trend reversed in the second half of 2021 following the outbreak of HPAI in April 2021. This outbreak resulted in a lower layer flock and reduced supply which resulted in an increase in selling prices.

Other industry issues

The negative effect of volatile currencies and muted consumer demand due to low levels of economic growth continued. The South African government's increased import tariffs on broiler meat led to a slow-down in the volume of broiler meat imported into the country. These tariffs, which were introduced to prevent dumping of chicken meat in the South African market by broiler exporters, will not directly benefit the Group. However, they will ease the financial pressure on the Group's broiler livestock customers. Over time this will support the continued growth of the South African broiler industry and the Group is well positioned to benefit from this outcome.

The outbreak of HPAI in South Africa

HPAI was detected in South Africa in April 2021, with multiple farms affected. HPAI generally results in substantial financial loss due to the immediate decimation of infected poultry and lost production capacity as birds cannot be replaced immediately. The effect on the poultry industry in South Africa has been less severe in 2021 than when the previous outbreak occurred in 2017/2018. Outbreaks have been less widespread than before and only in a few instances impacted all poultry houses on a particular farm. The closure of borders to restrict the spread of HPAI negatively affected livestock producers who were unable to execute previously planned export orders. Limited insurance cover for qualifying industry participants was available in 2021, which reduced the financial risk.

Industry trends in the Group's other African countries

The Mozambican, Ugandan and Zambian egg markets remain less developed in terms of production volumes and per capita consumption than the South African egg market.

The Mozambican, Ugandan and Zambian governments continued to impose various levels of COVID-19 restrictions during the year. COVID-19 restrictions and supply chain challenges, especially during 2020, disrupted the required supply of parent stock to African countries. The 2021 impact of these disruptions includes weaker breeding efficiencies due to a different age profile of breeder stock and lower day-old chick volumes.

Egg prices in Uganda were lower, especially in periods of hard lockdown. These lockdowns resulted in reduced economic activity and lower exports to neighbouring countries.

Egg selling prices in Zambia increased significantly due to limited supply. Lower supply was due to an increase in export demand as well as fewer placements by layer farmers in 2020 due to COVID-19 uncertainty. This price increase grew earnings despite the negative effect of the devaluation of the Kwacha and increased inflation on input costs. The Zambian economy benefited from an increase in international commodity prices, especially copper, as well as a much improved grain harvest. National elections concluded in August 2021, and a peaceful transition to new political leadership ensued. This change resulted in improved economic prospects and a significant strengthening of the Kwacha. The Zambian broiler market remains highly competitive following the expansion of mostly South African broiler producers into the country.

Poultry remains a critical source of human nutrition

Layer hens and broilers remain highly efficient converters of feed into animal protein, with favourable conversion ratios of feed to final product compared to other animal protein sources. With the availability of arable land and water supply under increased strain, together with the expected increase in global demand for animal protein, poultry will remain a critical source of human nutrition.

South Africa

Animal feeds manufacturing

Quantum Foods' feed mills are located in Malmesbury, George, Paterson and Pretoria, where feed is sold under the *Nova Feeds* brand.

The mills are highly automated and equipped to manufacture a wide variety of feed for optimal animal nutrition. Integrated quality and safety systems are in place at all mills to ensure the consistent output of high-quality products for livestock consumption. During 2019, *Nova Feeds* entered into a technology agreement with Nutreco, ensuring access to world-class research and feed formulation benchmarking.

Nova Feeds has extensive expertise in producing and formulating feeds for monogastric livestock (such as poultry) and ruminant livestock (such as cows). The main feed categories include poultry (broiler and layer), dairy, pig, ostrich and sheep feed. Feed is supplied to the integrated poultry farming operations and the external feed market.

Dairy feed represents the largest component of external sales, followed by poultry, pig, ostrich and sheep feed. *Nova Feeds* is the leading supplier of dairy feed in the Western Cape and Eastern Cape and supplies feed to several of the country's leading dairy farmers.

To unlock value for customers, the Group remains focused on providing customised feed solutions supported by high levels of technical service.

Rand vs US dollar exchange rate



Safex yellow maize Rand per ton



Farming

Layer farming

Quantum Foods owns the rights to import pedigree grandparent layer stock of the Lohmann breed and distribute next-generation parent stock exclusively in South Africa and non-exclusively to some southern African countries.

Day-old grandparent chicks are imported and placed on the Group's grandparent farm in the North West. Next generation parent day-old chicks are produced at this facility.

Day-old parent chicks are reared and placed on the Group's parent layer farm near Bronkhorstspuit, Gauteng, as well as on a rented facility in KwaZulu-Natal. Fertile hatching eggs are incubated at the Group's commercial hatchery in Bronkhorstspuit. Female day-old chicks are either sold or placed on the Group's six commercial rearing farms.

Layer parent stock, hatching eggs, day-old pullets and point-of-lay hens are sold under the *Bergvlei Chicks* brand. The Group distributes nationally and into Angola, Botswana, Malawi, Mozambique and eSwatini – with strategically located commercial rearing farms ensuring extensive distribution coverage. The export of layer livestock was restricted in 2021. This followed the closure of borders to contain the outbreak of HPAI.

The Group owns 12 commercial layer farms. The farms are located in the Western Cape, Eastern Cape, Gauteng and North West. Free-range eggs are produced on two of the farms.

Broiler farming

Until September 2021, Quantum Foods owned the rights to import pedigree grandparent broiler stock of the Cobb500 breed, which supplies next generation parent stock for its own requirements and non-exclusively for some customers in other countries in Africa.

Day-old grandparent chicks were imported and placed on the Group's grandparent farm in the North West. Next-generation parent day-old chicks continue to be produced at this facility.

From mid-2022, Quantum Foods plans to purchase day-old parent chicks. These day-old parent chicks will be placed on the current grandparent farm, which will be converted to a parent rearing and layer farm, and on the three parent rearing farms in the Western Cape. This will increase parent production capacity and support growth.

The reared parents are then placed on six (seven in 2022) parent layer farms. Of these seven farms, five are owned by the Group and the remaining two are contracted farms that supply the Group with fertile hatching eggs.

Day-old commercial broiler chicks are produced at two hatcheries in the Western Cape and one in North West. The hatchery on the current grandparent farm will be used for the production of day-old commercial broiler chicks from 2022. The day-old chicks are transferred to commercial Company-owned and contract-grower broiler farms or sold to the open market.

The Group supplied abattoirs in the Western Cape with live broilers during 2021, the majority to Astral Foods in terms of a long-term supply agreement.

The Group sells broiler hatching eggs and broiler day-old chicks to the market under the *Bellevue Chix* brand to ensure that its broiler breeder production capacity is utilised efficiently and in support of the strategy of increasing livestock sales. Live broilers are sold under the *Tydstroom Poultry* brand.

Eggs

Eggs are processed at six grading and packing facilities located in the Western Cape, Eastern Cape (two), Free State, KwaZulu-Natal and Gauteng. The eggs are distributed nationally as graded, ungraded or in liquid form. Graded eggs are sold under the *Nulaid*, *Safe Eggs* and retailer-owned brands. Ungraded eggs are sold mainly under the Quantum brand.

Graded eggs are sorted in the packing facilities according to weight (for example, medium, large, extra-large and jumbo). Fresh and pasteurised liquid eggs are produced in egg breaking plants, where the shells are removed from the product for sale. Fresh and pasteurised liquid eggs are predominantly sold to industrial customers.

Quantum Foods' pasteurised eggs are produced at the grading and packing facility in Gauteng and distributed to other provinces through the Group's packing facilities.

Other African countries

Zambia

Quantum Foods Zambia commenced operations in 1997.

The operations comprise a broiler and layer breeder business (selling day-old chicks), a table egg business and a feed business. In Lusaka is a parent breeding facility for layers and breeders, a hatchery and a feed mill. The breeding facility produces day-old pullets and day-old broiler chicks.

Day-old pullets are supplied to the Chingola layer rearing farm as well as to the external market, while day-old broiler chicks are all sold to the external market. The table egg business, comprising a layer rearing farm, layer farm with egg packing facility and feed mill is located in the Copperbelt.

Both of the Zambian feed mills sell feed to the external market.

The distribution capacity of the Zambia business is enhanced by a network of more than 30 small retail shops selling eggs, day-old chicks and feed. The majority of eggs are sold through these shops, which ensures easy access for the consumer.

Uganda

Quantum Foods Uganda commenced operations in 2000.

These operations comprise a broiler and layer breeder business, a feed business and a table egg business. The Kampala sites comprise a breeder rearing farm, parent breeding facilities for broilers and a hatchery. The layer breeders are housed on a farm in the Migyera region. The hatchery produces day-old pullets and day-old broiler chicks. The day-old pullets are either transferred to the Masindi layer rearing farm or sold to external customers, while day-old broiler chicks are all sold. Eggs are either sold directly from the Masindi farm or through a network of small retail shops.

Mozambique

Quantum Foods Mozambique acquired a layer farm in Maputo in 2016.

This operation comprises a table egg business that supplies both the retail and informal markets. Feed is procured from a third party, and the farm is stocked with point-of-lay birds that are produced by the Group in South Africa. Eggs are sold under the Galovos brand with the retail market being the main area of focus.

Feedback on management focus areas identified for 2021, and 2022 management focus areas

Business focus area	Management focus area	Comments	Target achieved	2022 management focus area
Animal feeds	Grow profit with inflation and targeted benefits of capacity expansion	Volume and profit targets were not achieved following the closure of a broiler abattoir customer in the Western Cape, the outbreak of HPAI and key customers investing in their own feed milling facilities.	No	Achieve targeted earnings from available capacity to improve profitability from the less cyclical feeds business.
Farming	Maintain Western Cape commercial broiler farming production efficiencies	Efficiencies were slightly lower than in recent years but remained high.	Partial	Maintain Western Cape commercial broiler farming production efficiencies.
	Improve broiler breeder performance	Cobb500 breeder efficiencies were below target for hatching egg production and hatchability.	No	Improve broiler breeder performance.
	Improve commercial layer farming production efficiencies	Production efficiencies were weaker, resulting from a disruption in the 2020 layer placement cycle that impacted 2021 numbers and age distribution of hens in production.	No	Improve commercial layer farming production efficiencies.
Eggs	Maintain the operational efficiencies achieved in 2020	Efficiencies, negatively impacted by the higher ages of hens in production, were slightly lower than in recent years but remained high.	Partial	Improve on the operational efficiencies achieved in 2021.
Other African countries	Improve operating margin	The businesses in Zambia and Uganda improved from 2020. Operating margin from other African countries improved from 2.1% in 2020 to 9.6% in 2021.	Yes	Achieve targeted operating margin.
Other	Improve B-BBEE compliance with the amended AgriBEE Sector Code	The Group maintained a level 8 contributor score in 2021.	Yes	Improve B-BBEE compliance with the amended AgriBEE Sector Code.
	Maintain operating cost increases in South Africa below CPI on a per unit basis	Lower volumes in key product categories resulted in a higher increase in operating cost per unit. Read more in the Report from Leadership on page 40.	No	Achieve targeted increase in operating costs.

Strategic focus

Vision	Quantum Foods aims to be the leading feed and poultry business in Africa delivering sustainable returns.
Purpose	To build the best feed and poultry business.
Values	<p>The Group's commitment to its values supports its vision and purpose:</p> <ul style="list-style-type: none"> • We value teamwork • We are resilient and adapt to new situations • We take accountability: we own up and we learn from our mistakes • We are truthful in everything we do • We aim to exceed our customers' and consumers' expectations

Quantum Foods has identified strategic themes that support the successful execution of its vision and purpose.

Quantum Foods has proved to be sustainable, with well-established business focus areas. The following strategic themes were developed in 2018 and will guide Quantum Foods' performance for a period of three to five years:



Profitable growth through industry cycles



Customer and product focus




Operational excellence





Enhance the performance culture

The strategic themes were reviewed in 2021 and remain largely unchanged. However, as the Group believes it has delivered on the previous strategic theme of "Optimal people capacity and culture", this theme was amended to "Enhance the performance culture". This emphasises the ongoing importance of strengthening the Group's people capacity and performance culture.

Performance initiatives and targets are set per strategic theme. These initiatives and targets were approved at the annual Board strategy meeting. Actual performance against the targets set in the previous year was evaluated at this strategy meeting. These performance initiatives and targets cascade down the various management and employee levels of the Group and form the foundation of Quantum Foods' employee performance management system. This ensures that the execution of the strategy is aligned throughout the business.

Performance initiative	Achieved in 2021	Going forward
 Strategic theme: Profitable growth through industry cycles		
Achieve targeted additional profit from feed mill capacity expansion	Volume and profit targets were not achieved following the closure of a broiler abattoir customer in the Western Cape, the outbreak of HPAI and key customers investing in their own feed milling facilities. Production capacity was increased by upgrading the feed pelleting equipment at the Group's two largest feed mills.	Achieve targeted earnings from available capacity to improve profitability from the less cyclical feeds business.
Increase egg supply	Layer capacity increased by 60 000 birds and more eggs were procured from contracted farmers. However, total egg supply decreased in 2021. This was due to weaker layer farm production efficiencies and lower capacity utilisation, resulting from a disruption in the 2020 layer placement cycle that impacted 2021 numbers and the age distribution of hens in production.	Further increase layer capacity in line with the strategy to remain South Africa's leading egg business. Achieve targeted layer farm capacity utilisation and production efficiencies.
Achieve targeted additional profit from day-old pullet hatchery expansion	Targeted profits were achieved, assisted by export sales prior to the closure of borders following the outbreak of HPAI.	Achieve targeted earnings from the available capacity to improve profitability from the less cyclical layer livestock business.
Maintain broiler livestock volumes supplied to customer abattoirs	Western Cape broiler livestock volumes decreased by 2%. This decrease includes the effect of the closure of a broiler abattoir customer.	Maintain profitability from the less cyclical broiler farming business in the Western Cape.
Increase day-old broiler chick volumes	Day-old broiler chick volumes decreased by 5%. Breeder efficiencies were below target for hatching egg production and hatchability. Hatching eggs supplied to the Group by third-parties were affected by the outbreak of HPAI in South Africa.	Increase day-old broiler chick volumes by purchasing parent stock of a different breed and repurposing the current grandparent farm to a parent farm to increase parent breeder capacity. Successfully execute the project to increase production capacity at the Hartbeespoort hatchery to increase profitability from the less cyclical broiler farming business.
Judicious feed raw material procurement	Targeted raw material costs were achieved.	Maintain cost competitiveness of key input costs – this includes the cost of maize and soya meal, which are the largest cost contributors to total feed costs.
Achieve targeted operating margin in other African countries	Achieved, with an excellent contribution from the Zambian business.	Improve operating margin by achieving the targeted profitability from businesses outside of South Africa that traditionally achieve margins higher than in South Africa.

Performance initiative	Achieved in 2021	Going forward
 Strategic theme: Customer and product focus		
Supply products within specification	Achieved throughout the year.	Maintain optimal product performance and ensure satisfied customers and consumers.
Consider geographic distribution of egg sales	This remained a key focus area throughout the year to ensure optimal margin achievement.	Continuously consider where eggs are sold to achieve optimal profitability from egg sales.
Consider egg marketing strategy and sales channels	This remained a key focus area throughout the year and more eggs were sold to the informal market. This continued during the period when retail sales were impacted by the social unrest that broke out in KwaZulu-Natal and Gauteng in July 2021.	Continuously consider the optimal route to market to optimise profitability from increased egg volumes.
 Strategic theme: Operational excellence		
Manage operational costs per unit below inflation	This was not achieved mostly due to lower volumes in key product categories.	Ensure increases in operating costs are contained.
Improve layer farm production efficiency	This was not achieved. Egg production decreased in 2021 due to weaker layer farm production efficiencies and lower capacity utilisation, resulting from a disruption in the 2020 layer placement cycle that impacted 2021 numbers and ages of hens in production.	Realise genetic potential of layer birds to optimise feed conversion costs and achieve more eggs available for sale.
Improve broiler breeder production efficiency	This was not achieved. Breeder production efficiencies were weaker than in 2020.	Successfully implement a breed change and realise genetic potential to optimise the cost of production and number of day-old chicks available for sale.
Maintain commercial broiler farm production efficiency	Targeted production efficiencies were mostly achieved. Efficiencies were slightly lower than in recent years, but remained high.	Maintain conversion costs and profitability.
Maintain operational efficiencies in egg packing stations	Targeted operational efficiencies were mostly achieved. Efficiencies were below target for a period when average bird ages on layer farms exceeded the target for depopulation. This impacted the quality of eggs supplied from farms.	Ensure an optimal sales mix.
Implement a new enterprise resource planning ("ERP") system, SAGE X3, to replace SAP R/3 (new)		Benefit from a modern ERP system configured to optimally support the Group's business operations.

Performance initiative	Achieved in 2021	Going forward
 Strategic theme: Enhance the performance culture		
Continue to strengthen the Group's management team	Two new senior positions were created and filled in the feeds and broiler businesses to strengthen the management team and support future growth. We continued with the formal programme introduced in 2020, to develop key individuals to executive management level.	Continuous process to evaluate and improve the senior management succession plan.
Further roll out training to farming employees	Achieved, with additional e-learning modules rolled out to farming employees.	Increase skills by improving farming employees' access to training material. Evaluate and implement training requirements for non-farming employees.
Enhance Company values	The existing induction programme for new employees was revamped with a focus on Company values. This programme was rolled out to all employees.	Improve managements' ability to execute the Group's strategy effectively.

Strategic risks

Proactive risk management is essential for the effective implementation of the Group's strategy and to ensure Quantum Foods remains a competitive and sustainable business. Risk management improves operational effectiveness and enables improved value creation.

Quantum Foods' risk management process consists of the following steps:

Potential risks arise from the Group's business activities and operating environment – this includes economic, environmental and social risks.



Identify and evaluate the risks that may have a material impact on the Group's ability to achieve its strategy

An annual evaluation process is conducted by senior management to identify and evaluate risks. Deloitte, the Group's internal auditors, performed a risk maturity assessment during 2021 to identify opportunities for further improving the Group's risk management function. While the level of risk management was found to be adequate, some recommendations will be implemented to further improve it. To prioritise management focus and mitigating actions, identified risks are assessed for the likelihood of occurrence and potential financial impact. The scale used for assessment is outlined alongside. The product of the likelihood and impact assessment determines the risk score.

Likelihood	Impact
1 Rare	1 Minor
2 Unlikely	2 Significant
3 Moderate	3 Serious
4 Likely	4 Critical
5 Common	5 Catastrophic

The results of the evaluation are reported to and approved by the audit and risk committee ("ARC"), which oversees the Group's risk management framework. In 2021, the internal review of risks impacting the Group resulted in minor updates to the risk register and combined assurance model which were presented to and approved by the ARC.



Define mitigating controls for each risk

The risks and relevant mitigating controls form the Group's combined assurance framework. This framework is approved by the ARC and forms the basis for Quantum Foods' internal audit programme.



[Read more about the Group's combined assurance framework on page 66.](#)



Assess any residual risk if the Group's mitigating strategies are effective

Key residual risks are identified.



Ensure ongoing risk management

Day-to-day risk management is the responsibility of operational and senior management and the executive committee.



Report on risks that occurred

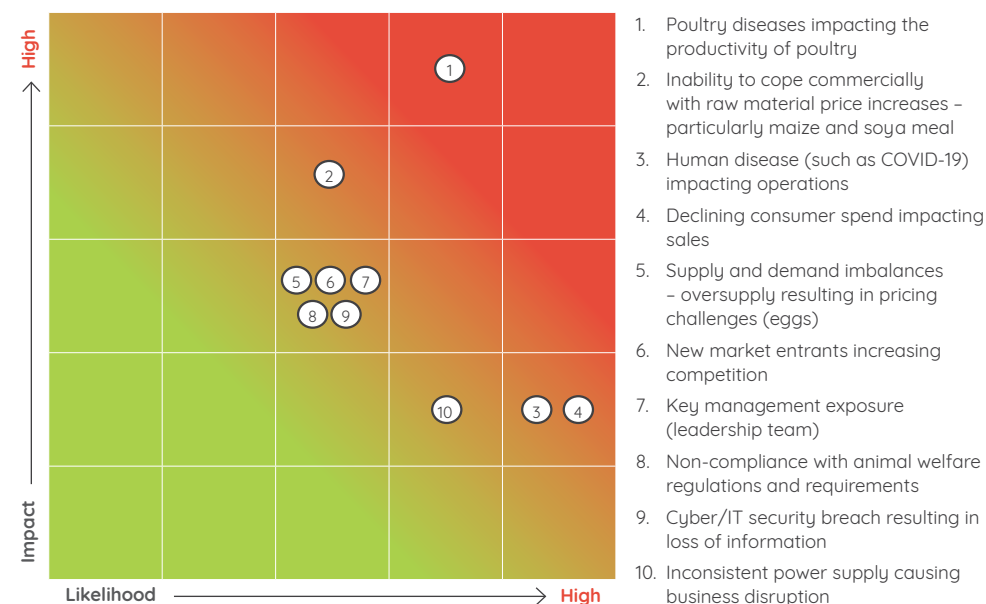
The executive committee has an ongoing responsibility to monitor risks and report back to the ARC and the Board. The Group's risk appetite framework sets out thresholds for material risks that cannot only be reported on at a planned meeting but that require immediate reporting to the ARC and Board. This assists the ARC and Board to continuously monitor the level of risk at which the Group is operating.



Update the Group's risk register and mitigating controls on an ongoing basis

Any new risks that are identified (including additional mitigation controls) are updated and included as part of the Group's combined assurance framework.

Quantum Foods' top 10 residual risks



Risk description	Mitigation to create opportunities
1. Poultry diseases impacting the productivity of poultry	<ul style="list-style-type: none"> The Group runs a comprehensive vaccination and flock health monitoring programme. The Group enforces strict biosecurity management. Specific additional monitoring and biosecurity measures were implemented due to the increased threat of HPAI. The geographical spread and number of Quantum Foods' farming operations provide the Group with some protection from the impact of poultry disease. Limited insurance for the risk of HPAI was placed in 2021.
2. Inability to cope commercially with raw material price increases – particularly maize and soya meal	<ul style="list-style-type: none"> Raw materials are procured and monitored according to a Board-approved hedging strategy and policy for the Group's own production requirements. No speculative positions are taken. Regular monitoring of the Group's raw material cost position informs margin management. The centralised raw material procurement department observes market trends daily.
3. Human disease (such as COVID-19) impacting operations	<ul style="list-style-type: none"> Government regulations announced in accordance with the Disaster Management Act, No. 57 of 2002 were implemented throughout the Group's operations. These included the use of specific protective clothing, physical distancing, sanitising, screening of employees and visitors for symptoms and, where possible, introducing a work from home policy. Employees were trained on risk mitigation procedures. Backup employees were identified for critical positions. Employees are educated on the benefits of vaccination.

Risk description	Mitigation to create opportunities
4. Declining consumer spend impacting sales	<ul style="list-style-type: none"> The Group supplies animal feeds and produces eggs and broilers that fulfil basic nutritional requirements. Poultry is an excellent, cost-effective converter of animal feeds to protein (eggs and broiler meat). The Group ensures a continuous focus on efficiencies and cost management.
5. Supply and demand imbalances – oversupply resulting in pricing challenges (eggs)	<ul style="list-style-type: none"> The management of operational efficiencies is a key focus to ensure optimal product cost and competitiveness. The Group no longer sells broiler meat to the market but rather sells live broilers to abattoirs. Pricing models reflect production and not market risk.
6. New market entrants increasing competition	<ul style="list-style-type: none"> The Group maintains an awareness of new competitors entering the market through its market research initiatives. A relentless focus on production efficiencies and cost management enables the Group to remain competitive.
7. Key management exposure (leadership team)	<ul style="list-style-type: none"> The Group maintains a formal succession plan, which includes an annual talent planning review. A long-term and short-term incentive system is in place to retain senior management.
8. Non-compliance with animal welfare regulations and requirements	<ul style="list-style-type: none"> Formal training programmes are in place, assisted by third-party veterinary consultants. Internal and external audits are conducted regularly to monitor compliance. Formal meetings are held with the NSPCA to discuss relevant matters.
9. Cyber/IT security breach resulting in loss of information	<ul style="list-style-type: none"> Information technology ("IT") security was outsourced to Logicalis South Africa, a third-party supplier that manages the Group's IT information in the highly secure Microsoft cloud. A formal cyber security risk management programme is in place, which includes the continuous review of vulnerabilities, initiatives to increase employee awareness and action to maintain cyber risk insurance cover.
10. Inconsistent power supply causing business disruption	<ul style="list-style-type: none"> Backup generators are in place for sites where livestock is held in facilities with automated ventilation. Production capacity was increased at the Group's two largest feed mills. Increased capacity enhances the ability to make up for lost production (these mills are not equipped with backup generators). Manual procedures to ensure business continuity in prolonged periods of business interruption are in place.



Report from leadership



WA Hanekom
Chairman

HA Lourens
Chief Executive
Officer

Joint report of the chairman and CEO

Quantum Foods' 2021 performance was below expectation. Trading conditions were **challenged by higher feed costs**, the South African outbreak of HPAI, the business closure of a Western Cape broiler abattoir customer and muted consumer expenditure.

In addition, lower production at certain operations and above-target cost per unit increases in key product categories weakened the Group's overall financial results. Quantum Foods was privileged to operate at full capacity, even during the strictest lockdown restrictions. We are therefore grateful that we did not suffer the same financial pressures that many participants in the South African economy endured.

Operating environment overview

Favourable events during the year included South Africa's 2020/2021 maize harvest of approximately 16.2 million tons, which is the second-largest crop on record. The Rand also strengthened by 8.6% against the US dollar when compared to FY2020. However, feed raw material costs increased in 2021 due to the sharp increase in global commodity prices and an increase in logistics costs.

The increase in global commodity prices resulted primarily from an expectation that less favourable weather conditions in the key planting areas of South America and North America would affect the 2021 harvest. The cost of key raw materials (including maize, bran, hominy chop and soya meal) and the cost of other feed ingredients and additives increased.

The **April 2021 outbreak of HPAI** in South Africa affected many businesses in the poultry industry. These impacts were direct, through the loss of poultry stock, and/or indirect, through, *inter alia*, the loss of feed sales volumes and the inability to export livestock as customers' country borders were closed.

According to the South African Poultry Association, the layer flock decreased from 28.6 million in September 2020 to 26.5 million in September 2021. This decrease included approximately 2 million layer birds that producers destroyed to limit the spread of HPAI.

Egg prices increased in the second half of FY2021 on the back of the lower national egg supply. South Africa's broiler flock was impacted by HPAI particularly at breeder level. This resulted in lower production of broiler hatching eggs and, subsequently, a lower supply of broiler chicks and broiler meat to the market.

Incidents of civil unrest in South Africa in July 2021 impacted many of the Group's customers, particularly in the Gauteng and KwaZulu-Natal provinces. The Group was able to continue its operations throughout this period of the civil unrest and its customers managed to resume operations fairly quickly. The civil unrest did not result in significant financial losses for the Group.

Segmental overview

Animal Feeds

Nova Feeds' performance was satisfactory. Sales volumes declined by 6% due to, *inter alia*, a sharp increase and sustained high-level of raw material costs, aggressive competitor activity, the impact of HPAI on customers and certain customers investing in their own feed production facilities. However, since 2017, *Nova Feeds'* external sales volumes have increased by an average of 6.4% per year.

This is compared to a 1.1% increase per year in South Africa's feed volumes, as reported by the Animal Feed Manufacturers Association. Internal volumes transferred to the layer and broiler farming businesses also declined. This decline was due to the lower number of layer hens in production, which negatively affected cost recovery.

Margins per ton improved mainly due to improved operational efficiencies. The nominal increase in operating costs was well managed. However, the increase in per unit cost was disproportionate given the fixed cost element and lower total volumes. Load shedding remains a challenge. However, investments made to increase production capacity at the Pretoria and Malmesbury feed mills as well as to equip the Paterson feed mill with a generator resulted in factories keeping up with demand.

Broiler farming

The financial and operational performance of the broiler farming businesses was below expectation.

The challenges at the broiler breeder level continued and the number of day-old chicks produced per parent hen declined in FY2021 due to lower egg production efficiencies and hatchability. This resulted in an increase in the cost per unit given the fixed costs element of this business.

The Company procured hatching eggs from third-party producers to meet its delivery obligations for day-old chicks. However, the HPAI outbreak at various third-party broiler breeder operations impacted available supply. The Company therefore reduced day-old chick production and sales volumes, which contributed to lower earnings.

In line with the Company's growth strategy, we made the decision to discontinue importing grandparent stock. The grandparent farm in the North West province (Bulhoek), will be repurposed to rear and breed with parent stock. This will enable the Group to produce additional day-old chick volumes. To further support the growth strategy, the Board approved a project to increase production capacity at the Hartbeespoort broiler hatchery in FY2021. However, due to the scope of the project, the increased capacity is only expected to be available from FY2023.

The operational efficiency of commercial broiler farming remained high. Earnings were negatively impacted by end-customers requiring smaller and lighter products in response to ongoing economic pressure. This resulted in the Group selling a lower total weight to abattoir customers. Consequently, decreased margins arose from fixed cost production components. The acquisition and successful integration of the Western Cape Helderfontein Broiler Farm was a highlight. This transaction ensures an uninterrupted broiler supply chain in the Western Cape and provides a basis from which to increase future volumes.

Earnings were further negatively impacted by the **business closure of a Western Cape abattoir customer** that the Group supplied live birds and day-old broiler chicks to as well as feed via third-party contract producers.

Above-target operating cost increases in the broiler farming business were exacerbated by the lower volumes of livestock sold and further reduced earnings in this business.

Layer farming

The financial and operational performance of the layer farming business was below expectation, with the exception of the layer breeder business. The layer breeder business again performed well, with satisfactory efficiencies in egg production per hen housed and hatchability as well as an increase in sales of day-old chicks to external customers in the first half of FY2021. However, sales of livestock to neighbouring countries were interrupted in the second half of FY2021. This followed the outbreak of HPAI in

South Africa, which resulted in the closure of customer country borders. This resulted in lower day-old pullet production volumes and an underrecovery of costs in this period.

The layer rearing business, which produces point-of-lay hens, performed better than in the previous year. FY2020 was significantly affected by customers either cancelling or delaying point-of-lay orders. Consequently, the Group experienced substantially higher feed costs and the late transfer of birds to layer farms, which negatively impacted earnings. The disrupted depopulation of point-of-lay hens was resolved in FY2021, resulting in improved efficiencies when compared to FY2020.

However, FY2021 earnings were negatively affected by lower volumes of point-of-lay hens sold to external customers and lower margins. Volumes were, *inter alia*, affected by the outbreak of HPAI. Margins were impacted by the higher cost of production resulting from higher feed costs not being fully recovered in the final product selling prices. The Company experienced an **HPAI outbreak at its Fransrug layer** rearing farm in the Western Cape and lost approximately 84 000 hens in May 2021 at a direct cost of R5 million.

Production efficiencies at commercial egg farms were lower when compared to FY2020. This was driven by an increase in the number of older and younger layer flocks in production, neither of which produced optimally when compared to FY2020. Consequently, **fewer birds were in the peak production phase during FY2021**. This cycle is a direct consequence of the disruption to the layer placement programme in FY2020, which was detailed earlier in this report. This cycle is temporary and will fully correct itself in FY2022.

Eggs

The egg business performed well. While operating efficiencies were slightly lower than the excellent FY2020 performance, they remained high. Efficiencies were negatively affected by the eggs produced by the relatively higher number of older birds in production for a period during the year, which generally resulted in a higher percentage of second-grade eggs.

Cost increases were well managed and increased below inflation. Volumes sold by the egg business reduced by 9.7%. This was due to the lower production on the Company's commercial egg farms. The outbreak of HPAI substantially reduced South Africa's layer flock and the ensuing reduction in the national egg supply supported higher egg selling prices during the second half of FY2021.

Other African countries

Despite the difficult economic circumstances experienced in Zambia during 2021, the **Zambian business produced excellent financial results**. Performance was supported by farm productivity, which remained satisfactory, the increase in demand and selling prices for day-old chicks and eggs, and excellent cost management.

The Ugandan business delivered an improved financial performance, supported by the higher demand for day-old chicks. The egg business produced higher volumes due to a higher number of hens in production. Egg selling prices declined year on year and were especially low during periods of strict COVID-19 lockdown. These periods of lockdown restricted the movement of people and the normal export of eggs to neighbouring countries, contributing to an imbalance in supply and demand. Farm productivity declined at the breeder business and Masindi egg farm due to, *inter alia*, disease challenges. Improving farm efficiencies is a focus area for the local management team, supported by management and veterinary expertise from South Africa.

COVID-19 related disruption in supply chains impacted the planned replenishment of parent stock in Uganda and Zambia. This contributed to lower efficiencies at breeder level, which impacted the volume and cost of day-old chick production.

Productivity and selling prices in Mozambique improved. However, this improvement was insufficient to recover the increase in production costs, which was driven by sharp increases in feed cost. The business remained profitable at an earnings before interest, taxes, depreciation and amortisation ("EBITDA") level.

There was no outbreak of HPAI within the other African countries.

Outlook

The challenging trading conditions experienced by the poultry industry in 2021 are expected to continue in 2022.

We anticipate that **feed raw material costs will remain high due** to the expectation for international prices and cost of logistics remaining high. The cost of feed raw materials will further be influenced by any fluctuations in the value of the Rand, primarily against the US dollar. The Rand has been relatively strong in 2021. Any weakening in the currency will negatively impact the Group, despite optimal procurement performance.

The availability of feed raw materials is expected to be sufficient. South Africa's excellent 2021 maize crop should result in sufficient carry over of maize stock into the next season. Even if South Africa experiences average summer rainfall in maize-producing areas, South Africa's maize supply should be sufficient for the next year. Global supply of soya meal is expected to be sufficient, despite relatively lower stock levels.

The **potential further impact of HPAI remains uncertain**. For Quantum Foods, the potential impact specifically relates to the supply of broiler hatching eggs and egg production. The geographical spread of Quantum Foods' operations and the third-party farms supplying the Group will reduce the potential impact. However, the Group has several large facilities at which an outbreak of HPAI, would have a significant effect. All reasonably possible measures are being taken to

protect Quantum Foods' farms against this risk. The Group reduced the financial risk of HPAI in FY2021 by incorporating limited insurance against outbreaks for a period of 12 months in its risk management strategy. Insuring against HPAI will be considered annually going forward.

A further concern is South Africa's weak economic growth prospects. Reliable electricity supply and the ability of municipal infrastructure are key requirements for economic growth, which will drive future consumer expenditure.

Following elections in Zambia in August 2021, early indications are that the new ruling party is supportive of foreign investment and business in general. This would support the country's economic growth prospects and lead to increased demand for the Group's products. Trading conditions in Uganda are expected to improve. Less severe COVID-19 restrictions will result in a return to more normal domestic and export trading patterns. This will benefit the Group, as we have invested in expanded capacity. Dedicated management focus and the ability to reach operations were restricted in FY2021 due to COVID-19. Lifting of these restrictions should result in improved production efficiencies in Uganda and Mozambique. If realised, the improved production efficiencies will support increased earnings.

The Group's product portfolio comprises products that support efficient livestock production either in the form of animal feed or efficient converters of animal feed into protein. The resilience of this product portfolio was evident during the COVID-19 lockdown periods and in general, the Group's product portfolio has proved its resilience in a weaker consumer environment. The Group continually invests in improving efficiencies and growing volumes. Together with the strength of the business portfolio, improved operational efficiency and continued focus on cost management, this should ensure a successful year ahead.

Condolences and Appreciation

Prof. ASM Karaan's passing on 13 January 2021 was tragic. Prof. Karaan served as a member of the Board for almost seven years and contributed a wealth of knowledge, experience and expertise to the Company during his tenure. We extend our sincere condolences to his wife, family, friends and colleagues.

It would not be possible to operate a business of Quantum Foods' size and scale without the support of various people. We extend our gratitude to the Board, the executive team, all employees as well as our customers and suppliers for their continued support.



WA Hanekom
Chairman



HA Lourens
Chief Executive Officer





Report of the CFO

	30 September 2021 R'000	30 September 2020 R'000 Restated
Summary statement of income		
External revenue	5 401 116	5 095 085
Eggs	1 228 789	1 229 592
Farming	1 411 630	1 350 043
Animal feeds	2 440 511	2 237 071
Other African countries	320 186	278 379
Cost of sales	(4 339 005)	(4 021 182)
Gross profit	1 062 111	1 073 903
Other income	10 201	10 655
Other gains/(losses) – net	72 304	92 500
Net impairment losses on trade and other receivables	(9 050)	–
Cash operating expenses	(891 421)	(860 344)
Depreciation and amortisation	(96 556)	(98 246)
Segment results	147 589	218 468
Eggs	(5 016)	6 253
Farming	33 497	121 238
Animal feeds	100 810	98 299
Other African countries	31 057	6 068
Head office costs	(12 759)	(13 390)
Net finance cost	(7 097)	(2 569)
Share of profit/(loss) of associate companies	1 767	(432)
Profit before income tax	142 259	215 467
Income tax expense	(36 464)	(60 568)
Profit for the year	105 795	154 899
HEPS (cents)	52.2	80.5
Dividend per share (cents)	–	16.0
Summary statement of cash flows		
Cash flow from operating activities	24 348	216 311
Cash flow from investing activities	(153 272)	(85 413)
Cash flow from financing activities (excluding dividend)	(31 639)	(34 646)
Dividends paid	(19 392)	(59 817)
Movement in cash for the year	(179 955)	36 435
Summary statement of financial position		
Non-current assets	1 360 639	1 222 063
Current assets (excluding cash)	1 350 554	1 170 942
Cash	73 311	251 781
Current liabilities (excluding lease liabilities)	(400 741)	(457 379)
Non-current liabilities (excluding lease liabilities)	(274 946)	(229 905)
Lease liabilities	(109 015)	(71 860)
Equity	1 999 802	1 885 642

Financial overview

Group revenue increased by 6.0% to R5.4 billion, with a 5.5% increase of R264 million in the South African operations and a 15.0% increase of R42 million in the operations of the other African countries. Revenue from other African countries contributed 5.9% of the Group's revenue for FY2021 (FY2020: 5.5%).

Revenue from South African operations:

- Increased by R203 million for the feeds segment. This increase of 9.1% is due to the adjustment of selling prices for higher input costs. External volumes sold decreased by 6.0%.
- Increased by R62 million for the farming segment. Broiler farming revenue increased due to higher selling prices, with selling prices adjusted for higher input costs, while volumes were lower. Layer farming revenue decreased by R18 million due to decreased volumes.
- Decreased by R1 million for the eggs segment, where an average price increase of 10.5% and a volume decrease of 9.7% was achieved.

Cost of sales increased by 7.9% to R4.3 billion. Cost of sales includes the fair value adjustments of biological assets (livestock) and agricultural produce (eggs) that were realised and included in other gains and losses in the statement of comprehensive income. These fair value adjustments for the year ended 30 September 2021 amounted to R87 million (FY2020: R100 million), with the decrease mostly reflective of the decreased margins in the egg business. Gross profit, excluding these fair value adjustments, decreased by R25 million to R1 149 million at a margin of 21.3% (FY2020: 23.0%).

Bergsig Breeders (Pty) Ltd (previously accounted for as an associate) repurchased the Company's 29.9% investment in its issued share capital for R14.2 million on 18 June 2021. A profit of R4.0 million was realised and included in other gains/(losses) – net in profit or loss.

Cash operating expenses increased by 3.6% compared to FY2020. The increase in operating costs on a per unit basis was negatively impacted by lower volumes in key product categories.

Operating profit before items of a capital nature decreased by 34.3% to R144 million for the period under review. South African operations recorded a 42.7% decrease of R97 million to a profit of R130 million at a margin of 2.6% (FY2020: 4.7%). Feeds improved by R2 million, while eggs and farming weakened by R11 million and R87 million, respectively. Feeds profit benefited from the improvement in efficiencies. Farming profits were negatively affected by a combination of external and internal factors. External factors include, *inter alia*, the outbreak of HPAI, the business closure of a Western Cape abattoir customer, and the after effects of the disrupted layer placement cycle resulting from changes in demand in FY2020. These and the internal factors affecting profitability are set out in more detail on page 40 of the joint chairman and CEO report. Egg profitability was mostly affected by lower sales volumes. Other African countries recorded an increase in profits of R25 million, mainly due to increased profitability from the Zambian business.

Profit before tax decreased by 34.0% to R142 million. HEPS decreased to 52.2 cents from the 80.5 cents per share of FY2020.

Cash inflow from operating activities amounted to R24 million for the reporting period. This includes an increased investment of R259 million in working capital, primarily resulting from the increased cost of feed raw materials, higher selling prices and an increase in bird numbers on layer farms by the end of FY2021.

Capital expenditure for the period amounted to R109 million. Main projects and maintenance capital included the breeder farm expansion in Uganda, capacity expansion at the Malmesbury and Pretoria feed mills, refurbishment of layer farms, projects to ensure fire risk compliance and the installation of solar systems at three plants.

Cash flow from investing activities include R55 million for the acquisition of Helderfontein Broiler Farm in the Western Cape.

Cash and cash equivalents decreased from R252 million as at 30 September 2020 to R73 million at 30 September 2021.

Other non-current liabilities as at 30 September 2021 comprise deferred tax and a provision for long service bonuses. The balance increased from 30 September 2020 primarily due to increased investment in biological assets and taxation allowances for capital expenditure completed during the year.

The statement of income for the year ended 30 September 2020 was restated following discovery of a material error in the classification of expenses. The error resulted in a misclassification of cost of sales expenditure as administrative and other operating expenses. The restatement did not impact basic and diluted earnings and HEPS.

Dividend

The Board's decision to not declare a final dividend for FY2021 considered:

- The potential impact of further HPAI outbreaks on the Group's future earnings and cash flow position
- The Group's cash position as at 30 September 2021, including considering the approved capital programme and the expected continued high-level of investment in working capital due to the high raw material costs
- The concomitant pressure expected on margins, resulting from high raw material costs (especially impacting the egg business)
- Continued uncertainty about the extent of COVID-19's impact on the economy (specifically consumer expenditure)
- The requirement to preserve cash for any acquisitive growth opportunities that may become available

Ahem

AH Muller
Chief Financial Officer



Board of directors and executive committee



1. Lesego Amos Selaledi
2. Roelof Viljoen
3. Sello Lacton Mailula
4. Larry Wilson Riddle
5. André Hugo Muller
6. Wouter André Hanekom
7. Gary Vaughan-Smith
8. Marthinus Petrus van Lill
9. Geoffrey George Fortuin
10. Tanya Golden
11. Heather Elizabeth Pether
12. Marisha Octavia Gibbons
13. Hendrik Albertus Lourens
14. Jan Hendrik van Rhyn
15. Adel Deidré van der Merwe

Board of directors and executive committee

Board of directors

WOUTER ANDRÉ HANEKOM (62)
Chairman

André was appointed to the Board on 1 October 2014 and elected as chairman of the Board on 28 April 2015.

Qualifications
CA(SA)

Quantum Foods Board and Committee Membership
Board Chairman, remuneration, social and ethics and nomination (chairman).

André joined Bokomo Breakfast Cereals in 1988 as a financial manager. He was later appointed as operational executive and, in 1994, he was appointed as chief executive officer of Bokomo. After the merger between Sasko and Bokomo, André served as the executive responsible for Sasko Milling and Baking, after which he was appointed as chief executive officer of Pioneer Foods in 1999. André retired as chief executive officer of Pioneer Foods in March 2013.

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GEOFFREY GEORGE FORTUIN (54)
Lead independent director

Geoff was appointed to the Board on 28 April 2015.

Qualifications
CA(SA)

Quantum Foods Board and Committee Membership
Non-executive director, audit and risk (chairman) and remuneration (chairman).

Geoff is the financial director of Brimstone Investment Corporation Ltd. He was previously a partner at Deloitte & Touche for 15 years up to 2014, during which time he was responsible for the audit of a number of South African-listed companies. He was also a member of the Deloitte South Africa board of directors.

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TANYA GOLDEN (48)
Independent non-executive director

Tanya was appointed to the Board on 10 December 2018.

Qualifications
LLB, LLM (UCT), LLM (AU, USA)

Quantum Foods Board and committee membership
Non-executive director, audit and risk and social and ethics.

Tanya is a senior counsel and has been a member of the Cape Bar for more than 20 years. She served as Chairperson of the Cape Bar Council and is presently the Chairperson of the Cape Bar Transformation Committee and the National Transformation Chairperson for the General Council of the Bar. Tanya served as a member of the Financial Services Board Enforcement Tribunal. She was previously appointed by the MEC of Health to serve on one of the Department's Hospital Boards and as chairperson for three years.

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LARRY WILSON RIDDLE (62)
Independent non-executive director

Larry was appointed to the Board on 28 September 2020.

Qualifications
CA(SA)

Quantum Foods Board and committee membership
Non-executive director, social and ethics (chairman) and nomination.

Larry previously held the positions of Commercial Director and Group Corporate and External Affairs Director of Illovo Sugar Africa (Pty) Ltd ("Illovo") for seven years and three years, respectively. He held a number of senior management positions in Illovo including General Manager of the Illovo South African Operations prior to his appointment as a director. Larry played a key role in looking after the Illovo joint ventures and associate companies in the Illovo group, including Gledhow Sugar Company, Glendale Distilling Company, Lacsa (Pty) Ltd and Relax Ltd. He was chairman of a number of the Illovo retirement funds. He is a past chairman of the South African Sugar Millers' Association and the Ethanol Producers' Association of South Africa. Larry is currently an independent non-executive director of Gledhow Sugar Company (Pty) Ltd and Crookes Brothers Ltd.

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Remuneration
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Social and ethics
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Audit and risk
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Nomination
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Committee chairperson

GARY VAUGHAN-SMITH (58)
Non-executive director

Gary was appointed to the Board on 19 February 2021.

Qualifications
B.Sc. (Hons) Mathematical Statistics, M.Phil. Finance, Fellow of the Institute of Actuaries.

Quantum Foods Board and committee membership
Non-executive director, social and ethics (chairman) and nomination.

Gary is the founding partner and CEO of Silverstreet Capital LLP London, UK, an asset management business focused on investing in the African agricultural sector. He has extensive experience in the African agricultural sector in Eastern and Southern Africa, including poultry, beef, processing, storage, seed and primary production. He has overseen investments of more than R6 billion into the African agricultural sector, many of which have been greenfield developments. Between 2001 and 2006, Gary was Head of the Alternative Investment Group at ABN AMRO Asset Management, based in London, and between 1990 and 2001, he was at Gartmore Investments Ltd, initially heading the Quantitative Investment team and then Head of Gartmore's Global Portfolio Team, also in London. Gary has broad experience in sourcing funding for projects and new investments. He has overseen the establishment of high ethical, ESG standards in the companies that the Silverlands Funds have invested in.

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HENDRIK ALBERTUS LOURENS (58)
Chief executive officer

Hennie was appointed as chief executive officer of Quantum Foods in 2007, while it was a division of Pioneer Foods and was appointed to the Board on 27 January 2014.

Qualifications
BCom (Hons), MCom, BProc

Quantum Foods Board and Committee Membership
Executive director – financial director

Hennie commenced his services with Pioneer Foods as the human resources manager for Bokomo in 1996 and was later appointed as general manager for the Sasko Grain Business. He has been in the fast-moving consumer goods ("FMCG") industry for more than 23 years.

ANDRÉ HUGO MULLER (51)
Chief financial officer

André was appointed to the Board on 27 January 2014.

Qualifications
CA(SA)

Quantum Foods Board and Committee Membership
Executive director – financial director

André joined Quantum Foods in 2003, while it was still a division of Pioneer Foods. He started at Nulaid as a financial manager and was later appointed as the farming operations manager for Nulaid, a position he held for four years. André spent a year as the national sales and marketing manager for Tydstroom Poultry before being appointed as head of finance for Quantum Foods in 2012.

MARISHA OCTAVIA GIBBONS (30)
Company secretary and legal advisor

Marisha has been with Quantum Foods since 17 May 2018.

Qualifications
LLB

Company secretary

Marisha joined Quantum Foods in May 2018 from Parmalat SA (Pty) Ltd, where she practised as a legal advisor for two years. She completed her articles at ENSafrica (Stellenbosch) in the corporate commercial department. She has seven years' experience in the legal and compliance environment.



Executive committee



Hennie has been with Quantum Foods since 2007.

Qualifications
BCom (Hons), MCom, BProc

Hennie commenced his services with Pioneer Foods as the human resources manager for Bokomo in 1996 and was later appointed as general manager for the Sasko Grain Business. He has been in the FMCG industry for more than 23 years.

André has been with Quantum Foods since 2003.

Qualifications
CA(SA)

André joined Quantum Foods in 2003, while it was still a division of Pioneer Foods. He started at *Nulaid* as a financial manager and was later appointed as the farming operations manager for *Nulaid*, a position he held for four years. André spent a year as the national sales and marketing manager for *Tydstroom Poultry* before being appointed as head of finance for Quantum Foods in 2012.

Roelof has been with Quantum Foods since 2008.

Qualifications
CA(SA)

Roelof was a financial manager and a sales manager at Sasko Grain, before joining Quantum Foods while it was still a division of Pioneer Foods. He has 22 years' experience in the food industry, of which 14 years were spent in the poultry industry. Roelof was appointed in his current role in 2016.

Thinus has been with Quantum Foods since 1997.

Qualifications
BCom (Acc), BCompt (Hons), SAIPA (PA)

Thinus has been with *Nova Feeds* since 1997, while it was still a division of Pioneer Foods. He has since progressed from a financial manager to the executive responsible for Feeds. He has 23 years' experience in the animal feeds and poultry industry.



Adel has been with Quantum Foods since 2008.

Qualifications
BCom Management Accounting

Adel started out in the corporate finance department of Pioneer Foods in 1995 and moved to central procurement where she spent the bulk of her time involved in raw materials and commodities procurement. In 2008, she joined *Nova Feeds* while it was still a division of Pioneer Foods. She joined the egg business during 2016. She has more than 13 years' experience in the animal feeds and food industry.

Lacton has been with Quantum Foods since 2020.

Qualifications
NDip Poultry, BTech Agriculture, PGDip

Lacton rejoined Quantum Foods in 2020 after five years of working internationally. He has 21 years' experience in the poultry industry, the bulk of which was gained at Astral Foods and Quantum Foods in various roles in the broiler poultry value chain. He spent three years as National Operations Manager Broilers for Dakhalia Poultry in Egypt, followed by two years as Poultry Director of Biyinzika Poultry International Ltd in Uganda.

Heather has been with Quantum Foods since 2005.

Qualifications
National Diploma in Human Resources

Heather has 25 years' experience in the human resources field. She spent seven years as the human resources manager of *Tydstroom Poultry* while it was a division of Pioneer Foods. She was appointed as the executive responsible for human resources at Quantum Foods in 2012.

Jannie has been with Quantum Foods since 2014.

Qualifications
BEng, MSc, BCom (Hons)

Jannie spent nine years with Naspers Ltd, during which time he was involved in many start-up internet and internet-related businesses in South Africa, China and a number of African countries. This includes Nigeria, where he was based for three years. Jannie was involved in projects, business development and operations in Sub-Saharan Africa for 13 years. He joined Quantum Foods in 2014 and is responsible for the business in the rest of Africa.

Amos has been with Quantum Foods since 1999.

Qualifications
BAgric, BInstAgrar (Hons), MPhil, BBA, MBA

Amos joined Quantum Foods in 1999, while it was still a division of Pioneer Foods. He started at *Nova Feeds* as a technical specialist and joined *Nulaid* in 2003 as a technical manager. He then became regional manager, then national manager before being appointed as the executive for layer farming in 2017. He has 22 years' experience in the poultry industry.


The executive committee comprises a team of experienced senior managers with extensive industry knowledge. This contributes positively to the execution of the business strategy and operational performance.

Ensuring responsible business

Quantum Foods' stakeholders contribute to the success of its business. The Group therefore takes stakeholder interests seriously and strives to continuously improve its governance, transformation and sustainability initiatives.

The Group is committed to creating value for its stakeholders by ensuring the sustainability of its business model. The value of sustainability will be realised through an improved ability to:

- Attract capital from socially responsible investors
- Attract and retain a diverse pool of talent
- Provide shareholders with positive returns on their investment

 Read more about the Group's approach to stakeholder engagement on page 67.

Product safety and customer complaints



It is important that Quantum Foods provides safe and reliable products to its customers and consumers.

Feeds business

Quantum Foods aims to provide safe feed according to good manufacturing practices in the animal feeds industry and is a member of the Animal Feed Manufacturers Association. Quality assurance is crucial and all feed mills have Integrated Management Systems ("IMS") in place that are subject to annual external audits and reviews to ensure adherence to industry, regulatory and product safety standards. Certain audits are conducted by internationally accredited certification bodies. This includes a complete re-certification audit done every three years. An internal audit programme enables continuous monitoring and improvement of the IMS.

Customer satisfaction is important and the Group has a formal customer complaint system in place. Furthermore, an independent customer satisfaction survey is conducted annually to measure overall satisfaction, identify trends and benchmark performance.

Quality assurance and customer satisfaction remain the responsibility of management and form part of monthly reporting. The quality system is used to identify non-conformance, record specific customer complaints and identify preventative and corrective actions. These trends are used by management to improve the IMS and enhance customer satisfaction.

Farming business

The Group's farming operations and the health of poultry flocks are important in the production of safe food. Stringent biosecurity measures are in place at all farms and are audited regularly by internal employees and external veterinarians contracted by the Group. In addition to biosecurity measures, the Group implemented vaccination programmes and monitors serology, environmental and water quality results to maintain a healthy flock capable of producing safe food. At a minimum, internal health and safety audits are conducted annually at all layer farms, cull depots and broiler farms. Customer satisfaction is monitored through engagement with customers on the quality and production performance of livestock supplied.

Egg business

The Group's grading facilities are subject to regular external audits, which ensure compliance to food safety management systems, applicable laws and regulations. The Group's grading facilities are also subject to audits from national retail customers. An annual internal health and safety audit is conducted at all grading facilities.

As complaints in the egg business are generally more generic than those received in the feeds and farming businesses, the Group uses an external company to monitor complaints. A toll-free number is available to customers and consumers, and all calls are logged and managed. A weekly report is generated and monitored by senior management to identify trends and assist the Group to maintain a customer-centric culture.

Quantum Foods experienced zero product recalls during 2021.

Environment



As a business reliant on agriculture, the Group is concerned about changing weather patterns, droughts, floods, and the other likely effects of climate change.

A conscious effort is made to minimise Quantum Foods' environmental impact and support the effective consumption of resources, focusing on water and

energy. Poultry farming constitutes a large component of the Group's water consumption, with limited opportunities for reduction beyond ensuring that water is not wasted. The aim is to critically analyse waste production and ensure that all relevant aspects are managed responsibly.

The Group is acutely aware of the impact of its operations on the environment, particularly in terms of its carbon emissions. Performance is reported to the social and ethics committee ("SEC") and is an important consideration when evaluating new capital projects.

The table below outlines the Group's overall performance for 2021 in comparison with the previous year. This enables stakeholders to monitor performance and helps the Group identify improvement opportunities.

Environmental performance indicators

Consumption	2021	Increase/ (decrease) from 2020	Commentary to explain shifts in environmental performance indicators
Water (kℓ)	1 473 424	3%	Acquisition of Helderfontein Broiler Farm.
Electricity (kWh'000)	46 813	(5%)	Lower volume of feed manufactured and additional solar panel systems installed.
Electricity from renewable sources (kWh'000)	2 353	33%*	New solar panel systems installed at a layer hatchery and two layer farms.
Coal (tons)	2 963	(4%)	Decreased due to the timing of broiler cycles compared to the previous reporting period (coal heating is only used on a small number of farms and at the start of the rearing cycle).
Gas (kg)	1 601 939	17%	Acquisition of Helderfontein Broiler Farm.
Diesel/petrol/paraffin (ℓ)	1 282 974	16%	Increased use of generators during periods of load shedding and insourcing of distribution fleet at some units.
Heavy fuel oil ("HFO")/polyfuel (ℓ)	1 112 546	5%	Higher volume of pelletised feed manufactured which consumes more fuel per ton of feed produced.
Packaging (tons)	11 600	(15%)	Lower volume of eggs sold.
Waste			
Litter/manure produced (tons)	138 604	(15%)	Lower number of layer type hens in production.
Mortalities to landfill/waste pit (tons)	949	15%	Higher mortalities due to lower farming efficiencies.
Effluent water (kℓ)	285 490	(4%)	Improved efficiency.

* 2020 figure restated – accuracy of measurement techniques improved.

Conservation

The relationship with the Western Cape Nature Conservation Board in respect of the perpetual biodiversity agreement at a portion of the Zouterivier Farm continues. This conservation area is known as the Quantum Foods' Atlantis Sand Fynbos Conservation Area, and critically endangered Atlantis Sand Fynbos is conserved on the property.

Energy efficiency

With the assistance of external service providers, energy-saving opportunities are continually evaluated across the Group's integrated value chain. Quantum Foods' main energy-intensive activities relate to the boilers used in the preparation of animal feeds, the temperature control of hatching eggs, the rearing of layer and broiler chicks and the overall production of egg packing stations.

Opportunities for energy efficiency and savings include process optimisation and the introduction of advanced technologies to reduce the burden of the Group's energy-intensive activities.

During 2021, solar panel projects were completed for the Hiveld layer hatchery in Bronkhorstspuit and the Boshoeck layer farm near Tarlton. A solar panel project was also approved and completed for the Rondevley layer farm near Malmesbury. Further opportunities for solar systems will be evaluated for implementation going forward based on improving efficiency at an optimised cost-benefit ratio. This will assist in reducing Quantum Foods' dependency on electricity generated from non-renewable sources.

Human resources



Diversity and employment equity

Quantum Foods is committed to addressing inequalities with regard to race, gender and disability. The Group believes that a diverse and transformed workplace adds value in the form of improved employee capabilities and shared values that strengthen, motivate and enhance employee productivity to the ultimate benefit of society. Increasing the percentage of management deemed HDSA is a direct focus area in terms of the Group's employment equity strategy.

The employment equity statistics for the Group's South African operations are provided below:

1 842
employees

were permanently employed
by the South African
operations of the Group as at
30 September 2021

(2020: 1 773)

92.7%

Permanent employees HDSA

(2020: 92.6%)

41.5%

Management HDSA grade 12+
(employees)

(2020: 41.4%)

38.6%

Permanent employees who
are women

(2020: 40.4%)

2.9%

South African employees on
fixed-term contracts

(2020: 2.4%)

Employment equity statistics as at 30 September 2021

	African		Coloured		Indian		White		Foreigners		Total
Occupation levels	F	M	F	M	F	M	F	M	F	M	
Top management	0	2	2	0	0	0	1	5	0	0	10
Senior management	1	4	2	1	0	0	2	17	0	0	27
Professionally qualified, experienced specialists and mid-management	2	22	6	12	1	1	13	41	0	0	98
Skilled technical and qualified employees, junior management, supervisors, foremen and superintendents	32	114	52	57	3	5	25	28	0	0	316
Semi-skilled and discretionary decision-making employees	140	277	86	136	1	1	1	1	0	0	643
Unskilled and defined decision-making employees	306	377	35	28	0	0	0	0	0	2	748
Total permanent employees	481	796	183	234	5	7	42	92	0	2	1 842
Non-permanent employees	15	15	6	10	1	1	1	6	0	0	55
Total	496	811	189	244	6	8	43	98	0	2	1 897

Total number of employees as at 30 September 2021

The employee numbers for the South African operations are reflected in the table below:

	2021	2020
Salaried	520	505
Salaried contractors	46	38
Waged	1 322	1 268
Waged contractors	9	6
Total	1 897	1 817

During the year, the Group's South African employee complement increased by 4.4%. The largest contributor to this change was the acquisition of a broiler farm in the Western Cape.

At 30 September 2021, the Group employed 447 (2020: 391) individuals in Zambia, 152 (2020: 143) individuals in Uganda and 71 (2020: 74) individuals in Mozambique. The increased headcount in Zambia is temporary due to staff being appointed to assist during the maize purchase season.

By ensuring a high percentage of permanent employees, the Group provides more individuals with access to the retirement and disability benefits provided by the Group. Permanent employees provide the Group with a stable and experienced skills base that will increase the competence of the business over time.



Training

The Group invests in the development of its employees' skills, knowledge and capabilities. Annually, the Group adds training modules to its online platform. This helped mitigate the impact of COVID-19 during the year.

Online learning is used to train farm employees, induct new employees and enhance existing software skills (including Microsoft and SAP ERP). Life skills development workshops continued at the unit in the Free State. Legislative training was completed, and all relevant licences and accreditations were obtained. In addition, employees attended several workshops and seminars during the year. The number of participants in the Group's intern and apprenticeship programmes decreased, with fewer students applying for these programmes. Going forward, these numbers are expected to increase in line with Quantum Foods' focus on strengthening the capabilities of its junior management.

Bursaries were awarded to employees and students attending the Elsenburg Agricultural Training Institute and students attending Stellenbosch University in the fields of science and engineering.

The below indicates the number of participants in the different training initiatives:

Skills pipeline	2021	2020
Internships	11	20
Apprenticeships	10	16
Learnerships	34	32
Bursaries	31	36
Adult basic education and training ("ABET")	5	5
Total	91	109

The below indicates the training spend for 2021. The number of employees trained during the year reduced from the previous year. However, training spend increased with relatively more employees enrolled in learnerships.

Training spend	2021	2020
Total number of employees trained	352	590
Employee training spend	R4.81 m	R4.13 m
Employee training spend as a percentage of payroll	1.2%	1.1%

The Group will continue its scholarship programme and offer bursaries to HDSAs studying agricultural and science qualifications. Currently, the Group supports nine students studying at the Elsenburg Agricultural

Training Institute (2020: six) and three students involved in the High-Performance Sports Programme at Stellenbosch University (2020: four). In 2021, the Group funded learnerships for four disabled students for the first time. This funding will continue next year.

Occupational health and safety

To provide a safe working environment for its employees, Quantum Foods strives to adhere to and comply with all relevant health and safety legislation across its operations. Occupational health and safety training is conducted annually.

0 Fatalities	87 Recordable injuries	467 Lost days
(2020: 0)	(2020: 107)	(2020: 606)

Note: The decrease in lost days and recordable injuries followed training interventions and coaching, specifically for farming employees.

All appointments in terms of sections 16(1) and 16(2) of the Occupational Health and Safety Act, No. 85 of 1993, have been implemented, and health and safety meetings are held regularly. The Group's feed factories are on the National Occupational Safety Association ("NOSA") system, which formalises the management of occupational health and safety systems. ISO 14001 is an internationally accepted environmental management certification system used to manage environmental risks at the Group's feed factories.

Employee turnover

	2021	2020
Total turnover ¹	9.2%	14.1%
Management turnover (South African operations)	0.7%	1.8%
Not in management turnover (South African operations)	8.5%	12.3%

1. The termination of a rental agreement for a farm in the Eastern Cape was the reason for the higher employee turnover rate in 2020.

Labour union management

	2021	2020
Percentage of employees who belong to a trade union	47.4%	38.1%

The increase in the percentage of employees who belong to a trade union is due to the addition of the Helderfontein Farm employees and smaller unions in the north of South Africa who actively recruited farm workers.


Quantum Foods supports its employees' rights to collective bargaining. Employees are represented by 15 trade unions.

The Food and Allied Workers' Union ("FAWU") has the highest overall representation among Quantum Foods' employees. As at 30 September 2021, 23% of the Group's wage employees in its South African operations were members of FAWU (2020: 28%). Wage negotiations were more challenging in 2021. This resulted in industrial action at a limited number of operating units – with no significant impact on the business. As at the date of this report, wage negotiations for 2.5% of collective bargaining employees were not concluded.

B-BBEE

Quantum Foods recognises its obligation to contribute towards improving the socio-economic status of HDSAs. The introduction of the amended AgriBEE Sector Code in December 2017 significantly raised the bar for compliance, specifically with the introduction of subminimum requirements for ownership, skills development and enterprise and supplier development (including preferential procurement), which, if not achieved, immediately results in a lower B-BBEE score. In addition to this, the cost to train HDSAs and achieve compliance has increased significantly.

This resulted in the level 7 achieved on the overall score for 2021 being discounted to level 8. Improving the B-BBEE score remains a key management focus area. The 2021 audit was carried out by AQRate.

 The 2021 scorecard is available at www.quantumfoods.co.za/company-documents.

The Group continues to contribute to enterprise and supplier development. Current initiatives include:

- The provision of an interest-free loan to an HDSA to expand his Western Cape egg farm
- Supplying HDSA farmers with discounted point-of-lay hens and feed
- Feed and farm management assistance to HDSA farmers for improved egg production
- The rental of a broiler farm in Bronkhorstspuit from an HDSA
- Egg procurement from HDSA egg producers in the Western Cape and Free State

Benefits of R11.9 million (2020: R11.6 million) accrued for the year. Other projects to assist smaller HDSA suppliers continued during the year. This includes assisting suppliers with their administrative systems.

The Group considers B-BBEE when any external appointments are made, especially at the senior level to improve its management control and employment equity scores.

Community projects



Due to COVID-19 restrictions, employees were not able to physically assist with food parcels and Santa Shoe box initiatives. However, the Group again partnered with 2nd Harvest, a non-profit organisation dedicated to providing meals to the hungry and skills development to youth across South Africa, and made monetary contributions to two food drives.

As the Group is passionate about education, it provided R140 000 in funding to Khula Development – an organisation that supports out-of-school children in the Paarl East area and contributed R310 000 to Hilltop Legacy in support of its "adopted" primary school, Groenheuwel Primary. Khula Development's mission is to integrate at-risk children back into the school system.

In addition, the Group contributed R110 000 to Wamakersvallei Training Centre, a community-based centre in Wellington that provides training to unemployed individuals in the community. Short courses include frail care, childcare, home management and cooking and hairdressing assistants. The Group also donated R310 000 to Huis Andrew Murray, a child and youth care centre in Wellington.

To improve food security and support this basic human requirement, Quantum Foods continued its support to FoodForward SA. FoodForward SA collects edible surplus food from manufacturers, wholesalers and retailers, and distributes this food to verified non-profit organisations that collectively feed thousands of hungry people daily. The Group contributed R140 000 to FoodForward SA in 2021. In addition, the Group contributed R140 000 to 2nd Harvest's Vita Kidz programme. This programme aims to ensure that junior school learners' nutritional requirements are met, thereby improving their ability to concentrate and learn while at school.



The Group continued to donate egg and liquid egg products to several institutions that aim to assist with food security.

Corporate social investment spend	2021	2020
Total corporate social investment spend	R2 120 424	R2 628 437
Spend on feeding programmes	R280 000	R544 250
Product donations	R970 424	R528 467
Spend on education	R870 000	R1 555 720

Human rights



Quantum Foods is committed to and strives to protect basic human rights as defined in the Constitution of the Republic of South Africa and according to internationally proclaimed human rights standards. No incidents of human rights violations were reported during the year.

Animal welfare



The welfare of the Group's birds remains a major focus area. Regular internal audits are conducted on all farms to ensure adherence to set internal standards. Quantum Foods regularly engages with and is audited by inspectors from the NSPCA to ensure compliance. Strict biosecurity measures are in place at all farms to protect chickens against diseases and illness. Ongoing animal welfare and biosecurity training is provided to farming employees.

Supplier and contract production facilities are required to comply with the same standards that apply to the Group's farms in terms of supply agreements.



Corporate governance

*Quantum Foods is a **JSE-listed entity** and monitors its compliance with the principles of good corporate governance.*

King IV defines corporate governance as the exercise of ethical and effective leadership by the Board to achieve the following outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

The practices underpinning the principles espoused in King IV are entrenched in many of the Group's internal controls, policies and procedures that govern its corporate conduct. The Group is focused on strengthening its corporate governance and continues to align itself with corporate governance best practice for a company of its nature and size.

Governing structures and delegations

The Board

Quantum Foods' Board acts as the focal point for and custodian of corporate governance. The key roles and responsibilities of the Board include:

- Determining the strategies and strategic objectives of the Group
- Determining and setting the tone for the Group's values
- Satisfying itself that the Group is governed effectively and based on corporate governance best practices
- Monitoring the implementation of the Board's decisions and policies
- Ensuring that the Group has an effective and independent ARC, remuneration committee ("Remco") and SEC
- Appointing and evaluating the performance of the chief executive officer and the company secretary



The disclosure register detailing the Group's adherence to King IV is available at www.quantumfoods.co.za/company-documents.

The Board's focus areas and activities during the year included the following:

Topic	Progress and actions arising
Group strategy	<p>The Board reviewed and approved the Group's strategy, which was presented by management during the annual Board strategy meeting. The review and approval is a three-step process:</p> <ol style="list-style-type: none"> 1. The executive committee holds a working session to consider the Group's strategy. 2. The executive committee and senior management team identify and determine appropriate operational targets that support the strategy implementation. 3. The executive committee provides feedback to the Board on the previous strategy, the revised strategy (if applicable), the achievement of the previous year's operational targets as well as relevant operational targets for the next year. The strategy is then discussed and amended as necessary before being approved by the Board. <p>As an outcome of this process, the Board resolved to retain its strategic themes with a slight amendment to the wording of one (read more on page 33). The performance initiatives and operational targets per theme were revised for 2022. During the 2020 strategy session, the Group reviewed its business objectives up to 2025 to ensure a forward-looking approach. These objectives were reviewed and confirmed as remaining appropriate in 2021.</p>
COVID-19	<p>The Board continued to oversee the implementation of various regulatory and risk mitigation measures taken by the Company to mitigate against the risk of employees contracting COVID-19. The Board continued to monitor the number of employees testing positive and the actions implemented by management to educate employees on the benefits of vaccination.</p>
Significant shareholder movement	<p>The Board continued to oversee events following the sale of Zeder Financial Services Limited's shareholding in the Company (comprising 30.81% of total shares in issue) to a competitor, Country Bird Holdings in June 2020. These events included the sale of the majority of the shares previously held by Country Bird Holdings to an unknown entity, Braemar Trading Ltd, in July 2021.</p>
Approval of capital projects of more than R5 million and consideration of funding options	<p>The Board reviewed and approved capital expenditure projects during the year. The Board evaluates projects in accordance with affordability, expected return, support of Group strategy, risk and environmental impact. Projects approved in 2021 include implementing a new ERP system, expanding the broiler hatchery in Hartbeespoort, acquiring a further 20% of the shareholding in Klipvei Broilers (Pty) Ltd, capacity expansion at the feed mill in Pretoria and refurbishment of a layer farm in Bronkhorstspuit.</p>
Industrial action	<p>The Board oversaw industrial action by employees at a limited number of operating units following the declaration of wage disputes. The period of industrial action was less than a week in each of the cases and the business continued its operations without significant impact.</p>
Civil unrest	<p>The Board oversaw the implementation of management actions during and after the period of civil unrest in July 2021 that affected businesses in the KwaZulu-Natal and Gauteng provinces. The Company did not suffer material damage to property. However, egg sales in KwaZulu-Natal were affected by the damage to retail outlets sustained during the unrest. More eggs were sold in other provinces to mitigate this.</p>
Declaration and dividend	<p>The Board considered and resolved not to declare an interim or final dividend for 2021. Read more on page 45.</p>
Annual general meeting ("AGM") and shareholder voting on resolutions	<p>The Board oversaw the voting outcome and subsequent correspondence following the vote against the majority of the resolutions proposed at the 19 February 2021 AGM by a shareholder holding more than 30% of the voting rights in the Company at the time. The shareholder's vote against the resolutions resulted in the Company not being able to remunerate its non-executive directors ("NEDs") from 1 April 2021. The Company reached out to the shareholder to understand its concerns, however the shareholder did not provide any legitimate reasons as to why the resolutions were voted against.</p>

Topic	Progress and actions arising
The passing of Prof. Abdus Salaam Mohammad Karaan	The Board considered and filled the positions of Lead Independent Director, chairman of the SEC, member of the ARC and member of the nomination committee ("Nomcom") left vacant by the passing on of Prof. ASM Karaan on 13 January 2021.
Induction of Mr. Gary Vaughan-Smith	The Board oversaw the appointment and induction of Mr. Gary Vaughan-Smith, who was nominated by a shareholder as a NED and duly elected by shareholders at the AGM on 19 February 2021.

In addition to the key focus areas outlined on the previous page, the Board:

- Reviewed, discussed and approved the Group's interim and full-year financial results
- Reviewed and approved the Group's budget for FY2022
- Reviewed and approved the Group Governance Framework and Enterprise Risk Management Framework
- Reviewed amendments to the decision-making framework, which sets out the balance of power and authority at Board level and ensures that no one director has unfettered powers of decision-making

As an outcome of the annual review of the decision-making framework, the Board is satisfied that the delegation of authority framework contributes to role clarity and effective exercising of authority and responsibilities.

Members of the Board are regularly updated on industry matters and applicable laws, rules and codes. Opportunities are further made available to members of the Board to ensure their ongoing development. This includes visits to Quantum Foods' business operations, and specific training interventions focused on, among others, governance and risk management, cyber security and the JSE Listings Requirements. This is part of the Board's ongoing responsibility to take reasonably diligent steps to become informed about matters requiring its oversight and direction. Overall, the Board is satisfied that it fulfilled its responsibilities in accordance with its charter and annual work plan.

The Board and all its committees are constituted in terms of approved charters, which are reviewed annually. The Board is assisted by four committees to fulfil its mandate but ultimately remains responsible and accountable for all matters.

The Board assumes ultimate responsibility for strategy, performance and reporting. The Board delegates the daily management of the Company in accordance with the Group Governance Framework to the executive committee, under the leadership of the chief executive officer, and monitors performance through its various subcommittees. All subsidiaries have formally adopted the Group Governance Framework at their respective Board meetings.

The Board is satisfied that each committee, as a whole, has the necessary knowledge, skills, experience and capacity to execute its duties effectively. The committees of the Board are as follows:



In accordance with Principle 8, Recommended Practice 50(f) of King IV, each of the abovementioned Board committees are satisfied that they have fulfilled their responsibilities in accordance with their terms of reference, respective charters and workplans, where applicable, for the reporting period.

The Board assumes ultimate responsibility for strategy, performance and reporting. The Board delegates the Company's daily management to the executive committee, under the leadership of the chief executive officer, and monitors performance through its various subcommittees.

The Board

The Board and all its committees are constituted in terms of approved charters, which are reviewed annually. The Board is assisted by four committees to fulfil its mandate, but ultimately remains responsible and accountable for all matters.

Meeting attendance

The Board held five scheduled meetings during the reporting period. In addition, four special meetings were held to discuss, *inter alia*, the sale of the majority of the shares held by Country Bird Holdings to an unknown entity, Braemar Trading Limited in July 2021, as well as various proposed capital projects. The Board members also attended a full-day session during which the 2022 strategy was approved. The SEC and Remco had two scheduled meetings during the year while the ARC had three scheduled meetings. In addition, the Remco held one special meeting to consider senior management remuneration. Mr. Lourens, Mr. Muller and Ms. Pether did not attend this meeting to the extent that their remuneration was discussed. The Nomcom had one meeting during the year. Members who could not attend a meeting excused themselves accordingly.

The Board is satisfied with the contribution by its directors as well as the attendance of meetings by the members of the Board and its committees.

	Status	AGM	Board	Remco	ARC	SEC	Nomcom	Strategy session
WA Hanekom	Chairman, independent non-executive	1/1	9/9	3/3	3/3 [^]	2/2	1/1	1/1
GG Fortuin ^o	Lead independent non-executive director	1/1	9/9	3/3	3/3	n/a	n/a	1/1
Prof. ASM Karaan [#]	Lead independent non-executive director	0/1	1/9	n/a	1/3	1/2	0/1	0/1
T Golden	Independent non-executive director	1/1	9/9	n/a	2/3 [*]	2/2	n/a	1/1
LW Riddle	Independent non-executive director	1/1	8/9	3/3	3/3	n/a	1/1	1/1
G Vaughan-Smith	Non-executive director	1/1	7/9 [*]	n/a	n/a	1/2 [*]	1/1	1/1
HA Lourens	Chief executive officer	1/1	9/9	3/3 [^]	3/3 [^]	2/2 [^]	0/1 [^]	1/1
AH Muller	Chief financial officer	1/1	9/9	2/3 [^]	3/3 [^]	2/2 [^]	n/a	1/1

^o GG Fortuin was appointed as the lead independent director on 9 September 2021.

[#] Prof. ASM Karaan passed away on 13 January 2021.

^{*} G Vaughan-Smith was appointed as a NED on 19 February 2021. On 5 March 2021, G Vaughan-Smith was appointed as a member of the Nomcom and as a member and chairman of the SEC. On 5 March, LW Riddle was appointed as a member of the Nomcom and T Golden as a member of the ARC.

[^] WA Hanekom attended the ARC meetings as an invitee. HA Lourens and AH Muller attended the Remco, ARC and SEC meetings as invitees.

The members of the Board are experienced individuals who understand their duty to act with care, skill and diligence.

Composition and functions of the Board

The Board consists of seven directors, four of whom are independent NEDs. The chairman, Mr. Hanekom, an independent NED, presides over meetings of the Board.

Mr. Fortuin, an independent NED, was appointed as the lead independent director of the Board on 9 September 2021. This followed the passing of Prof. Karaan, the previous lead independent director, on 13 January 2021. The duties and functions performed by Mr. Hanekom as chairman and independent NED are separate from those performed by the chief executive officer, Mr. Lourens, who is an executive director.

The chief executive officer is responsible for leading the implementation and execution of the strategy and for policy and operational planning and serves as the chief link between management and the Board. Overseeing the succession planning of the chief executive officer and the executives is performed by the Remco. The Remco is satisfied that sufficient measures are in place to ensure continuity. The chief executive officer is not a member of any other governing body outside of Quantum Foods.

The Board appoints the chief executive officer and the company secretary. The independence of each non-executive director is assessed regularly by monitoring information submitted by directors relating to their relevant business interests.

The Nomcom conducts recruitment processes and recommends suitable candidates to the Board to fill Board vacancies as and when a vacancy arises.

The Board is diverse in terms of gender, race, business acumen and tenure. This diversity provides for challenging and robust discussions and views, leveraging an appropriate mix of knowledge, skills, experience, diversity and independence. The Board recognises the value of increased broader diversity and has therefore adopted and approved a diversity policy, which promotes and considers areas for enhanced diversity such as gender, race, culture, age, field of knowledge, skills and expertise when vacancies do arise.

Given the changes in composition to the Board and its committees during 2021, the newly composed Board did not set voluntary diversity targets during 2021. Areas for improved diversity will be considered when the performance of the Board and committees is evaluated and when vacancies arise.

When identifying suitable candidates for appointment to the Board, the Nomcom considers candidates on merit against objective criteria with due regard for the potential benefits of increased diversity at a Board level. Following the passing of Prof. Karaan in January 2021, the Board reviewed its composition and the composition of its committees and resolved that no vacancy existed. Further to this, two different shareholders nominated three candidates for appointment as directors at the AGM held in February 2021. Mr. Vaughan-Smith, who has significant international experience in a wide range of disciplines,

was subsequently elected by shareholders at the AGM held in February 2021. The Board will continue to discuss and consider opportunities for broader diversity at Board level.

At each AGM, one-third of the NEDs retire by rotation but are eligible for re-election. Any NED who has already held office for a period of more than three years since their last election for appointment at the AGM retires at the next AGM but remains eligible for re-election.

A director shall be obliged to retire at the conclusion of the AGM relating to the financial year in which they become 70 years old and shall not be eligible for re-election.

A brief professional profile of each candidate standing for election or re-election at the AGM is available in the Group's notice of AGM.

An internal appraisal of the Board and committees was conducted during the reporting period, and no material issues were identified. The Board is satisfied that the evaluation process improves its performance and effectiveness. The Board annually considers using an external provider to facilitate the appraisal process of the Board and its committees. Given the changes to the composition of the Board during the reporting period, the Board resolved not to conduct an external appraisal during the 2021 reporting period.

Company secretary

All Board members have access to the advice and services of the company secretary, who is responsible for the proper administration of the Board and the implementation of sound corporate governance procedures. This includes corporate announcements, investor communications and unrestricted access to information about developments that may affect the Company and its operations. This includes access to Company information, records, documents and property. Following a Board-approved procedure, Board members may also seek independent advice in connection with their duties at the cost of the Group. The company secretary may access external legal advice.

The performance of the company secretary is evaluated annually. The Board is of the opinion that the company secretary is suitably qualified, competent and experienced to carry out her duties as stipulated under section 88 of the Companies Act. The Board is satisfied that an arm's-length relationship exists between the company secretary and the Board. The company secretary reports directly to the Board on statutory matters and to the chief financial officer in relation to her other duties.

The Board believes effective arrangements for accessing professional corporate governance advice are in place.

Legal compliance

The Board recognises its responsibility to ensure that Quantum Foods complies with all applicable laws and monitors adherence to all regulatory charters, codes and standards. Board members have experience in and knowledge of the agricultural industry and are aware of the potential impact of legislative changes. The responsibility for implementation and execution of effective compliance management is delegated to management, and management continually monitors the regulatory environment and identifies appropriate responses to changes and developments. Such changes are reported to the Board.

On an ongoing basis, the Company monitors key identified legislation for any changes and developments that could potentially impact the business. The company secretary reports to the Board and the Board reviews and monitors updates to legislation on a quarterly basis.

The Group received a R6 000 admission of guilt fine relating to the rezoning of a farm on which the Company and its predecessor have operated on for

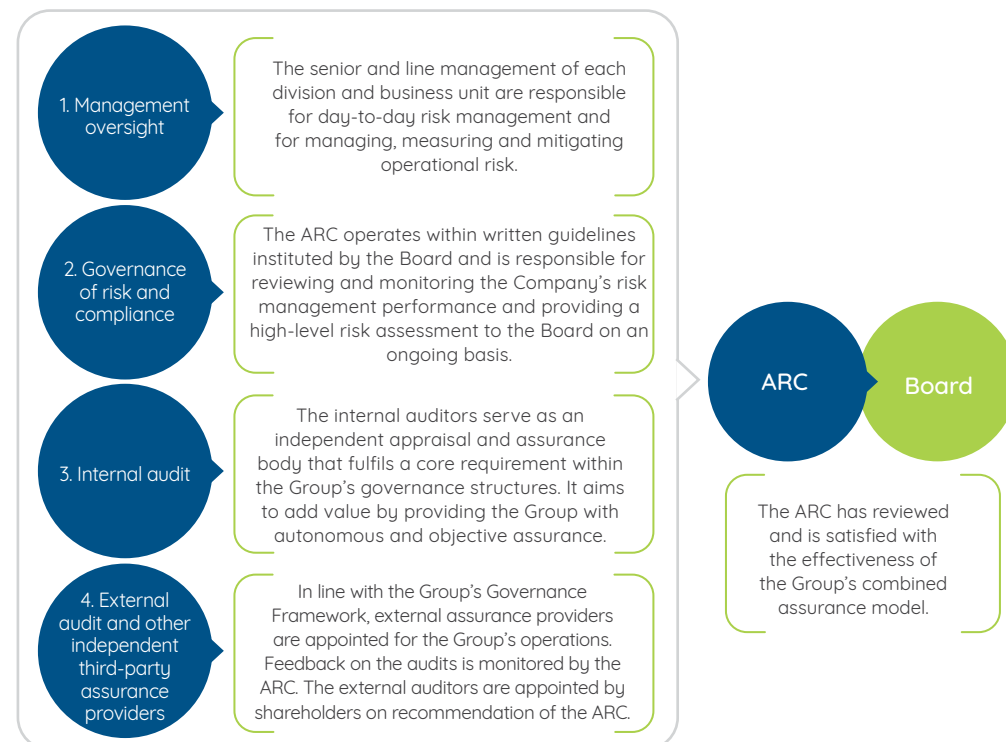
more than 20 years. No other regulatory penalties, sanctions or fines for contraventions or non-compliance with statutory obligations were imposed on the Company or any of its directors or officers during FY2021.

In 2022, the Group will continue to monitor key identified legislation for any changes and developments.

Combined assurance

Quantum Foods has defined the Group's combined assurance model in line with King IV, which is updated alongside the risk profile of the Company and its subsidiaries. The objective of combined assurance is to enable effective control of the Group's risk environment. Assurance processes in the Group include management, various second line and external assurance providers such as health and safety, as well as internal and external audit. These various assurance role players oversee corporate governance at Quantum Foods and provide different types of assurance. They are differentiated by their levels of independence from the Group's operational activities and the Group itself.

Through the use of Quantum Foods' combined assurance model, the independence of assurance gradually increases over four lines.



Group external audit

The 2021 external audit services for the South African, Mozambican, Ugandan and Zambian operations were provided by PwC. Feedback on the audits provided to the subsidiary boards is monitored by the ARC.

Read more about Group external audit in the ARC report on page 92.

Group internal audit

The Group's internal audit services for 2021 were provided by Deloitte and Touche. The internal audit service contract was extended for a further two years to 30 September 2023. The internal audit function is constituted in terms of the internal audit charter.

Management and the ARC may identify additional risk areas to be included in the internal audit work plan

that is developed by the internal audit function. Results and management actions undertaken by internal audit are reported to the ARC (and escalated to the Board if necessary). The ARC assesses the effectiveness of both the internal audit function and the head of internal audit on at least an annual basis.

During the year, the internal auditors monitored the effectiveness and adequacy of the Group's risk framework and risk register. The assurance process was determined as being a combination of internal and external accountabilities. Risk mitigation was identified, and risks with a high probability and impact were prioritised and included in the internal auditors' programme for the year.

The report of the ARC is provided on pages 92 and 93. Read more about the Group's strategic risks on page 37.

Stakeholder relations

Quantum Foods adopts a stakeholder-inclusive approach and has an established stakeholder engagement process in place. These engagement mechanisms are designed for stakeholders and include Group discussions and meetings. The following broad stakeholder groups have been identified. The table below provides details on the methods of engagement and key considerations per stakeholder category, as well as the Group's response:

Stakeholder category	Method of engagement	Stakeholder needs, expectations and concerns	Business response
Shareholders and investors	<ul style="list-style-type: none"> Website SENS Trading updates Results presentations every six months AGM question-and-answer session 	<ul style="list-style-type: none"> Return on investment Capital allocation Business sustainability Ethical management 	<ul style="list-style-type: none"> HEPS is a key performance measurement for management New capital projects are evaluated against a Board-approved weighted average cost of capital The Group takes a zero tolerance approach to unethical conduct
Employees	<ul style="list-style-type: none"> Internal communication Management and union meetings Roadshows (COVID-19 regulation dependent) Confidential tip-offs anonymous line Training programmes Feedback on performance 	<ul style="list-style-type: none"> Job security Personal development (including training) Health and safety 	<ul style="list-style-type: none"> The Group conducts regular formal and informal performance discussions Formal health and safety audits are conducted annually at all sites (at a minimum) and training programmes are in place Various training initiatives are available to the Group's employees. Read more on page 56.
Customers and consumers	<ul style="list-style-type: none"> Regular meetings Consumer hotline Customer satisfaction surveys 	<ul style="list-style-type: none"> Products within specification Competitive pricing Reliable supply 	<ul style="list-style-type: none"> Ensure that products adhere to standards Supply safe products Ensure that stock is available

Stakeholder category	Method of engagement	Stakeholder needs, expectations and concerns	Business response
Suppliers and contractors	<ul style="list-style-type: none"> A centralised procurement team manages communication for larger expenditure items The Group's decentralised procurement managers meet with suppliers and contractors 	<ul style="list-style-type: none"> Security of supply Commitment to B-BBEE Reasonable terms 	<ul style="list-style-type: none"> Policies and practices ensuring ethical procurement conduct are in place, with a focus on B-BBEE Quality management is in place for key procurement categories
Communities	<ul style="list-style-type: none"> Requests for assistance in the communities where we operate 	<ul style="list-style-type: none"> Basic human requirements (food safety and education) Drought relief 	<ul style="list-style-type: none"> The Group implements various corporate social investment initiatives <p> Read more on page 57.</p>
Government and regulatory bodies	<ul style="list-style-type: none"> Independent audits Adherence to regulatory requirements Employee training on regulatory requirements 	<ul style="list-style-type: none"> Employees assume responsibility for compliance Independent assurance to measure compliance 	<ul style="list-style-type: none"> The Group trains employees responsible for compliance and takes immediate action in the event of adverse findings The corporate office supports regional management
Industry bodies	<ul style="list-style-type: none"> Industry body meeting participation 	<ul style="list-style-type: none"> Active participation in industry body management Keeping abreast of new developments 	<ul style="list-style-type: none"> Executive committee members are involved at senior level in industry bodies such as the South African Poultry Association and Animal Feeds Manufacturers Association

In 2021, the Group's key areas of focus for stakeholder relations included:

Topic	Progress and actions arising
Engagement with shareholders	<p>Following the release of the Company's interim and final 2021 financial results, shareholders were invited to presentations where the results were discussed. The presentations were conducted virtually due to COVID-19 restrictions. Shareholders were invited to virtually attend, participate and vote at the AGM in February 2021. A shareholder holding more than 30% of the Company's voting rights voted against the majority of the resolutions proposed by the Company at the February 2021 AGM. The shareholder was invited to set out the reasons for voting against the resolutions.</p> <p> Read more on page 61.</p>
Engagement with suppliers and customers	<p>Key suppliers of mostly feed raw materials were engaged with regularly throughout the year to ensure consistent supply, which was impacted by supply chain challenges and consumer buying patterns resulting from the effect of COVID-19 throughout the world.</p> <p>The Group engaged with customers affected by the social unrest in the KwaZulu-Natal and Gauteng provinces during July 2021 to help minimise the impact on their business operations and the Group's operations. This included providing affected customers with extended payment terms and assisting with re-opening vandalised stores.</p>
COVID-19 assistance and education	<p>As a provider of essential services, the Group was fortunate to continue operations during the various stages of the COVID-19 lockdown alert levels, without significant impact on the business. The Group undertook specific engagements with employees when COVID-19 vaccinations became available during the second half of 2021. Where required, the Group assisted employees with vaccination registration and transportation to vaccination centres.</p>
Corporate social investment initiatives and enterprise and supplier development assistance	<p>Several HDSA entities benefited from the Group's enterprise development, supplier development and corporate social investment initiatives.</p> <p> Read more on page 57.</p>
Ongoing engagement with the NSPCA	<p>The Group continually engages with the NSPCA to ensure best-in-class welfare standards for birds. This is critical to the success of the business.</p>

The Group's SEC is responsible for the governance and oversight of stakeholder relationships. Quantum Foods adopted a formal stakeholder engagement policy that outlines its approach to communicating and working with its stakeholders. Enquiries from shareholders are generally handled by the company secretary or directly by the chief executive officer or chief financial officer. The Company publishes information relevant to the application of King IV on its website. This includes any supporting documentation, Group policies or charters.

The Group's stakeholder engagement policy is available on the Company's website: www.quantumfoods.co.za.

IT governance

IT is entrenched in the way that Quantum Foods does business, and almost every business process is supported by IT. King IV recommends that the governing body should delegate to management the responsibility to implement and execute effective technology and information management. This delegation points to the establishment of an IT steering committee by the Board.

The Board is responsible for IT governance and is ultimately responsible for ensuring information and IT strategies are aligned with business strategies. The ARC assists the Board in carrying out these responsibilities. Management is responsible for the implementation of all the structures, processes and mechanisms for IT and information governance. Management delegates to the IT steering committee, which is independent and tasked with identifying key projects as well as the implementation and monitoring of such projects.

The IT steering committee also monitors information security, and any significant security incidents are reported to the ARC. The IT steering committee is governed by Quantum Foods' IT charter, which outlines the decision-making rights and accountability framework to effectively govern the Group's IT service landscape. The committee has decision-making authority with respect to its duties and is accountable to the Board, the ARC and the executive committee across the following areas of responsibility:

- Strategy
- Investment
- Sourcing
- Risk management
- Information security
- Disaster recovery

Quantum Foods' IT charter is based on the principles of the Control Objectives for Information and Related Technologies ("COBIT") framework for IT governance. COBIT is an internationally recognised IT framework that guides the Board in discharging its IT responsibilities. COBIT is published by the Information Systems Audit and Control Association. An IT governance framework and reporting system provide the Board with assurance that the IT strategy, procedures and controls within the business reduce IT risk, including information security, to an acceptable level. PwC, as external advisors, assist with ensuring that measures are put in place to ensure the security of IT.

The main focus areas during 2021 included:

- The transition to a new provider of Group IT support services, Logicalis South Africa.
- Improved cyber risk resilience through ongoing training to maintain awareness and the introduction of specialist software to improve incident detection capabilities.
- The evaluation and decision to switch over to SAGE X3 as the Group's future ERP software solution.
- Upgrading of the IT infrastructure with a further upgrade to the network where sites were converted to SD-WAN.
- Supporting the Group's work from home policy, which was implemented in 2020 at the onset of the first COVID-19 lockdown. This included providing more users with computers and data connectivity and enabling virtual meetings.

Going forward, the value delivered to the Group through significant investments in IT will receive increased focus. The key area of future focus is to switch over to SAGE X3 as the Group's ERP software solution.

The Board is satisfied that, based on reports received from the ARC, an appropriate IT governance framework exists, is functioning and is effectively monitored.



Social and ethics committee report

In terms of Regulation 43(5)(a) of the Companies Regulations, 2011, the SEC has oversight of five main focus areas. These areas include social and economic development; good corporate citizenship; environment, health and safety; consumer relationships; and labour and employment.

The SEC monitors the sustainable development and non-financial performance of the Group relating to:

- Stakeholder management, engagement and reporting
- Health and public safety, including occupational health and safety and the quality of the Group's products and services
- B-BBEE
- Diversity management
- Labour relations and working conditions
- Human capital management, including training and skills development

- Management and monitoring of the Group's environmental impact
- Ethics management
- Corporate social investment

A focus on the aforementioned ensures that the SEC is equipped with adequate knowledge and insight to monitor Quantum Foods' role as a responsible corporate citizen. It further ensures that the SEC is positioned to measure this commitment and assist the Board where necessary with appropriate steps and procedures to strengthen Quantum Foods' non-financial performance.

The SEC monitors the impact of the business on the environment and society and guides its actions to ensure its sustainability for the future.

Topic	Progress and actions arising
B-BBEE and targets	The SEC monitored the Group's strategy and targets to improve on the level 8 compliance score achieved in 2020. A key focus remains on improving the preferential procurement component of the scorecard. More detail is available on page 57.
Sponsorships and charitable donations	The SEC monitored the various product donations and continues to monitor the Group's social responsibility initiatives. These are detailed on page 57.
Water, energy and waste disposal management	The committee monitor water, energy and waste disposal management and a report containing usage details is reviewed biannually. The short-term aim is to reduce wastage of these elements across the Group's operations by monitoring performance year on year. Read more on page 53. A specific area of focus is projects to supplement electricity produced from non-renewable sources with solar technology. Read more on page 54.
Occupational compliance	The SEC noted progress in obtaining occupational certificates for various business premises. This is an ongoing expense, and R8.3 million (2020: R14.2 million) of capital was spent to ensure progress on compliance.
Customer complaints and food safety	The SEC monitored customer complaints and food safety and is satisfied that such matters were monitored and dealt with adequately during the year.
Employment equity and training	The SEC monitored employment equity and training. Read more on page 54.

Topic	Progress and actions arising
Human capital	The SEC monitored organisational development initiatives, workforce design and planning.
Animal welfare	The SEC monitored engagements with the NSPCA and other stakeholders to ensure that animal welfare remains a priority.
ESG compliance	The SEC initiated a project to determine an ESG baseline score for the Group. To achieve this, an independent assessment was conducted against international ESG standards (including the International Finance Corporation Performance Standards). The resultant score was high, with an action plan to guide the Company on suggested improvements.
Ethics management	The SEC monitors ethics management and adherence to the Group's code of conduct, which is reviewed annually. Local tip-offs anonymous lines are available to stakeholders in Quantum Foods' operating jurisdictions (South Africa, Mozambique, Uganda and Zambia). The employee induction programme, which supports the business's commitment to ethical conduct by entrenching the Group values, was revamped during the year and rolled out as a refresher to all current employees. Read more on the Group's measures to ensure proper ethics management in King IV available on the Company's website.

The SEC evaluated and approved the non-financial information contained in this report.

In accordance with Principle 8, Recommended Practice 50(f) of King IV, **the SEC is satisfied that they have fulfilled their responsibilities in accordance with their terms of reference, respective charters and workplans, where applicable, for the reporting period.**

The SEC has identified the following as the main areas of focus for 2022. This will be supported by ongoing monitoring of the various topics that form the committee's mandate.

Topic	Area of future focus
B-BBEE and targets	The SEC will oversee the Group's action plan to improve compliance with the AgriBEE sector code. The Group will continue to invest in its existing business activities that support transformation and empowerment.
Improved ESG performance	The SEC will oversee the progress made on improving ESG performance against the baseline score achieved for 2021.

Mr. G Vaughan-Smith
Chairman

Wellington
12 November 2021

Remuneration report

Part 1: Letter from the chairman of the Remco to shareholders

Dear shareholders

This report summarises the remuneration policy that will apply to employees of Quantum Foods and its subsidiaries in 2022. It also highlights the activities of Quantum Foods' Remco and addresses the outcomes of the implementation of the 2021 remuneration policy.

As a provider of essential services, the Group's operations were fortunately largely unaffected by COVID-19 with all employees receiving their full guaranteed pay despite the various lockdown periods. Group operations and profitability were however affected by other market conditions including, *inter alia* the outbreak of HPAI in South Africa in April 2021, substantially higher feed costs, the loss of a Western Cape live broiler customer and the consequence of the disruption to the layer hen placement programme that occurred in FY2020. These factors, together with lower production and above targeted cost increases in certain operations, resulted in a 35% decline in headline earnings for FY2021 when compared to FY2020.

2021 earnings were supported by improved profitability from other African countries and stable profitability from the feeds business, which partially offset decreased profitability from the farming and egg businesses. Profitability from the other African countries was supported by an excellent performance from the Zambian business, where demand for the Group's products was strong and resulted in improved margins. Profitability from the Group's farming business was lower due to the exit of a Western Cape broiler abattoir customer, weaker farming efficiencies

and above-targeted increases in overhead costs. The loss of birds due to HPAI at a Western Cape layer rearing farm further contributed to the lower earnings from the farming business. HPAI also resulted in the closure of borders which restricted planned livestock export sales. Profitability from the egg business was negative in H1 of 2021, but improved in H2 of 2021 due to higher selling prices. However, the recovery was not enough to offset the losses recognised in H1 of 2021. The increase in selling prices was supported by the decline in the South African layer flock during H1 of 2021, which was exacerbated by the outbreak of HPAI in April 2021.

The Group's performance is reflected in the outcomes of our variable pay incentives. HEPS achieved for 2021 resulted in:

- A 100% vesting of the performance component of the third tranche of share appreciation rights ("SARs") allocated in 2017
- 0% vesting of the performance component of the second tranche of SARs allocated in 2018
- 0% vesting of the performance component of the first tranche of SARs allocated in 2019

The employment period for the vesting of these SARs will expire in February 2022, and the outcome of vested SARs exercised will be included in the 2022 report. In addition, the Group profit achieved in 2021 resulted in a 0% vesting of the economic profit ("EP") component of the short-term incentive ("STI") and 0% vesting of the headline earnings before tax per share ("HEBTSP") component of the STI for 2021.

Quantum Foods' financial performance is discussed in the joint report of the chairman and CEO and in the report from the CFO on pages 40 to 45.

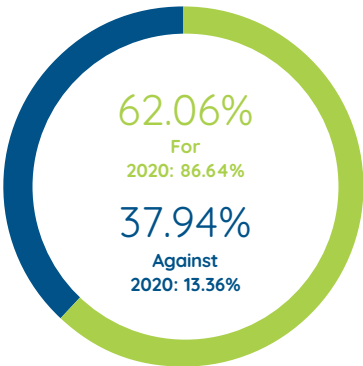
The Remco made various key decisions in 2021. These included:

Topic	Progress and actions arising
Total guaranteed pay adjustments	The mandate to adjust total guaranteed pay by 4.25% was determined by the Remco following consideration of inflation, the outcome of benchmarking and affordability. The Remco approved additional adjustments to the remuneration of a small number of senior managers as an outcome of benchmarking. No additional adjustments were made to the CEO's and CFO's total guaranteed pay.
National minimum wage and farming sectoral and non-sectoral employee salary	During the 2019 reporting period, employees at one of the Group's operating locations disputed the inclusion of certain cash-based employee benefits in the calculation of their hourly pay. The Commission for Conciliation, Mediation and Arbitration ruled in favour of the employees. The Company decided to take the ruling to the Labour Court. Given the restrictions and impact of COVID-19, this matter was only heard in August 2021, and, at the date of this report, the outcome is pending. The Remco will continue to oversee this process in 2022.
Short-term and long-term incentives, outcomes and new targets	<p>The Remco reviewed the STI and long-term incentive ("LTI") performance outcomes for 2021 and considered new targets for 2022. Accordingly, the financial and operational performance targets were reviewed and new targets were set for FY2022. The Company's LTI is the Equity-Settled Share Appreciation Rights ("SAR") Plan, and the headline earnings achieved for 2021 will be the baseline for determining achievement of the performance conditions of allocations made to participants in February 2022.</p> <p>COVID-19 did not play a role in setting targets for 2022 or in evaluating actual performance against targets set for 2021.</p> <p> Read more about this on page 82.</p>
NED fees	<p>The Remco considered the NED fees proposed at the February 2021 AGM and will propose a 5% adjustment to the NED fees at the February 2022 AGM. At this AGM a specific adjustment in fees payable to the chairman of the ARC and ARC committee members to reflect the workplan and workload of this committee will also be proposed. In determining the proposed increase, the Remco considered inflation, benchmarking against PwC's NEDs' fees and practices report and the mandate for the adjustment in guaranteed pay for employees.</p> <p>The special resolution proposed to shareholders at the 19 February 2021 AGM for the payment of NED fees from 1 April 2021 was voted down. The Company was therefore not authorised to pay fees for services rendered by NED's from this date.</p>
Equal pay for work of equal value	The Remco again reviewed the results of an equal pay for work of equal value exercise and reviewed salary bands to ensure that these are market related. Subsequent to the salary band review, the Company adjusted the remuneration of some employees, where relevant, to ensure that these are market related. This will remain an area of focus for the Remco to ensure employees are remunerated fairly and any differential is justified.

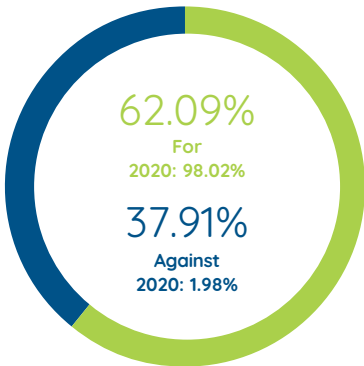
In implementing the remuneration policy, the Remco considered the advice of remuneration consultants. These consultants satisfied the Remco's requirements for independence and objectivity.

At the 2020 AGM held on 19 February 2021:

Shareholder vote on the Group's remuneration policy

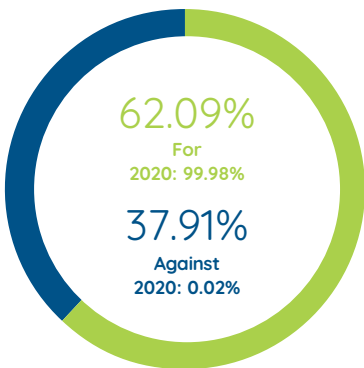


Shareholder vote on the Group's implementation of its remuneration policy



As indicated in the graphs above, the non-binding advisory votes received more than 25% "Against" votes at the 2020 AGM held on 19 February 2021. Therefore, the Company engaged with its shareholders to determine the reasons for such dissent.

Shareholder vote on the remuneration of non-executive directors



As indicated in the graph above, the special resolution was not passed at the 2020 AGM held on 19 February 2021 resulting in the Company not being able to remunerate its NEDs from 1 April 2021.

The dissenting votes received against the remuneration-related resolutions in the graphs above include votes from a single shareholder that held more than 30% of the voting rights at the AGM on 19 February 2021 and that voted "Against" the majority of all the resolutions proposed by the Company at this meeting. It is important to note that this shareholder acquired the majority of its shares in June 2020 and has subsequently sold the majority of its shareholding in the Company. The shareholder was invited to set out its concerns and reasons for the votes against the proposed resolutions. However, no legitimate concerns or reasons were provided by the shareholder to demonstrate that NEDs receive excessive remuneration or which required the Committee to reconsider the remuneration policy going forward.

Shareholder engagement methods

In line with King IV and the JSE Listings Requirements, the remuneration policy and implementation report will be placed before shareholders for two separate non-binding advisory votes. In the event that 25% or more of the shareholders vote against either of or both the remuneration policy and implementation report, the Remco will initiate communication with shareholders via a SENS announcement following the AGM. This communication will aim to determine and address shareholders' concerns, including the manner and timing of the engagement.

Considering feedback from shareholders, the Remco reserves the right to modify aspects of the remuneration framework in line with best practice and shareholders' interests.

Future focus areas

Going forward the Remco will focus specifically on:

Topic	Area of future focus
Fair, ethical and responsible remuneration	The Remco will identify areas of improvement and implement measures to ensure that employees and executives are remunerated fairly, ethically and responsibly. This includes addressing any anomalies that may be identified within the remuneration structure.
Remuneration of NEDs	The Group may not currently remunerate NEDs, which may lead to difficulty in complying with required corporate governance principles. The Remco will oversee the process to resolve this matter following the outcomes of the upcoming AGM related to the approval of NED fees.
Companies Amendment Bill, 2021	The Remco will consider new legislative requirements and respond appropriately.

In accordance with Principle 8, Recommended Practice 50(f) of King IV, the committee is satisfied that they have fulfilled their responsibilities in accordance with their terms of reference, respective charters and workplans, where applicable, for the reporting period.

The Remco is of the view that the remuneration policy achieved its objectives in 2021. Group profitability and operational efficiency for the South African business were below target. This is reflected in the variable pay outcomes for 2021. Profitability from other African countries exceeded the targets set, resulting in variable pay accruing to participating employees. We look forward to receiving your support on the remuneration policy and implementation report, reflected in Part 2 and Part 3 of this report respectively, at the 2021 AGM, to be held on Friday, 25 February 2022.

Mr. GG Fortuin
Chairman

Wellington
12 November 2021

Part 2: FY2022 remuneration policy

Introduction

Part 2 of this report sets out the forward-looking remuneration policy, which will apply in 2022. No changes were made to the remuneration policy in 2021, other than to the specific STI performance targets for 2022.

 The remuneration policy applied in 2021 is set out in the 2020 remuneration report, which is available at www.quantumfoods.co.za/company-documents.

The implementation of this remuneration policy in 2021 is set out in Part 3 of this report.


Remuneration governance

The Remco is constituted as a committee of the Board and is responsible for the Group's remuneration policy. The Remco consists of three NEDs, all of whom are independent. The Remco is chaired by an independent NED.


The duties and responsibilities of the Remco primarily revolve around the organisation-wide remuneration policy and implementation. The Remco performs the following main functions:

- Maintaining and approving human resource policies
- Monitoring the impact and implementation of applicable labour legislation that does not fall within the scope of the SEC
- Determining the remuneration packages of directors and the executive committee
- Determining performance targets for STIs
- Determining the outcome of STI performance targets
- Determining the number of awards to be made to participants under the SAR Plan
- Determining the outcome of LTI performance conditions
- Ensuring that all remuneration packages are fair, market-related and responsible
- Ensuring that directors' remuneration is accurately, completely and transparently disclosed and reported on
- Establishing the criteria to evaluate the performance of the executive committee and directors
- Evaluating and approving the Group's remuneration philosophy, strategy and policy

A detailed list of the Remco's duties and responsibilities is set out in its committee charter. These should be read together with the remuneration policy.

 The committee charter and remuneration policy are available online at www.quantumfoods.co.za/company-documents.

At a minimum, the Remco meets twice every financial year. Selected individuals may attend these meetings by invitation from the Remco but recuse themselves when decisions on their own remuneration are taken.

 The membership and meeting attendance records of the Remco are disclosed in the corporate governance report on page 64.

Remuneration philosophy incorporating fair and responsible remuneration

Quantum Foods' remuneration framework supports the delivery of the Company's business strategy. The Remco's remuneration approach combines talent development, career growth opportunities, recognition of performance, and a corporate culture driven by performance and value creation. The remuneration philosophy is determined on an organisation-wide basis.

Quantum Foods aims to ensure that its remuneration policy (as part of its employee value proposition) is competitive enough to make it an employer of choice. Quantum Foods rewards individual, team and business performance and encourages superior performance across the Group.

Fair, ethical and responsible remuneration

The Remco observes the principle of remuneration that is fair, ethical and responsible. The Remco continually examines innovative methods to ensure that remuneration paid to executive directors is in line with the market and that it is justifiable in the context of overall employee remuneration.

In line with the provisions of the Employment Equity Act, No. 55 of 1998, as amended ("Employment Equity Act"), the Remco oversees the results of the Company's TASK and ExecEval grading system. This system enables the Remco to evaluate whether an employee's remuneration is in line with his or her peers within the same job category to identify and correct any unjustifiable differentials. This supports the principle of equal pay for work of equal value espoused in the Employment Equity Act.

Quantum Foods has a human resources strategy that supports career progression and the development of upcoming talent. Through its talent development programme (in partnership with certain institutions of higher education), students studying for qualifications in animal production participate in the Group's internship programme. The bursary programme supports students studying towards tertiary qualifications in the areas of agriculture and science. The apprenticeship programme has the training of artisans as a specific area of focus. Preference is given to students who will enhance the Group's transformation profile.

Remuneration framework

The remuneration framework consists of total guaranteed package ("TGP") benefits and, depending on an employee's job category and seniority, variable remuneration. Profitability and efficient business processes are the key Group performance indicators for reward. Individual performance indicators are determined according to the key measurable areas which contribute to overall Group performance and strategy execution.

The different components of remuneration, their link to Quantum Foods' business strategy and their positive outcomes in the economic, social and environmental context within which the Group operates, are summarised in the table below:

Component	Policy and link to business strategy
TGP (fixed: applicable to all sectoral and non-sectoral employees)	Aimed at attracting and retaining talent and ensuring competitiveness. Quantum Foods participates in a reputable South African salary survey and benchmarks total remuneration packages against the market value applicable to various job categories every second year. TGP is generally referenced to the job family market median. The survey and benchmark used is the REMChannel® Survey. The Remco is satisfied that this survey and benchmark is appropriate in the context of Quantum Foods and its business. Internal salary positioning is based on factors that include work experience, competence, performance, internal historical factors and market influences. Collective bargaining agreements for unionised employees are negotiated annually. The average salary for each job category is reviewed annually, bearing in mind the Company's affordability constraints. Surveys and benchmarks used in determining executive directors' remuneration include PwC's executive directors' remuneration practices and trends report, which it publishes on its website during June/July of each year, as well as analyses of remuneration paid by comparator companies. The Remco is satisfied that the use of these surveys and benchmarks is appropriate in the context of Quantum Foods and its business.
Social – ensuring the necessary skills for a performance culture.	
Benefits (fixed: applicable to all employees)	Benefits form part of TGP and include medical aid, retirement fund contributions, disability and life insurance, travel allowances, as well as additional benefits such as cellphone allowances. Contributions are made according to statutory requirements and fund-specific rules. Employees receive a long-service bonus equal to one month's TGP for every completed 10 years of service. Employees receive a 13th cheque as part of their TGP. They can either elect to receive the 13th cheque on a once-off basis in December of every year, or have it paid to them in equal instalments over a 12-month period.
Social – allowing employees the flexibility of structuring benefits according to individual requirements.	

Component	Policy and link to business strategy																				
STIs (variable: applicable to senior management)	The STI constitutes a performance bonus. This bonus is designed to motivate and reward senior management for their contribution to the achievement of targets related to main business drivers, ultimately increasing shareholder value.																				
Economic – drives sound operational efficiency that assist the Group’s ability to recover rising input costs and improved returns on the asset base. This enables the creation of shareholder value.	<p>Performance conditions:</p> <ul style="list-style-type: none">• HEBTPS target – the calculation for the achievement of the target is based on an audited and agreed comparative base for the previous financial year. HEBTPS has a 50% weight. The HEBTPS measure has been retained for FY2022.• Growth in EP – the growth calculation is based on the weighted average cost of capital over a rolling three-year period, applied to the average net asset base of the Group. EP has a 25% weight. The EP measure has been retained for the 2022 year.• Operational efficiency – the efficiency calculation is based on targets set for the percentage of second-grade eggs sold at egg packing stations, the percentage of day-old chicks produced per broiler-type breeder hen placed at the start of the laying cycle, layer-type hen production efficiency, and operating cost management. Each of the four operational efficiency measures contribute one quarter to the overall operational efficiency performance measure. The operational efficiency measures have been amended for FY2022 as follows:<ul style="list-style-type: none">– The measurement target for broiler-type breeder efficiency has been amended– The measurement target for operating cost management has been amended <p>Details are set out in the STI section below and are also available in annexure 5 of the Notice to the February 2022 AGM.</p> <ul style="list-style-type: none">• Separate targets for HEBTPS and operational efficiency are set for STI participants employed in the Group’s other African countries to align the earnings achieved in each region. Growth in EP is also measured by country. Executive management determines the HEBTPS, EP and operational efficiency targets for the operations in Mozambique, Uganda and Zambia. <p>The table below provides more detail on the measurement of STI across the Group:</p> <table><tr><th></th><th>HEBTPS</th><th>EP</th><th>Operational efficiency</th></tr><tr><td>CEO, CFO and executives</td><td>Group target</td><td>Group target</td><td>RSA target</td></tr><tr><td>Other RSA participants</td><td>Group target</td><td>Group target</td><td>RSA target</td></tr><tr><td>African country manager</td><td>Group target</td><td>Group target</td><td>Country target</td></tr><tr><td>Other African participants</td><td>Country target</td><td>Country target</td><td>Country target</td></tr></table>		HEBTPS	EP	Operational efficiency	CEO, CFO and executives	Group target	Group target	RSA target	Other RSA participants	Group target	Group target	RSA target	African country manager	Group target	Group target	Country target	Other African participants	Country target	Country target	Country target
	HEBTPS	EP	Operational efficiency																		
CEO, CFO and executives	Group target	Group target	RSA target																		
Other RSA participants	Group target	Group target	RSA target																		
African country manager	Group target	Group target	Country target																		
Other African participants	Country target	Country target	Country target																		

Component	Policy and link to business strategy
LTIs (variable: applicable to the executive committee and a small percentage of senior management)	The LTI consists of an Equity-Settled SAR Plan designed to attract and retain talent over the long term, as well as align the interests of employees with that of shareholders. Participation in the LTI is restricted to the CEO, CFO, executive committee and a small percentage of the Group's senior management. 50% of the SAR award is subject to performance conditions set out below. The remaining 50% is subject to continued employment. SARs vest in equal tranches over a three-, four- and five-year period. As the SAR Plan includes an inherent hurdle based on share price growth, no value will accrue to participants regardless of the performance or continued employment conditions being met, should the share price not grow over a three to five-year period from the grant date.
Economic – drives share price growth and by extension, the creation of shareholder value	<p>Performance condition measured over three-, four- and five-year performance periods respectively:</p> <ul style="list-style-type: none"> Growth in Group HEPS – the hurdle for any vesting is compound average growth ("CAGR") in HEPS of higher than CPI plus 1% growth with full (100%) vesting at CPI plus 5% growth <p>The Board has the discretion to increase the baseline HEPS for an allocation to ensure that the target for the vesting of this component is fair and reasonable to both shareholders and participants.</p>

Pay mix

The pay mix for senior executives comprises a combination of TGP and variable pay. A sufficient portion of the pay mix is "at risk" to incentivise executives to meet financial performance targets and realise the Company's business strategy. The STI portion drives the achievement of share price growth in the short term, while the LTI portion incentivises long-term share price growth and alignment with shareholders. At lower levels, the on-target pay mix is weighted towards TGP.

TGP

The TGP and benefits offered by Quantum Foods are summarised in the aforementioned remuneration framework. Several employees fall within collective bargaining units. Therefore, their remuneration is determined outside of the remuneration policy and is subject to the applicable collective bargaining agreement. All South African employees participate in a retirement scheme and a voluntary medical aid scheme.

Annual reviews and TGP increases

Annual reviews of TGP consider inflation, current market conditions, an employee's financial and non-financial individual performance against pre-set goals, as well as the performance of the Group. Increases are limited to an approved budget, and executive increases are considered within the context of average increases for employees throughout the Group. Employees whose individual performance falls below an acceptable standard will not be eligible for an increase. This is determined through the Company's performance management process.

STIs

Based on business and individual performance, executives and selected senior managers may participate in the STI. A maximum bonus pool is calculated annually to govern the total amount of the STIs that can become payable to participants. The maximum bonus pool is calculated based on the participant's cost to company, as well as the maximum earning potential depending on the participant's level. The actual bonus pool for the HEBTPS and EP components is self-funding, meaning that the achievement of targets is calculated after taking the actual bonus pool expense into account. However, the portion of the actual bonus pool that is dependent on the achievement of operational efficiency targets is not dependent on the achievement of HEBTPS or EP targets and is determined separately.

Earnings potential for STI

The table below sets out the earning potential (as a % of TGP) of participants:

Position	Maximum earnings potential for STI (as a % of TGP)*
CEO	100%
CFO and executives	75%
Senior management	15% or 35%

* The percentage of TGP that will be earned as STI should stretch performance be achieved for all three elements in the table on the previous page. Linear vesting from 0% applies for partial achievement of performance measures.

Senior management with significant responsibility have a maximum STI earning potential of 35% of TGP, and selected other senior management have a maximum STI earning potential of 15% of TGP should stretch performance targets be achieved.

2022 STI performance measures

The Remco has reviewed the performance measures and will apply the following measures for the achievement of financial and operational targets for the STI for 2022. The STI is based on three performance measures that are applicable to all eligible employees, as set out in the table below:

Performance measure	Weighting	On-target performance	Stretch performance
Achievement of the Group's HEBTPS target	50%	86.7* cents per share	99.4* cents per share
Growth in the Group's EP	25%	25% of the three-year rolling average improvement in EP is included in the bonus pool.	
Achievement of operational efficiency targets	25%	Based on breed standards for day-old broiler chick production, as well as targets for the percentage of second-grade eggs sold at the egg packing stations, layer-type hen production efficiency and operating cost management. See further details in the operational targets section below.	

* Targets for 2022. At performance of HEBTPS of 86.7 cents per share or lower, the bonus will be 0%. At performance of HEBTPS of 99.4 cents or higher, the bonus will be 100% with pro rata vesting for HEBTPS of between 86.7 cents and 99.4 cents. The measurement of HEBTPS is impacted by the actual weighted average number of shares (excluding treasury shares held) in issue.

An employee's individual performance score, which is measured in line with their individual performance contract, must be at least satisfactory to participate in any STI pay-out. Individual performance targets are determined and evaluated by the employee's manager on a six-monthly basis. These targets are the basis of the performance contract of a specific employee. A percentage achievement of at least 65% is required for a satisfactory performance score and participation in any STI pay-out. These performance conditions are considered to be sufficiently stretching and appropriate to Quantum Foods' business model.

The hurdle rates for HEBTPS, the percentage of growth in EP included in the bonus pool, and operational efficiency targets are determined annually by the Remco to establish minimum and maximum potential bonus pay-outs.

HEBTPS and EP targets

To determine the HEBTPS target for 2022, the Remco considered the factors set out in Part 1 of this report on page 74, which resulted in lower earnings in 2021, and the continued impact of feed raw material costs which are expected to remain high due to factors impacting global supply and demand. In particular, earnings from the egg business are expected to be impacted by the forecasted high cost of feed. Based on the Group's historical performance, the Remco considers the HEBTPS target set for 2022 to be sufficiently stretching.

The percentage of 25% of the growth in the Group's EP included in the bonus pool for 2021 will remain the same for 2022.

Operational targets

The 2021 targets were for broiler breeder, layer farming and egg packing station efficiencies as well as operating cost management. Targets were set for:

- **Broiler breeder efficiency**, which was measured as the number of day-old chicks produced per breeder hen placed at the start of the cycle.
- **Layer farming efficiency**, which was aligned with the internationally recognised performance efficiency factor ("PEF") calculation used to measure the production efficiency of broiler-type birds. The measurement incorporates the actual number of eggs produced per hen housed at the start of the laying cycle, the feed-conversion ratio achieved during the laying cycle and the liveability achieved during the laying cycle. These three factors are included in a calculation and expressed as a target for the layer productivity index.
- **Egg packing station efficiencies**, which is measured based on the percentage of second-grade eggs sold.
- **Operating cost management**, which was measured based on weighted average increase per unit produced by the Group's different South African operations.

For 2022, the measurements for broiler breeder efficiencies and operating cost management were amended, while the measurements for layer farming and egg packing station efficiencies were retained. The 2021 weighting of one quarter each was retained for 2022.

In setting the 2022 target for broiler breeder efficiency, the Remco considered an expected change in the composition of broiler breeder stock during 2022 and the immediate financial benefit of improved hatchability. Broiler breeder efficiency will be measured as the number of day-old chicks hatched per one hundred eggs set ("hatchability percentage") in the hatcheries.

In setting the 2022 target for operating cost management, the Remco considered the impact of an expected increase in volumes of key product categories on a weighted average increase per unit measurement. The 2022 target for operating cost management is based on actual operating cost in comparison to the approved operating cost budget.

Targets are commercially sensitive and therefore not disclosed. The Remco considers the targets to be sufficiently stretching to ensure that, if achieved, they would optimise Group profitability.

The 2022 weighting of the operational targets will be:

Target	Weighting
Layer farming efficiency	25%
Egg packing station efficiency	25%
Broiler breeder efficiency	25%
Operating cost management	25%

The Remco considers these measurements as the most important in each of the businesses to increase earnings and realise the Company's business strategy.

Remco discretion

The Remco has the discretion to review STI payments in the interest of all stakeholders. This decision may be guided by contextual realities that may have impacted the performance of the Group in the year under review and will be justifiably applied in exceptional circumstances.

Malus and clawback

STI payments will either be forfeited or the after-tax benefit will be clawed back should STI payments have been made for a period of 24 months after a trigger event.

A trigger event, at the absolute discretion of the Remco, means any event to which the participant contributed and that resulted in:

- A wilful material misstatement of the financial results of the Company and/or any subsidiary
- A material failure in the risk management of the Company and/or any subsidiary
- Fraudulent or dishonest conduct

LTIs

Selected employees, including executives, are given the opportunity to participate in the SAR Plan at the sole discretion of the Board.

SAR

Shareholders approved the rules of the SAR Plan in compliance with the JSE Listings Requirements. In terms of the SAR Plan, selected senior employees are granted the opportunity to receive shares in the Company. The value of their awards is based on the future increase in the value from the strike price at the award date to the share price at the exercise date. Special dividends declared between the award date and vesting date are added to the share price at the exercise date to determine the value of an award. The SAR Plan is intended to promote the continued financial growth of the Group. The Remco determines the allocation to qualifying employees on an annual basis.

No changes to the SAR Plan will be proposed at the February 2022 AGM.

LTI allocation methodology

The SAR allocation levels are set out below:

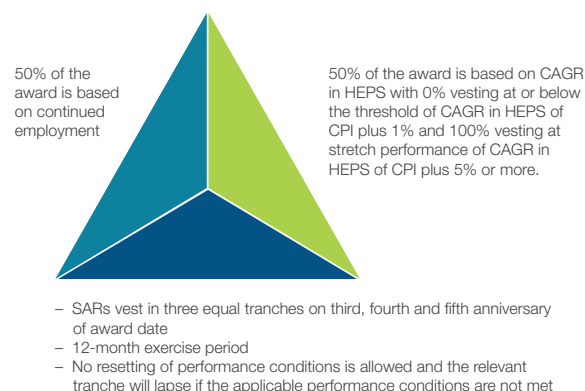
Position	SAR allocation level (as a multiple of TGP)
CEO	7
CFO and other executives	3
Senior management	1

Multiples of annual TGP are used to determine the annual allocation of SARs to qualifying employees. Employees are "topped up" each year to ensure that their unvested SARs are equal in face value to the multiple. In determining annual top-up allocations, only unvested past allocations and their face value when allocated are included in the calculation. Top-up awards are made annually.

Vesting profile, performance period and conditions for vesting

The SARs vest in three equal tranches over three, four and five years, respectively, from the date of awarding the SARs. Similarly, the performance conditions for each tranche are measured over three, four and five year performance periods, which are aligned to the respective financial years.

The performance conditions for the 2022 grant of SARs are illustrated below:



For more detail regarding the calculation of the SAR allocation levels, please refer to the SAR Plan Rules, which are accessible at www.quantumfoods.co.za/company-documents.

Settlement

Quantum Foods may settle SAR awards on the exercise date by issuing additional shares or purchasing shares in the market for transfer to qualifying employees.

Dilution limit

The total number of ordinary shares that may be transferred to qualifying employees under the SAR Plan is limited to 14.5 million shares, which amounts to 7.25% of Quantum Foods' issued share capital as at 30 September 2021. The individual employee limit is 4.5 million shares, which amounts to 2.25% of the Company's issued share capital.

Early termination

For fault leavers as defined in the SAR Plan, vested but unexercised SARs may be exercised within 30 days of termination of employment. All SARs (vested and unvested) will lapse thereafter. For no-fault leavers as defined in the SAR Plan, the participant will be entitled to the same rights and subject to the same conditions as they would have been if they remained employed by the Company.

Malus and clawback

LTI benefits will either be forfeited or the after-tax benefit clawed back should shares have been transferred to participants for a period of 24 months after a trigger event. A trigger event, at the absolute discretion of the Remco, means any event to which the participant contributed, and that resulted in:

- A wilful material misstatement of the financial results of the Company and/or any subsidiary
- A material failure in the risk management of the Company and/or any subsidiary
- Fraudulent or dishonest conduct

Executive directors' service agreements

Executive directors' service agreements are prepared with input from the Remco. These service agreements are similar to employment agreements for most other employees, apart from having a longer notice period of three months versus one month for most other employees. The three-month period applies to executive directors (including the CEO), as well as all senior managers. Executive directors' service agreements do not contain restraint of trade provisions – this includes the service agreement for the CEO. Sign-on awards will only be made in exceptional circumstances to attract extraordinary talent. No such awards have been made to date. Executive contracts do not contain provisions that require the Remco to make severance or balloon payments on termination of employment. Executives may serve on the boards of other companies as NEDs with the approval of the CEO. This approval will only be given in limited instances that will not impact the execution of executive responsibilities.

Non-executive directors' fees

The Company's policy is that NEDs are paid a quarterly retainer fee. Fees are paid for being a Board member and for each committee on which the Board member serves. The fee reflects the NED's assigned responsibilities. The fee is evaluated annually, and every two years movements are informed using PwC's NEDs' fees practices and trends report, which they publish on their website during January of each year. The Remco is satisfied that the use of this report is appropriate in the context of Quantum Foods and its business. NEDs are paid an all-inclusive retainer fee and are not paid per meeting. NEDs do not receive supplementary fees for an increased workload or *ad hoc* meeting attendance; however, NEDs are reimbursed for any related disbursements.

The table below sets out the fees approved by shareholders at the February 2020 AGM and paid for services from 1 April 2020 until 31 March 2021. The

special resolution to remunerate NEDs from 1 April 2021 was not passed at the February 2021 AGM. This resulted in the Company not being authorised to pay any fees to its NEDs. The Company intends to propose at a future shareholders' meeting, that the proposed fees to be paid to NEDs include remuneration for services provided to the Company by such NEDs from 1 April 2021 to 31 March 2022, as set out in the table below.

	Fees from 1 April 2022 Rand (exclusive of VAT)	Fees from 1 April 2021 until 31 March 2022 Rand (exclusive of VAT)	Fees from 1 April 2020 until 31 March 2021 Rand (exclusive of VAT)
Chairman of the Board	393 000	374 260	359 000
Lead independent director	337 200	321 100	308 000
Board member (other than the chairman of the Board or the lead independent director)	279 500	266 150	255 300
Committee chairman ARC	96 330	64 220	61 600
Committee chairman (other than the ARC)	67 430	64 220	61 600
Committee member ARC	87 350	59 420	57 000
Committee member (other than the ARC)	62 390	59 420	57 000

The fees proposed for the chairman and members of the ARC have been adjusted from 1 April 2022 to reflect the workplan and workload of this committee.

Shareholder engagement methods

In line with King IV and the JSE Listings Requirements, the remuneration policy and implementation report will be placed before shareholders for two separate non-binding advisory votes. In the event that 25% or more of shareholders vote against either of or both the remuneration policy and implementation report, the Remco will initiate communication with shareholders *via* a SENS announcement following the AGM. This communication will aim to determine and address shareholders' concerns, including the manner and timing of the engagement.

Considering feedback from shareholders, the Remco reserves the right to modify aspects of the remuneration framework in line with best practice and shareholders' interests.

Part 3: Implementation of the remuneration policy in 2021

TGP

The Remco approved a salary increase mandate of 4.25% (2020: 5%) of total cost to company for non-sectoral employees and executives, and a 4.25% (2020: 5%) basic pay increase for sectoral employees.

STI outcomes

For the reasons set out in Part 1 of this remuneration report, none of the threshold targets set for STI participants measured on Group and South African performance were achieved in 2021 and therefore R Nil of the STI bonus pool cap of R25.4 million accrued to these participants.

For STI participants measured against the Group's other African countries' performance, R0.4 million of the R1.3 million STI bonus pool cap accrued.

No STI payments were reduced or forfeited due to malus or clawed back in 2021.

The Remco did not exercise its discretion to adjust STI outcomes in 2021.

The table below sets out the STI performance outcomes of participants measured on Group targets and South African operational efficiency for 2021:

	Weighting %	Target performance	Stretch performance	Actual performance	Actual achievement (% of measure)	STI outcome (% of STI)
Group HEBTPS	50%	102.4 cents	115.1 cents	74.1 cents	Nil	Nil
Group EP	25%			Three year rolling average declined by R87.8 million	Nil	Nil
SA operational efficiency	25%			See below	Nil	Nil
Total	100%	0%	100%		Nil	Nil

The table below sets out further details on the achievement of operational efficiency targets:

Performance measures	Weighting	Actual achievement (%)
Chicks per hen housed – broiler breeders	1/4	Nil
Layer hen productivity	1/4	Nil
Egg packing station efficiency	1/4	Nil
Operating cost management	1/4	Nil
Weighted average achievement	100%	Nil

Different targets are set for each of the other African countries and the table below provides a summary of the STI outcome of 2021. Improved financial performance by the Zambian business, in particular, is reflected in the STI outcomes below.

Performance measures	Weighting (%)	Actual achievement (%)	STI outcome %*
HEBTPS	50	48	16
EP	25	48	8
Operational efficiency	25	17	9
Total	100		32

* STI outcome % calculation include the effect of Africa country managers measured on other African countries' performance for Operational efficiency but Group performance for HEBTPs and EP and other Africa participants measured on other African countries' performance for Operational efficiency, HEBTPS and EP.

The table below sets out the STIs of executive directors in 2021, based on the achievement of performance targets:

Participant	Maximum STI earning potential (as a % of TGP)*	Achievement of performance conditions %	Actual STI (as % of TGP)	2021 STI amount included in single figure table R'000
HA Lourens	100	Nil	Nil	Nil
AH Muller	75	Nil	Nil	Nil

LTI outcomes

The first tranche of SARs granted in 2019, the second tranche of SARs granted in 2018 and the third tranche of SARs granted in 2017 will vest in 2022. The tables below set out the achievement of the performance conditions for the SAR awards that will vest in 2022.

No LTI benefits were reduced or forfeited due to malus or clawed back in 2021.

2019 grant	Threshold	Stretch	Actual
Performance measure = Compound annual growth in adjusted HEPS	CPI plus 1% growth	CPI plus 5% growth	Decrease in HEPS
2019 SAR allocation*	189.9 cents	212.4 cents	52.2 cents**
Vesting (%)	0	100	0
Vesting date	11 February 2022		
Performance period	1 October 2018 to 30 September 2021		
Employment period	11 February 2019 to 11 February 2022		

* 2019 adjusted HEPS was 163.90 cents per share and is equal to the actual 2018 HEPS.

** 2021 HEPS.

2018 grant	Threshold	Stretch	Actual
Performance measure = Compound annual growth in adjusted HEPS	CPI plus 1% growth	CPI plus 5% growth	Growth lower than CPI
2018 SAR allocation*	60.1 cents	69.8 cents	52.2 cents**
Vesting (%)	0	100	0
Vesting date	22 February 2022		
Performance period	1 October 2017 to 30 September 2021		
Employment period	22 February 2018 to 22 February 2022		

* 2018 adjusted HEPS was 49.0 cents per share and is equal to the actual 2017 HEPS.

** 2021 HEPS.

2017 grant	Threshold	Stretch	Actual
Performance measure = Compound annual growth in adjusted HEPS	CPI plus 1% growth	CPI plus 5% growth	CPI plus 8.7% growth
2017 SAR allocation*	36.8 cents	44.3 cents	52.2 cents**
Vesting (%)	0	100	100
Vesting date	23 February 2022		
Performance period	1 October 2016 to 30 September 2021		
Employment period	23 February 2017 to 23 February 2022		

* 2017 adjusted HEPS was 28.2 cents per share and is equal to the actual 2016 HEPS.

** 2021 HEPS.

LTI's granted during 2021

During the year under review, 3 648 270 SARs, at a strike price of R6.085 per share, were granted. The baseline HEPS of 80.5 cents per share for the 2021 allocation is the actual HEPS recorded for 2020. The Board did not increase the baseline HEPS for the 2021 allocation. Therefore, 0% vesting for the performance component of the 2021 allocation will result at CAGR in HEPS of CPI plus 1% or lower from the baseline of 80.5 cents per share and the total 100% vesting for the performance component of the 2021 allocation will be realisable at CAGR in HEPS of CPI plus 5% from the baseline of 80.5 cents per share.

Unvested LTIs

The table below discloses the number of each executive director's LTIs as at 30 September 2021, whether allocated, settled, or forfeited, as well as the value of SARs exercised during the year and an indicative value of SARs not yet settled. LTIs forfeited due to performance conditions not achieved for the performance period that ended 30 September 2021 are included in the table as forfeited. The indicative value of the closing number of SARs was calculated based on the number of SARs at the Company's volume weighted average share price for the three days ended 30 September 2021, less the grant price of the particular SARs granted. Special dividends of 22 cents per share for 2017, special dividends of 49 cents per share for 2018 and special dividends of 10 cents per share for 2019 are added to the volume weighted average share price, in accordance with the rules of the SAR Plan, in the calculation of the indicative value.

2021

2021	Cash value of instruments on exercise R'000										
Date awarded	Note	Opening number	Granted during the year	Grant/ strike price Cents	For- feited during the year*	Vested during the year	Number exer- cised during the year	Exer- cise Price	Closing number	Indica- tive value R'000	
HA Lourens											
2016/02/18	1	211 416	-	266	34 884	176 532	176 532	684	738	-	-
2017/02/23	2	1 520 524	-	309	-	760 262	760 262	684	2 851	760 262	2 370
2018/02/22	3	2 267 972	-	391	377 995	755 990	755 990	662	2 054	1 133 987	2 363
2019/02/11	4	1 912 728	-	425	318 788	-	-	-	-	1 593 940	2 000
2020/02/17	5	1 404 498	-	357	-	-	-	-	-	1 404 498	2 577
2021/02/15	6	-	1 168 730	609	-	-	-	-	-	1 168 730	-
									5 643		
AH Muller											
2016/02/18	1	62 634	-	266	10 335	52 299	52 299	684	219	-	-
2017/02/23	2	340 492	-	309	-	170 244	170 244	684	638	170 248	531
2018/02/22	3	656 978	-	391	109 496	218 992	218 992	662	595	328 490	685
2019/02/11	4	497 266	-	425	82 877	-	-	-	-	414 389	520
2020/02/17	5	433 542	-	357	-	-	-	-	-	433 542	796
2021/02/15	6	-	307 084	609	-	-	-	-	-	307 084	-
									1 452		

* - Include SAR's for which performance conditions were not achieved

Note 1: Vested in three equal tranches on 18/02/2019, 18/02/2020 and 18/02/2021. Awards must be exercised within 12 months of vesting.

Note 2: Vesting in three equal tranches on 23/02/2020, 23/02/2021 and 23/02/2022. Awards must be exercised within 12 months of vesting.

Note 3: Vesting in three equal tranches on 22/02/2021, 22/02/2022 and 22/02/2023. Awards must be exercised within 12 months of vesting.

Note 4: Vesting in three equal tranches on 11/02/2022, 11/02/2023 and 11/02/2024. Awards must be exercised within 12 months of vesting.

Note 5: Vesting in three equal tranches on 17/02/2023, 17/02/2024 and 17/02/2025. Awards must be exercised within 12 months of vesting.

Note 6: Vesting in three equal tranches on 15/02/2024, 15/02/2025 and 15/02/2026. Awards must be exercised within 12 months of vesting.

Reconciliation of LTI

The table below details the number of shares transferred to participants to settle the LTI and the remaining number of shares available for transfer to participants:

Total number of shares that may be transferred to settle the LTI	14 500 000
Number of shares transferred in 2018	(212 396)
Number of shares transferred in 2019	(1 309 899)
Number of shares transferred in 2020	(2 643 138)
Number of shares transferred in 2021	(3 284 063)
Remaining number of shares that may be transferred to settle the LTI	7 050 504

Remuneration outcomes for 2021

The table below sets out the single figure remuneration (i.e., TGP (basic salary and benefits), STI and LTI) received by executive directors and prescribed officers in 2021 and 2020, respectively:

30 September 2021	Basic salary R'000	Benefits R'000	STI R'000	LTI R'000	Directors' fees R'000	Total R'000
HA Lourens	3 570	449	-	5 643	-	9 662
AH Muller	2 228	334	-	1 452	-	4 014
Total	5 798	783	-	7 095	-	13 676

30 September 2020	Basic salary R'000	Benefits R'000	STI R'000	LTI R'000	Directors' fees R'000	Total R'000
HA Lourens	3 418	432	2 910	1 538	-	8 298
AH Muller	2 130	323	1 390	822	-	4 665
Total	5 548	755	4 300	2 360	-	12 963

NED fees

The table below sets out the fees paid to NEDs:

Name	2021* R'000	2020 R'000
WA Hanekom	237	457
N Celliers	Nil	223
Prof. ASM Karaan	107	361
PE Burton	Nil	365
GG Fortuin	189	301
T Golden	156	246
LW Riddle	185	Nil
G Vaughan-Smith	Nil	Nil

* This relates to the fees paid to the NEDs up to 31 March 2021 pursuant to the special resolution passed by shareholders at the 2020 AGM, in accordance with section 66(9) of the Companies Act.

Mr. N Celliers resigned on 19 June 2020, Mr. PE Burton resigned on 17 August 2020 and Mr. LW Riddle was appointed on 28 September 2020. Prof. ASM Karaan sadly passed away on 13 January 2021 and Mr. G Vaughan-Smith was appointed on 19 February 2021.

Approval

The Remco is satisfied that there were no material deviations from the remuneration policy during 2021. This remuneration report was approved by the Remco on 12 November 2021.

Summary consolidated financial statements

Directors' responsibility

In accordance with the requirements of the Companies Act, the Board is responsible for the preparation of the summary consolidated financial statements of Quantum Foods. The audited financial statements of the Group for the year ended 30 September 2021, from which these summary consolidated financial statements have been derived, were prepared in accordance with IFRS and comply with the requirements of the Companies Act and the JSE Listings Requirements.

It is the responsibility of the independent external auditors to report on the fair presentation of the financial statements.

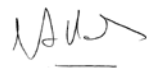
The Board is ultimately responsible for the internal control processes of the Group. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of financial records and of the financial statements and to adequately safeguard, verify and maintain accountability for the Group's assets. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties.

Based on the information and assurances given by management and the internal auditors, the Board is of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the financial statements and maintaining accountability for the Group's assets and liabilities.

The directors confirm that the Company is in compliance with the provisions of the Companies Act, specifically relating to its incorporation and operates in compliance with its memorandum of incorporation.

Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss, has occurred during the financial year and up to the date of this report. The Board has a reasonable expectation, which includes the evaluation and expected impact of the COVID-19 pandemic on the Group, that the Group has adequate resources to continue in operational existence for the foreseeable future and continue adopting the going concern basis in preparing the financial statements.

The summary consolidated financial statements of the Group were approved by the Board on 24 November 2021 and are signed on its behalf by:



WA Hanekom
Chairman



HA Lourens
Chief Executive Officer

Company secretary certificate

In accordance with section 88 of the Companies Act, for the year ended 30 September 2021, it is hereby certified that the Company and its subsidiaries have lodged with the Companies and Intellectual Property Commission all such returns that are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.



MO Gibbons
Company Secretary

Audit and risk committee report

The audit and risk committee ("the committee") is constituted in terms of a charter which outlines the statutory duties in terms of the relevant provisions of the Companies Act, the JSE Listings Requirements and responsibilities highlighted in King IV.

Audit and risk committee charter

The committee is guided by formal terms of reference. An annual work plan serves as a guideline for the committee in the execution of its mandate. Both the charter and work plan are reviewed annually and amended as necessary.

The committee's role and responsibilities outlined in the charter include both the statutory duties and responsibilities as required by the relevant provisions of the Companies Act, JSE Listings Requirements as well as those highlighted in King IV.

In accordance with Principle 8, Recommended Practice 50(f) of King IV, the committee is satisfied that they have fulfilled their responsibilities in accordance with their terms of reference, respective charters and workplans, where applicable, for the reporting period, as further set out below.

Members of the audit and risk committee

As at 30 September 2021, the committee comprised three independent NEDs namely, Mr. GG Fortuin, Mr. LW Riddle and Ms. T Golden.

These members will retire and avail themselves for election or re-election at the eighth AGM of the Company in terms of section 94(2) of the Companies Act. All members are required to act objectively and independently, as described in the Companies Act and in King IV.

The chairman of the Board, chief executive officer and the chief financial officer are permanent invitees to the committee meetings. In addition, relevant senior managers are invited to attend meetings from time to time. The company secretary is the statutory secretary of the committee. The internal and external auditors attend the relevant meetings of the committee.

Meetings

The committee held three meetings during the year. Attendance of the meetings are shown on page 64 of this integrated report. The internal and external auditors attended the committee meetings in their capacity as assurance providers.

Functions and responsibilities of the committee

During the period under review, the committee was able to discharge the following functions outlined in its charter and ascribed to it in terms of the Companies Act, JSE Listings Requirements and King IV:

- Reviewed the interim, provisional and summary results as well as the year-end financial statements, culminating in a recommendation to the Board for approval. In the course of its review, the committee:
 - Reviewed the adequacy and effectiveness of the financial reporting process and the systems of internal control.
 - Ensured that appropriate financial reporting procedures exist and that those procedures are operating, which included consideration of all entities included in the consolidated annual financial statements, to ensure that it had access to all the financial information of the Company to allow the Company to effectively prepare and report on the financial statements of the Group.
 - Considered and, when appropriate, made recommendations on internal financial controls.
 - Took the necessary steps to ensure that the financial statements are prepared in accordance with IFRS and the requirements of the Companies Act.
 - Ensured that a process is in place to be informed of any reportable irregularities (as per the Auditing Professions Act, No. 26 of 2005) identified and reported by the external auditor; and relating to the accounting practices and internal audit of the Group, the content of the financial statements, the internal financial controls of the Group or any related matter during the financial year. No such material concerns and/or complaints were raised during the financial year.
 - Considered the solvency and liquidity requirement of the Companies Act in recommending proposed dividends to the Board.
- Reviewed the external audit reports on the consolidated annual financial statements.
- Reviewed the reports issued by the JSE on the proactive monitoring of financial statements.
- Oversaw the integrated reporting process. The committee considered the Group's information pertaining to its non-financial performance as disclosed in the integrated report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements.

- Reviewed and confirmed that the non-audit services provided by the external auditors were in accordance with the policy. Any permissible non-audit services to be performed above R500 000 must be approved by the committee.
- Reviewed and confirmed the suitability and independence of PwC as audit firm and Mr. RJ Jacobs as the designated auditor of the Group as contemplated in paragraph 3.84(g)(iii) read with paragraph 22.15(h) of the JSE Listings Requirements.
- Recommended the re-appointment of PwC as the external auditor and Mr. RJ Jacobs as the designated auditor, after satisfying itself through enquiry that PwC is independent as defined in section 94(8) of the Companies Act. 2022 will be Mr. RJ Jacobs' fourth year as designated auditor of the Company. The re-appointment of PwC as the recommended external auditor (with Mr. RJ Jacobs as the designated auditor) will be presented and included as a resolution at the AGM.
- Confirmed that PwC and the designated auditor are accredited by the JSE.
- Approved the external auditors fees and terms of engagement.
- Approved the agreement with the external auditors for the provision of non-audit services.
- Confirmed and approved the internal audit charter and annual risk based internal audit year plan.
- Reviewed the internal audit risk reports and fraud hotline reports.
- Reviewed and approved the risk management policy and plan.
- Reviewed business continuity capability, disaster management plans and insurance cover.
- Provided oversight over the IT governance of the Group.
- Provided oversight over the combined assurance arrangements, including the external and internal auditors and satisfied itself of the effectiveness of the combined assurance model implemented by the Group.
- Reviewed the effectiveness of the internal audit function and the head of internal audit.

The committee is satisfied that sufficient time was dedicated to risk governance and that it discharged its responsibilities as set out in the charter and work plan for the period under review.

The committee is satisfied with the assurance of the internal and external auditors, with the effectiveness of the design and implementation of internal financial controls. No findings have been reported to the ARC to indicate that any material breakdown in internal controls occurred during the past financial year.

Internal audit

The internal audit function is a key element of the combined assurance structure. The Group outsourced its internal audit function to Deloitte and Touche. The committee was satisfied that the internal auditor fulfilled its roles and responsibilities, as outlined in the charter and the assessment of the internal control environment.

Chief financial officer and finance function

The committee considered and satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements with the appropriateness of the expertise and experience of Mr. AH Muller as chief financial officer.

In addition, the committee considered and has satisfied itself with the appropriateness of the expertise and adequacy of resources of the financial function and experience of senior members of management responsible for the financial function.

The committee has ensured that the Group has established appropriate financial reporting procedures and that those procedures are operating satisfactorily. These annual financial statements have been prepared under the supervision of Mr. AH Muller, CA(SA), chief financial officer.

Significant audit matters and quality of external audit

The committee considered and resolved that the key audit matters reported on by the external auditors are the only significant matters required for consideration of the annual financial statements. The committee is satisfied that the key audit matters reported on by the external auditors have been appropriately addressed. The committee was satisfied with the quality of the external audit.

Going concern

The committee has considered and reviewed a documented assessment, including key assumptions, as prepared by management of the going concern status of the Group and has made recommendations to the Board accordingly.

The Board's statement regarding the going concern status of the Group, as supported by the committee, is included in the directors' responsibility report on page 90.

Independent auditor's report on the summary consolidated financial statements

To the shareholders of Quantum Foods Holdings Limited

Opinion

The summary consolidated financial statements of Quantum Foods Holdings Limited, set out on pages 95 to 104 of the Quantum Foods integrated report 2021, which comprise the summary consolidated statement of financial position as at 30 September 2021, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Quantum Foods Holdings Limited for the year ended 30 September 2021.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited's (JSE) requirements for summary financial statements, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 24 November 2021. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: R. Jacobs
Registered Auditor

Stellenbosch, South Africa
24 November 2021

Summary consolidated statement of financial position

as at 30 September 2021

	2021 R'000	2020 R'000
ASSETS		
Non-current assets	1 360 639	1 222 063
Property, plant and equipment	1 243 120	1 140 282
Right-of-use assets	95 108	57 909
Intangible assets	7 098	5 832
Investment in associates	10 310	13 679
Trade and other receivables	4 033	4 035
Deferred income tax	970	326
Current assets	1 423 865	1 422 723
Inventories	383 450	297 872
Biological assets	403 308	354 511
Trade and other receivables	562 933	518 043
Derivative financial instruments	23	-
Current income tax	840	516
Cash and cash equivalents	73 311	251 781
Total assets	2 784 504	2 644 786
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the parent	1 999 802	1 885 642
Share capital	1 465 069	1 465 069
Treasury shares	(8 315)	(19 338)
Other reserves	(65 769)	(85 089)
Retained earnings	608 817	525 000
Total equity	1 999 802	1 885 642
Non-current liabilities	360 101	283 597
Lease liabilities	85 155	53 692
Deferred income tax	266 590	221 475
Provisions for other liabilities and charges	8 356	8 430
Current liabilities	424 601	475 547
Trade and other payables	396 740	444 384
Derivative financial instruments	-	6
Current income tax	2 639	12 989
Lease liabilities	23 860	18 168
Provisions for other liabilities and charges	1 362	-
Total liabilities	784 702	759 144
Total equity and liabilities	2 784 504	2 644 786

Summary consolidated statement of comprehensive income

for the year ended 30 September 2021

	Notes	2021 R'000	Restated* 2020 R'000
Revenue	3	5 401 116	5 095 085
Cost of sales		(4 339 005)	(4 021 182)
Gross profit		1 062 111	1 073 903
Other income		10 201	10 655
Other gains/(losses) – net	4	72 304	92 500
Sales and distribution costs		(263 528)	(263 434)
Marketing costs		(15 065)	(13 941)
Administrative expenses		(143 972)	(132 073)
Net impairment losses on trade and other receivables		(9 050)	-
Other operating expenses		(565 412)	(549 142)
Operating profit		147 589	218 468
Investment income		4 747	6 010
Finance costs		(11 844)	(8 579)
Share of profit/(loss) of associate companies		1 767	(432)
Profit before income tax		142 259	215 467
Income tax expense		(36 464)	(60 568)
Profit for the year		105 795	154 899
Other comprehensive income for the year			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Fair value adjustments to cash flow hedging reserve		7 993	(1 714)
For the year		57 668	41 349
Deferred income tax effect		(6)	1
Current income tax effect		(16 141)	(11 579)
Realised to profit or loss		(46 567)	(43 730)
Deferred income tax effect		(1)	1 427
Current income tax effect		13 040	10 818
Movement on foreign currency translation reserve			
Currency translation differences		8 651	(45 680)
Total comprehensive income for the year		122 439	107 505
Profit for the year attributable to owners of the parent		105 795	154 899
Total comprehensive income for the year attributable to owners of the parent		122 439	107 505
Earnings per ordinary share (cents)	5	53.9	80.1
Diluted earnings per ordinary share (cents)	5	53.0	77.6

* Refer to note 10 for details regarding the restatement of prior period figures.

Summary consolidated statement of changes in equity

for the year ended 30 September 2021

	2021 R'000	2020 R'000
Share capital and treasury shares	1 456 754	1 445 731
Opening balance	1 445 731	1 441 122
Ordinary shares acquired by subsidiary	-	(4 296)
Ordinary shares transferred - share appreciation rights	11 023	8 905
Other reserves	(65 769)	(85 089)
Opening balance	(85 089)	(210 432)
Other comprehensive income for the year	16 644	(47 394)
Common control reserve reclassified to retained earnings	-	167 877
Recognition of share-based payments	11 147	14 746
Ordinary shares transferred - share appreciation rights	(8 471)	(9 886)
Retained earnings	608 817	525 000
Opening balance	525 000	606 722
Adjustment to opening retained earnings - IFRS 16 adoption	-	(9 864)
Profit for the year	105 795	154 899
Dividends paid	(19 426)	(59 861)
Common control reserve reclassified to retained earnings	-	(167 877)
Ordinary shares transferred - share appreciation rights	(2 552)	981
Total equity	1 999 802	1 885 642

Summary consolidated statement of cash flows

for the year ended 30 September 2021

Note	2021 R'000	2020 R'000
CASH FLOW FROM OPERATING ACTIVITIES	24 348	216 311
Cash profit from operating activities	295 297	332 548
Working capital changes	(259 292)	(70 312)
Cash effect of hedging activities	11 076	2 718
Cash generated from operations	47 081	264 954
Income tax paid	(22 733)	(48 643)
CASH FLOW FROM INVESTING ACTIVITIES	(153 272)	(85 413)
Additions to property, plant and equipment	(107 095)	(91 155)
Additions to intangible assets	(1 507)	-
Proceeds on disposal of property, plant and equipment	1 277	411
Interest in associate acquired	(10 251)	-
Business combination	(54 682)	-
Proceeds on disposal of investment in associate	14 239	-
Interest received	4 747	5 331
Cash (deficit)/surplus	(128 924)	130 898
CASH FLOW FROM FINANCING ACTIVITIES	(51 031)	(94 463)
Principal elements of lease payments	(20 941)	(22 441)
Treasury shares acquired by subsidiary	-	(4 296)
Interest paid	(10 698)	(7 909)
Dividends paid to ordinary shareholders	(19 392)	(59 817)
(Decrease)/increase in cash and cash equivalents	(179 955)	36 435
Effects of exchange rate changes	1 485	(4 248)
Cash and cash equivalents at beginning of year	251 781	219 594
Cash and cash equivalents at end of year	73 311	251 781

Notes to the summary consolidated financial statements

for the year ended 30 September 2021

	Audited Year ended 30 September 2021 R'000	Audited Year ended 30 September 2020 R'000
Segmental analysis		
SEGMENT INFORMATION		
Segment revenue	5 409 490	5 102 999
Eggs	1 228 789	1 229 592
Farming	1 420 004	1 357 957
Animal feeds	2 440 511	2 237 071
Other African countries	320 186	278 379
Less: Internal revenue	(8 374)	(7 914)
Farming	(8 374)	(7 914)
External revenue	5 401 116	5 095 085
Eggs	1 228 789	1 229 592
Farming	1 411 630	1 350 043
Animal feeds	2 440 511	2 237 071
Other African countries	320 186	278 379
Segment results - excluding items of a capital nature	144 298	219 556
Eggs	(5 003)	6 254
Farming	34 275	121 505
Animal feeds	100 916	99 288
Other African countries	30 834	5 899
Head office costs	(16 724)	(13 390)
Items of a capital nature per segment included in other gains/(losses) - net		
(Loss)/profit on disposal of property, plant and equipment before income tax	(674)	(1 088)
Eggs	(13)	(1)
Farming	(778)	(267)
Animal feeds	(106)	(989)
Other African countries	223	169
Profit on disposal of interest in associate before income tax	3 965	-
Head office costs	3 965	-
Segment results	147 589	218 468
Eggs	(5 016)	6 253
Farming	33 497	121 238
Animal feeds	100 810	98 299
Other African countries	31 057	6 068
Head office costs	(12 759)	(13 390)
A reconciliation of the segment results (operating profit) to profit before income tax is provided below:		
Segment results	147 589	218 468
Adjusted for:		
Investment income	4 747	6 010
Finance costs	(11 844)	(8 579)
Share of profit/(loss) of associate companies	1 767	(432)
Profit before income tax per statement of comprehensive income	142 259	215 467

Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2021

1. Basis of preparation

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Ltd for summary financial statements, and the requirements of the Companies Act, applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated annual financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The impact of the COVID-19 pandemic was considered as part of the assessment of assumptions used in accounting estimates and judgements throughout the financial statements. The Group continued to operate at full capacity throughout the COVID-19 lockdown period. The COVID-19 pandemic therefore had a minimal impact on the Group's business and the consolidated annual financial statements.

2. Accounting policies

These summary consolidated financial statements incorporate accounting policies that are consistent with those applied in the Group's consolidated financial statements for the year ended 30 September 2021 and with those of previous financial years, except for the adoption of the following amendments to the published standards that became effective for the current reporting period beginning on 1 October 2020:

- Amendment to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – the definition of material
- Amendment to IFRS 3 – Business Combinations – definition of a business

The adoption of these amendments to the standards did not have any material impact on the Group's results and cash flows for the year ended 30 September 2021 and the financial position at 30 September 2021.

	2021 R'000	2020 R'000
3. Revenue		
Disaggregation of revenue from contracts with customers:		
Revenue		
Eggs	1 435 398	1 431 460
– included in eggs segment	1 228 789	1 229 592
– included in other African countries segment	206 609	201 868
Layer farming*	256 165	266 012
– included in farming segment	219 597	237 671
– included in other African countries segment	36 568	28 341
Broiler farming**	1 225 492	1 134 661
– included in farming segment	1 192 033	1 112 372
– included in other African countries segment	33 459	22 289
Animal feeds	2 484 061	2 262 952
– included in animal feeds segment	2 440 511	2 237 071
– included in other African countries segment	43 550	25 881
	5 401 116	5 095 085
4. Other gains/(losses) – net		
Biological assets fair value adjustment	29 663	70 265
Unrealised – reflected in carrying amount of biological assets	(18 894)	(4 598)
Realised – reflected in cost of goods sold	48 557	74 863
Agricultural produce fair value adjustment	38 195	25 813
Unrealised – reflected in carrying amount of inventory	(26)	248
Realised – reflected in cost of goods sold	38 221	25 565
Foreign exchange differences	(5 370)	(64)
Financial instruments fair value adjustments	(3)	(33)
Foreign exchange contract cash flow hedging ineffective gain/(loss)	6 528	(2 393)
Loss on disposal of property, plant and equipment	(674)	(1 088)
Profit on disposal of interest in associate	3 965	–
	72 304	92 500

* Layer farming sales includes the sale of day-old pullets and point-of-lay hens.

** Broiler farming sales includes the sales of day-old broilers and live birds.



Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2021

	2021 R'000	2020 R'000
5. Earnings per ordinary share		
Basic		
The calculation of basic earnings per share is based on profit for the year attributable to owners of the parent divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the year:		
Profit for the year	105 795	154 899
Weighted average number of ordinary shares in issue ('000)	196 126	193 291
Diluted		
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive contingent ordinary shares. Share appreciation rights issued in terms of the share incentive scheme have a potential dilutive effect on earnings per ordinary share.		
The calculation of diluted earnings per share is based on profit for the year attributable to owners of the parent divided by the diluted weighted average number of ordinary shares (net of treasury shares) in issue during the year:		
Profit for the year	105 795	154 899
Diluted weighted average number of ordinary shares in issue ('000)	199 691	199 653
Headline earnings is calculated in accordance with Circular 1/2021 (2020: Circular 1/2019) issued by the SAICA.		
<i>Reconciliation between profit attributable to owners of the parent and headline earnings</i>		
Profit for the year	105 795	154 899
Remeasurement of items of a capital nature		
Loss on disposal of property, plant and equipment	453	752
Gross	674	1 088
Tax effect	(221)	(336)
Profit on disposal of interest in associate	(3 965)	-
Gross	(3 965)	-
Tax effect	-	-
Headline earnings for the year	102 283	155 651
Earnings per share (cents)	53.9	80.1
Diluted earnings per share (cents)	53.0	77.6
Headline earnings per share (cents)	52.2	80.5
Diluted headline earnings per share (cents)	51.2	78.0

6. Contingent liabilities

No litigation matters with potential material consequences exist as at the reporting date.

7. Future capital commitments

Capital expenditure approved by the Board and contracted for amounts to R12.3 million (2020: R27.0 million). Capital expenditure approved by the Board, but not yet contracted for, amounts to R154.7 million (2020: R135.5 million).

8. Business combination

Helderfontein Broiler Farm

On 31 January 2021, 100% of the issued shares in LP Buhr Boerdery (Pty) Ltd was acquired. LP Buhr Boerdery (Pty) Ltd owns Helderfontein Broiler Farm, a broiler chickens rearing business based in the Western Cape. Helderfontein Broiler Farm has been a contract grower to the Group for the last 25 years.

The acquisition of LP Buhr Boerdery (Pty) Ltd is considered a business combination in terms of IFRS 3 – Business Combinations. The acquisition consists of the assets, employees (and related liabilities) for a total consideration of R54.7 million which does not include any settlement in respect of the pre-existing contract grower agreement. Details of the purchase consideration and the net assets acquired are as follows:

	2021 R'000
<i>Fair value</i>	
Property, plant and equipment	73 124
Inventory	1 390
Trade and other receivables	287
Trade and other payables	(131)
Deferred income tax liabilities	(19 988)
Purchase consideration – settled in cash	54 682

The acquisition ensures an uninterrupted broiler supply chain in the Western Cape, enables the Group to continue to serve its customer base and also provides a basis from which to increase volumes in future.

The acquired business contributed no material revenue and operating profit due to the business previously being a contract grower to the Group. Similarly, if the acquisition had occurred on 1 October 2020, the contribution to revenue and operating profit for the reporting period from the acquired business would not be material.

Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2021

9. Events after the reporting period

Dividend

The Board has resolved not to declare a final dividend for the year ended 30 September 2021 (2020: 10 cents).

The Group considered the impact of the COVID-19 pandemic post 30 September 2021 and concluded that the significant accounting judgements, estimates and assumptions applied in the preparation of these summary consolidated financial statements remain appropriate.

There have been no other events that may have a material effect on the Group that occurred after the end of the reporting period and up to the date of approval of the summary consolidated financial statements by the Board.

10. Restatement

In September 2021 a prior period error was discovered in the classification of expenses. The error resulted in costs directly related to manufactured products being classified as administrative expenses and other operating expenses. The classification error had no impact on the profit for the prior period or on the costing of inventory as these costs were correctly capitalised to inventory. The error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

	2020 Previously reported R'000	(Increase)/ decrease R'000	2020 Restated R'000
Statement of comprehensive income extract			
Cost of sales	(3 945 221)	(75 961)	(4 021 182)
Other operating expenses	(616 566)	67 424	(549 142)
Administrative expenses	(140 610)	8 537	(132 073)
Profit before income tax	215 467	-	215 467

Basic and diluted earnings and headline earnings per share have not been impacted as a result of the restatement. The restatement did not affect any notes in the summary consolidated financial statements.

11. Preparation of financial statements

These summary consolidated financial statements have been prepared under the supervision of AH Muller, CA(SA), chief financial officer.

12. Audit

The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection on the Company's website, <https://quantumfoods.co.za/financial-reports/> or at the Company's registered office.

Corporate information

Quantum Foods Holdings Ltd

Incorporated in the Republic of South Africa
Registration number: 2013/208598/06
Share code: QFH ISIN code: ZAE000193686

Directors

WA Hanekom (chairman)
GG Fortuin (appointed 9 September 2021 as lead independent director)
T Golden
LW Riddle
HA Lourens (chief executive officer)*
AH Muller (chief financial officer)*
G Vaughan-Smith (appointed 19 February 2021)

* Executive

Company secretary

MO Gibbons
Email: Marisha.Gibbons@quantumfoods.co.za

Company details

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Transfer secretaries

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South Africa
Tel: 011 370 5000
Fax: 011 688 5209

Sponsor

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Auditor

PwC

Website address

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