

The background of the cover is a photograph of a vast green field under a dramatic sunset sky with orange and purple hues. A large, semi-transparent blue circle is overlaid on the right side of the image. Inside this circle, the year '2022' is written in large white numbers, and below it, the words 'Integrated Report' are written in a smaller white font. A green semi-transparent circle is partially visible on the right edge, and a small blue triangle is in the bottom right corner.

# 2022

Integrated  
Report





**NOVA**  
FEEDS • VOERE

**MEGA**

**Quantum®**  
NEST EGGS

**GALOVOS**  
LIVESTOCK & AQUACULTURE

**Bellevue Chix**

**Nulaid**



**BERGVLEI**  
CHICKS

**TYDSTROOM**  
POULTRY

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Quantum Foods aims to be the leading feed, poultry and egg business in Africa delivering sustainable returns



To build the best feed, poultry and egg business



The Group's commitment to its values supports its vision and purpose:

- We value teamwork
- We are resilient and adaptive 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

## Stakeholders



Shareholders and investors



Employees



Customers and consumers



Suppliers and contractors



Communities



Government and regulatory bodies



Industry bodies

## Strategic themes



Profitable growth through industry cycles



Customer and product focus



Operational excellence



Enhance the performance culture

# How we create value for investors


## A nutrition imperative

The African continent has been hardest hit by hunger and the growing global food security crisis. It is also the continent with some of the highest population growth rates, notably in Uganda, which, according to the World Bank, is showing one of the fastest population growth rates. This creates a significant, expanding and urbanising market with a growing need for affordable protein. Quantum Foods' products have some of the best conversion rates of grain to animal protein enabling the Group to supply high volumes of quality food that combats malnutrition.

 Read more about our contribution to nutrition on page 50.

## Scale, brands and expansion opportunities

In a highly fragmented agricultural sector, particularly for eggs, Quantum Foods is one of the only players with scale and reach. The Group is the largest contract producer of live broilers, supplying its own chicks and feed, and the leading egg business in South Africa under the *Nulaid* brand. This is a key differentiator and competitive advantage. Strategic locations enable us to serve a variety of geographical regions through an efficient distribution network. Quantum Foods' most attractive capacity expansion opportunities in South Africa are in species-specific animal feeds and broiler farming.

 Read more about our growth plans on page 26.


## Gaining deep experience in Africa

Besides its track record in South Africa, Quantum Foods also has a history of success elsewhere on the continent, having operated in Zambia and Uganda for more than 22 years. Both countries are maize exporters, which means that one of our main inputs is priced in local currency and requires limited transport. In contrast to Zambia and Uganda, where we supply the informal market through mostly cash-based trade, we supply both informal and formal retailers in Mozambique. We continue exploring acquisition opportunities in sub-Saharan Africa.

 Read more about our performance in Africa on page 37.

## Value chain diversification

The diversified but well-integrated nature of our four business segments provides an effective counter to cyclical challenges, typical of the agricultural sector. We have secured a stable internal offtake in the supply chain elements where we operate and own processing plants, farms and packing stations. In addition, Quantum Foods has strong relationships with external buyers for all the product categories generated throughout the supply chain. Due to our scale, we are one of the only volume suppliers for larger customers requiring security of quality supply.

 Read more about our value chain on page 15.


## Data, analytics and specialists

Quantum Foods has been able to build strong science and analytics expertise in animal feeds and poultry farming. Working with extensive data captured throughout the value chain – from livestock farming feeds customers on their farms to our own poultry breeding, hatcheries and commercial poultry farming facilities – we are able to optimise our products and achieve increasing efficiencies. This leads to improved yields for both Quantum Foods and our customers, while aiming for the best feed conversion rates and appropriate climate-related responses under varying conditions.

 Read more about our intellectual capital on page 8.

## Ensuring a responsible business

Quantum Foods is committed to advancing environmental, social and governance ("ESG") practices to ensure a sustainable, ethical and responsible business. This includes expanding our investment in and use of renewable energy, a solid safety track record and responsive engagement with stakeholders, when required. The Group participates in an annual independent ESG audit and annual risk audits are conducted at most sites to identify areas for improvement.

 Read more about our ESG journey on page 48.

## Financial resilience

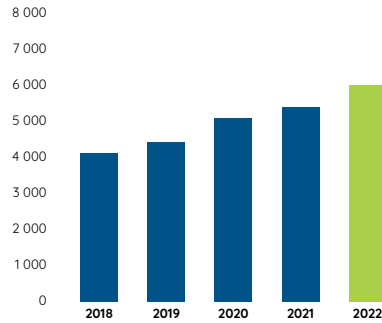
Quantum Foods has no material debt on its balance sheet and has sufficient debt capacity to enable organic and acquisitive growth. The decrease in cash on the balance sheet in FY2022 is a result of lower earnings and an increased investment in working capital mostly resulting from increases in the cost of raw materials. The Group has a healthy asset base from which to grow through further strategic investment. The business has a proven record of converting profits to cash. This year, shareholders benefited from a dividend paid from cash generated by the Zambian business.

 Read more about our financial position from page 88.

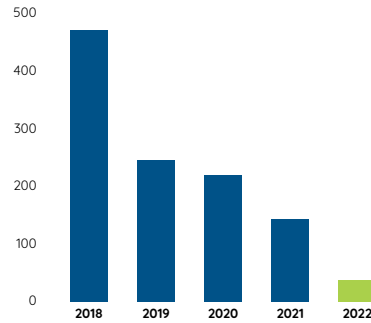


## Key indicators

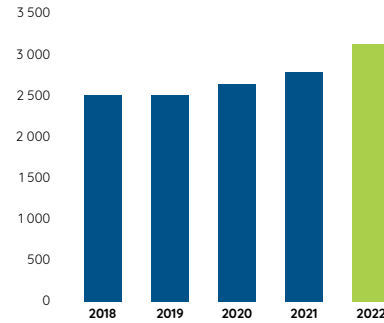
Revenue (R million)



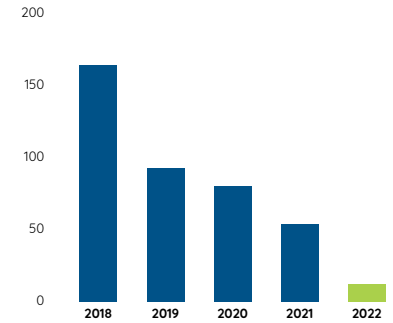
Operating profit\* (R million)



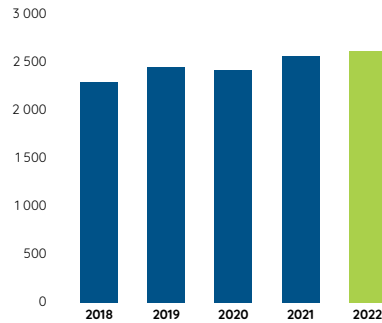
Total assets (R million)



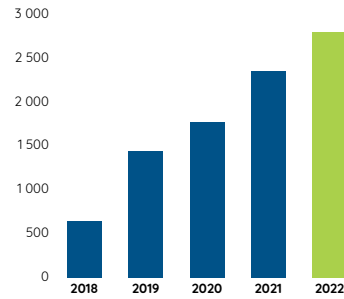
Earnings per share (cents)



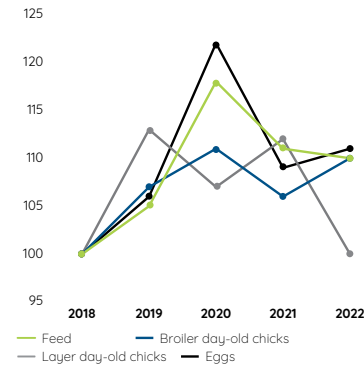
Number of employees



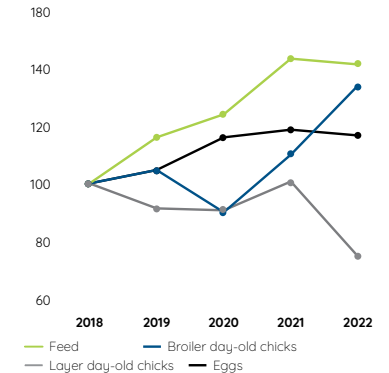
Electricity from renewable sources (kWh'000)



South African volumes from 2018



Other African countries volumes from 2018



\* Excluding items of a capital nature.



# Welcome to our 2022 integrated report

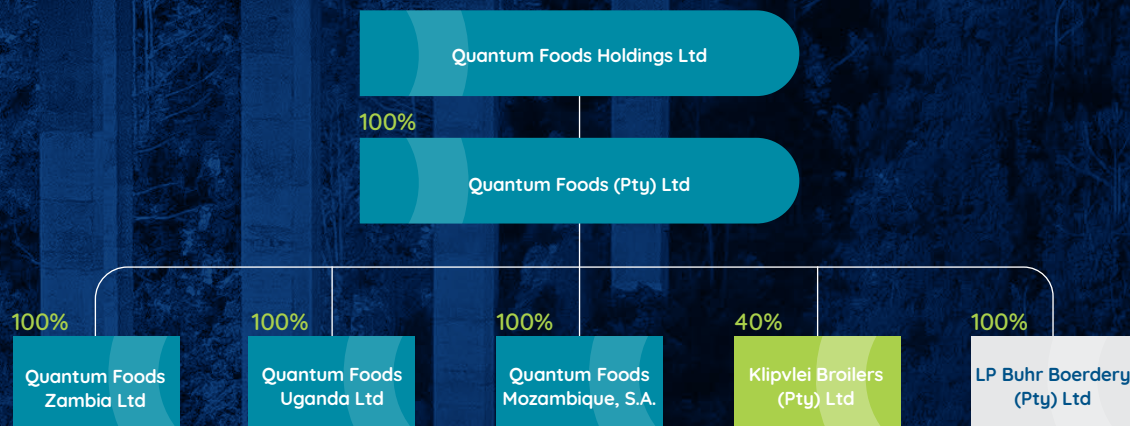
*This integrated report provides a holistic overview of Quantum Foods' strategy, performance and business activities, as well as an overview of the factors that will ensure our long-term sustainability. The report is aimed at the Group's providers of capital and other interested stakeholders.*


## Introduction, scope and boundary

This is the integrated report for Quantum Foods Holdings Limited and its subsidiaries ("Quantum Foods", "the Group" or "the Company"). It covers the financial year from 1 October 2021 to 30 September 2022 ("FY2022")<sup>1</sup>.

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 Johannesburg Stock Exchange ("JSE") in the "Farming and Fishing" sector under the share code QFH.

<sup>1</sup> Where narrative within the report relates to a specific financial year, these years are referenced as FY2021, FY2022, etc. All years not specified as a financial period refer to the calendar year.



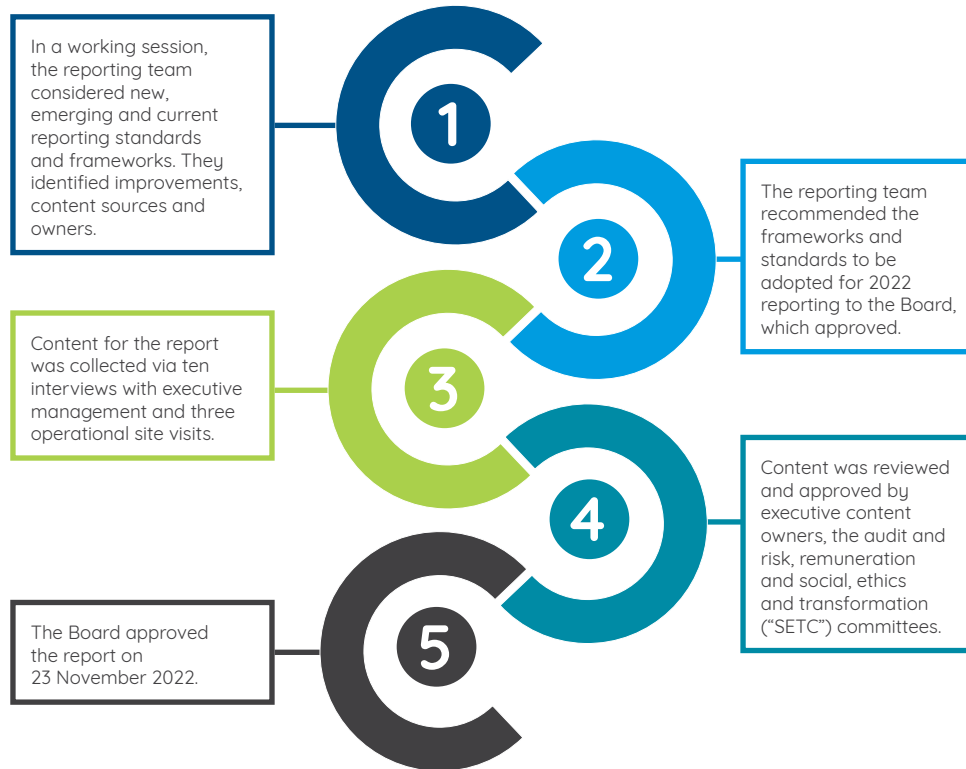
 In the process of being deregistered.

Philadelphia Chick Breeders (Pty) Ltd, previously a subsidiary owned 100% by Quantum Foods (Pty) Ltd was deregistered on 23 February 2022.

This report provides financial and non-financial performance data on the Group's business activities in all its operating geographies. This includes South Africa, Zambia, Uganda and Mozambique, with a primary focus on South Africa as the major contributor to revenue. Data and information are comparable to that provided in the previous year.

## Our content approach

We follow a formal process to identify and develop content for this report.




In this report we comply with the following:

- King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV")<sup>1</sup>
- The International Integrated Reporting Framework
- The United Nations' Sustainable Development Goals ("UN SDGs")
- The disclosure requirements of the Task Force on Climate-related Financial Disclosures ("TCFD")
- JSE Listing Requirements
- Companies Act
- International Financial Reporting Standards ("IFRS")

This year, we deliberately expand on ESG reporting as this is important to the Group and our target audience. In positioning Quantum Foods for these reporting requirements, we remained mindful of all our stakeholders, their interests and our unique value creation and preservation drivers.

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/>. These were audited by PricewaterhouseCoopers Inc. ("PwC"). The independent auditor's report on the summary consolidated financial statements is available on page 93.

 More information about Quantum Foods not included in this report is available on our website: [www.quantumfoods.co.za](http://www.quantumfoods.co.za).

<sup>1</sup> Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

## Assurance

We did not seek external assurance for the integrated report as a whole. However, assurance for certain elements was provided by a combination of internal and external sources.

- Quantum Foods' broad-based black economic empowerment ("B-BBEE") score was externally assured by AQRate.
- IBIS Environmental Social Governance Consulting South Africa (Pty) Ltd ("IBIS") completed its second ESG audit of Quantum Foods' operations against our responsible investment code, the 10 principles of the UN Global Compact ("UNGC") and the Group's environmental and social action plan.

We appreciate the need for an increased level of external assurance in our 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". The 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.

## Approval of the report

Quantum Foods' board of directors ("the Board") – assisted by its audit and risk ("ARC"), social, ethics and transformation ("SETC") and remuneration ("Remco") 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

We are committed to communicating meaningfully with our stakeholders. We would therefore appreciate feedback on the effectiveness of this report. Any feedback can be emailed to Quantum Foods' company secretary, Ziyanda Wakashe, at [company.secretary@quantumfoods.co.za](mailto:company.secretary@quantumfoods.co.za).

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

## 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](http://www.quantumfoods.co.za).

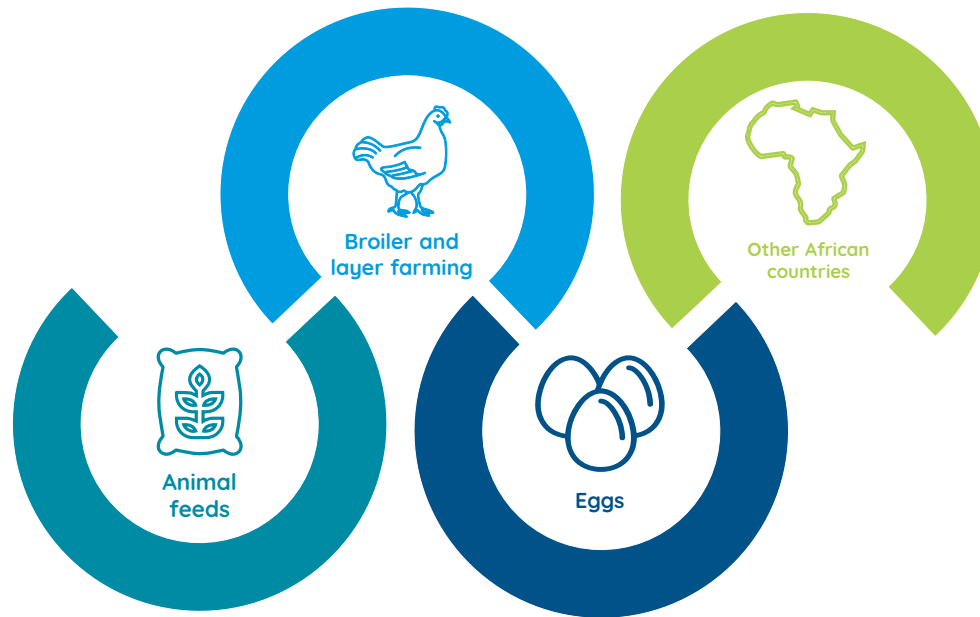




# Quantum Foods at a glance

## Our Group and segment profiles

Quantum Foods is a fully integrated, diversified feed, poultry and egg business with four segments:



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

✓ **Animal feeds**  
**729 692**  
**tons**  
of feed supplied  
(FY2021: 739 554 tons)

^ **Broiler and layer farming**  
**76 million**  
day-old chicks produced  
(FY2021: 74 million)

^ **Eggs**  
**1 097**  
**million**  
eggs and egg products sold  
(FY2021: 1 089 million)

^ **Other African countries**  
**6.6%**  
of Group revenue from other  
African countries  
(FY2021: 5.9%)



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

#### Brands:

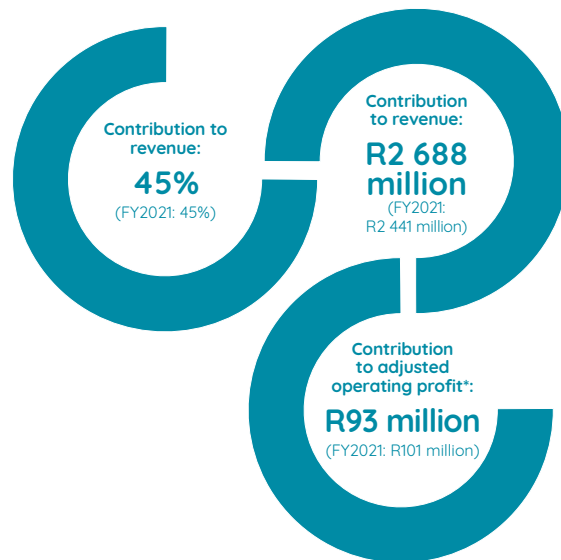


#### Facilities in South Africa:

Six feed mills in four manufacturing locations.

#### Products:

We formulate and produce customised feeds for monogastric livestock (such as poultry) and ruminant livestock (such as cows). Main feed categories include poultry (broiler and layer), dairy, pig, ostrich and sheep feed.



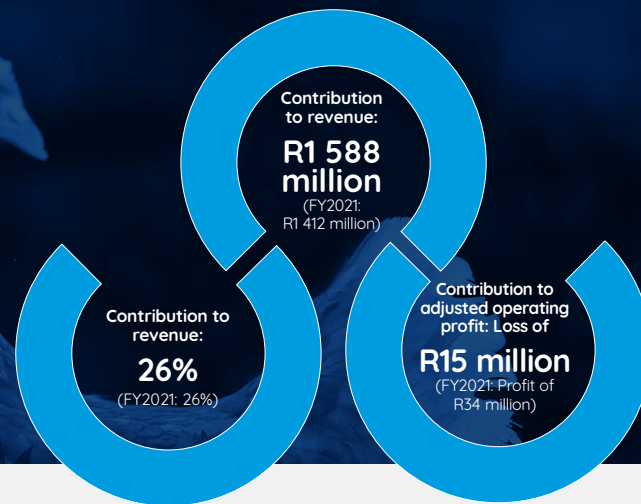
\* Operating profit adjusted for income or expenditure of a capital nature in the statement of comprehensive income, i.e. all profit or loss items that are excluded in the calculation of headline earnings per share ("HEPS").

#### How we differentiate ourselves:

Our animal feed mills are highly automated and manufacture a wide variety of feeds for optimal animal nutrition. Integrated quality and safety systems ensure the consistent output of high-calibre products for livestock consumption. *Nova Feeds* has a technology agreement with Nutreco, a leading international animal nutrition company, ensuring access to world-class research and feed formulation benchmarking. We also collaborate with leading local institutions, such as Stellenbosch University and Elsenburg Agricultural Training Institute, and conduct ongoing research at our own trial units.

We supply feeds to internal and external customers, with 39% (FY2021: 38%) allocated to our own integrated poultry and egg farming operations.

Our technical support team provides customers with advice based on secure data collected from internal and external farming operations. The focus is on both the optimisation of feed formulations as well as the support of customers through in-depth on-farm service and monitoring. This collaboration enables us to continuously improve feed formulas that are optimised for a wide variety of farming conditions and livestock species.



### How we differentiate ourselves:

The quality of our broilers and the ability to meet customer specifications in terms of weight and size start with genetics and the ability to select a breed most suited to South African conditions and requirements. In September 2022, we switched from importing grandparent stock of the Cobb500 breed to purchasing day-old parent chicks of the world-leading Ross308 breed locally. We sell day-old chicks to contracted customers and customers in the open market. We sell reared broilers mainly to Astral Foods in terms of a long-term supply agreement in the Western Cape province.

Strict biosecurity measures are in place at all broiler farming facilities to mitigate the risk of outbreaks of highly pathogenic avian influenza ("HPAI") and other poultry diseases. Chicken house operations are automated and apply data-driven monitoring to ensure optimal performance and animal welfare. We adhere to the code of practice of the South African Poultry Association ("SAPA").

### Broiler farming

#### Brands:



#### Facilities in South Africa:

- Four hatcheries
- Four parent rearing farms
- Seven parent layer farms – five of which are owned by the Group, while the remaining two are contracted to supply the Group with fertilised eggs
- 11 broiler farms in South Africa

#### Products:

Hatching eggs, day-old broiler chicks and reared live broilers

### Layer farming

#### Brands:



#### Facilities in South Africa:

- One grandparent farm
- One parent layer farm owned by Quantum Foods and one rented facility
- One commercial hatchery
- Six commercial rearing farms, one of which, in Tongaat, will be closed in FY2023
- 12 commercial layer farms, one of which, the Hekpoort farm in North West province, will be closed in FY2023

#### Products:

Layer parent stock, hatching eggs, day-old pullets and point-of-lay hens

### How we differentiate ourselves:

As with broilers, the quality of our layer hens, including their ability to produce large eggs for a significant portion of their life cycle, starts with genetics and the ability to select a breed most suited to South African conditions and requirements.

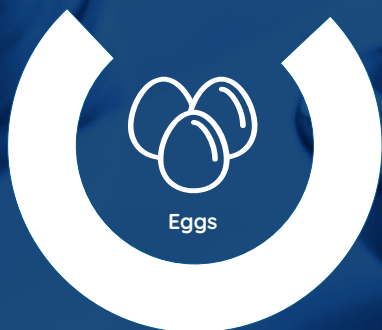
Quantum Foods owns the rights to import pedigree grandparent layer stock of the Lohmann breed. We distribute next-generation parent stock exclusively in South Africa and non-exclusively to some southern African countries. This breed demonstrates high egg-laying productivity and a good feed conversion rate.

Fertile hatching eggs are incubated, and female day-old chicks are either sold or placed at rearing farms. Layer day-old chicks and layer hens are sold nationally and to customers in Southern African countries.

Free-range eggs are produced on two of our farms. Eggs are transferred to the egg business segment for supply to the market.

We adhere to SAPA's code of practice, which sets out norms and standards for the poultry industry. We recognise that the basic requirement for poultry welfare is a husbandry system appropriate for birds' physiological needs.





#### Brands:

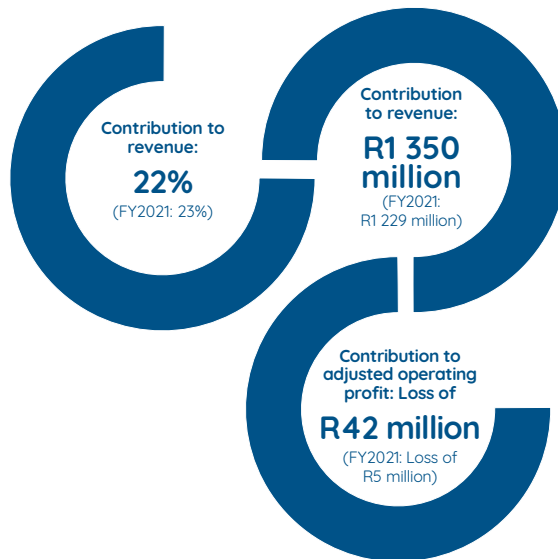


#### Facilities in South Africa:

Five grading and packing facilities

#### Products:

Commercial table eggs, free-range eggs, canola eggs, pasteurised shell eggs and liquid egg products

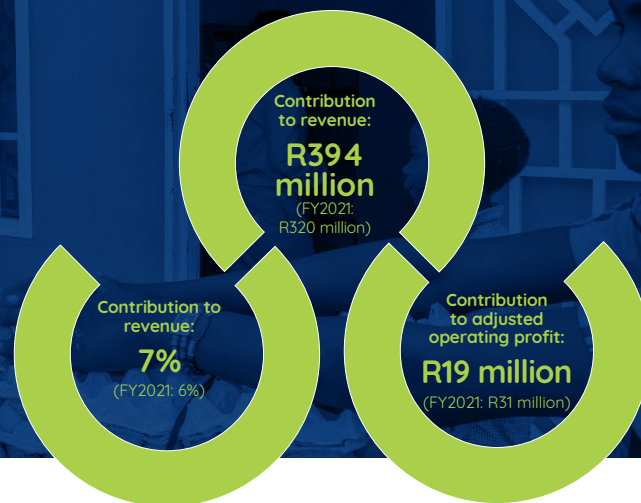


#### How we differentiate ourselves:

Quantum Foods' egg business is a leading player in South Africa, supplying the formal and informal markets. We sell branded eggs and provide leading South African retailers with eggs to sell under their own brands.

More than 90% of eggs are sourced from Quantum Foods' own layer farms. The rest is sourced from contracted external suppliers. Using the latest technology, eggs are sorted according to weight (small, medium, large, extra-large and jumbo), and packed into containers with 2x6, 18, 24, 30, 48 or 60 eggs each. 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. Free-range eggs are produced on two of the farms, while pasteurised shell eggs are produced at the grading and packing facility in Gauteng and distributed to other provinces through the Group's packing facilities.

Extensive and robust systems at our modern plants ensure food safety and quality. We adhere to the Agricultural Products Standards Act, No. 119 of 1990, have FSSC 22000 certification in place, and regularly undergo food safety inspections and audits by our retail clients.



## Zambia

### Brands:



### Products:

Day-old pullets and day-old broiler chicks, animal feeds and table eggs

### Facilities in Zambia:

- One parent breeding facility for layers and breeders
- One layer rearing farm
- One layer farm with an egg packing facility and a separate cull depot
- One hatchery
- Two feed mills

### How we differentiate ourselves:

Quantum Foods Zambia has been in operation since 1997. Day-old pullets are supplied to the layer rearing farm and sold to the external market, while day-old broiler chicks are all sold to the external market. We produce animal feeds for our own business, but also supply to external customers. Most of our table eggs are sold through a network of more than 40 of our own small retail shops that also sell day-old chicks and feed.

## Uganda

### Brands:



### Products:

Day-old pullets and day-old broiler chicks, animal feeds and table eggs

### Facilities in Uganda:

- One commercial layer rearing and egg laying farm with an egg packing facility
- One broiler breeding farm
- One layer breeding farm
- One hatchery
- One feed mill

### How we differentiate ourselves:

Quantum Foods Uganda commenced operations in 2000. Day-old pullets are used in our own operations or sold to external customers, while day-old broiler chicks are all sold externally. Eggs are either sold directly from the farm or through a network of small retail shops.

## Mozambique

### Brands:



### Products:

Table eggs

### Facilities in Mozambique:

- One layer farm
- One egg packing facility

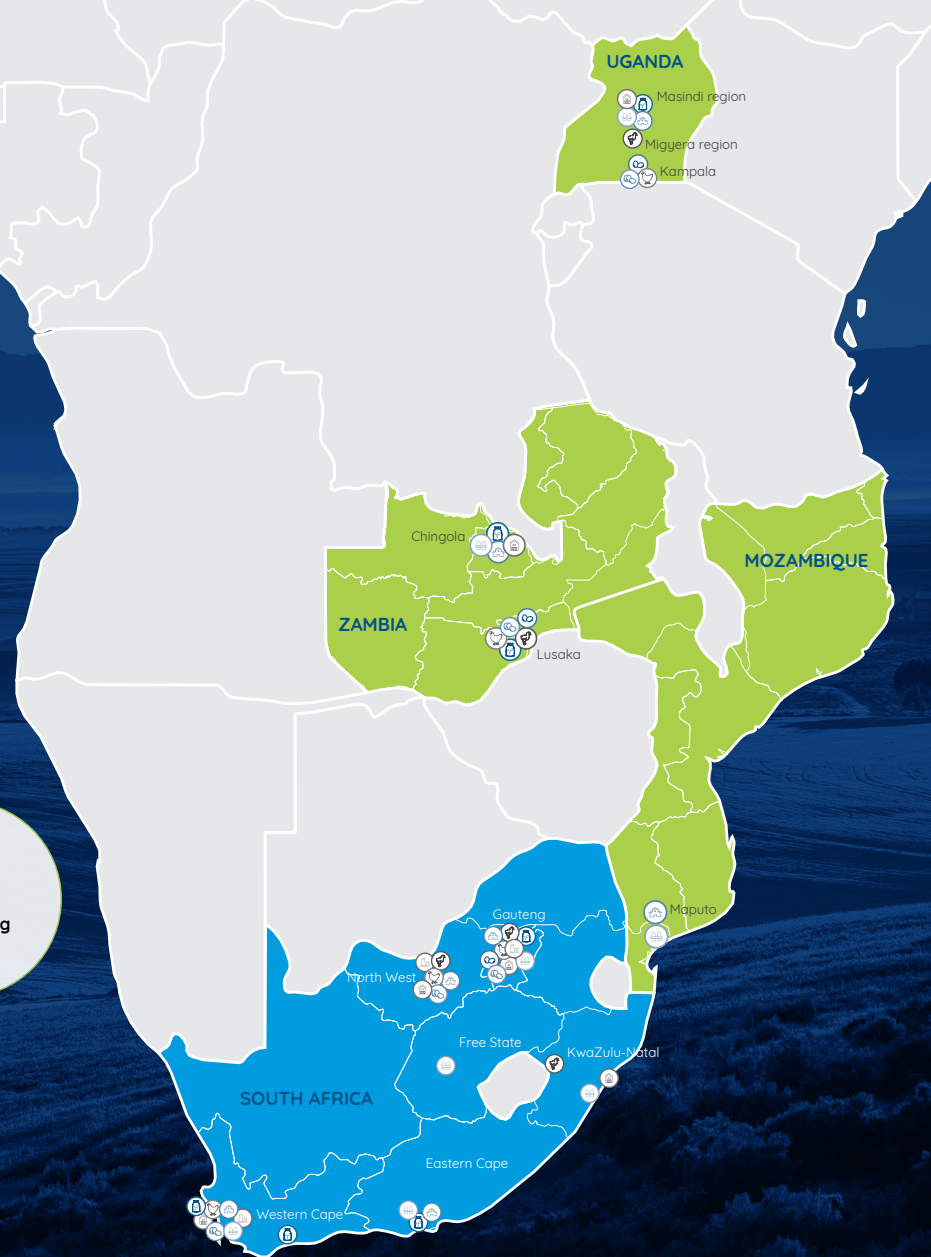
### How we differentiate ourselves:

Quantum Foods Mozambique supplies eggs to the formal retail and informal markets. Major clients include South African retailers in Mozambique and large local retailers. Feed is procured from a third party, and the farm is stocked with point-of-lay birds that are produced by Quantum Foods in South Africa.



## Geographic footprint

*Quantum Foods owns farms, hatcheries, processing and egg packing facilities in four countries in southern and East Africa. These operations are well established with a proven track record and a strong base from which to expand into sub-Saharan Africa. We have strong consumer brands in all of these countries, and long-term customer relationships, especially in the formal retail sector.*








# Our stakeholders

*We have a stakeholder-inclusive approach and engage with stakeholders according to a well-entrenched policy and process. Our engagement is dynamic and responds to emerging topics, situations and feedback. Our intent is to ensure that our business activities minimise adverse impacts and enhance positive effects for all stakeholders while being objective, consistent and fair.*





Our broad stakeholder categories remain unchanged, but our channels and method of engagement are shaped by the nature of the issue or parties involved. The SETC is responsible for the governance and oversight of stakeholder relationships, whereas management is accountable for allocated relationships.

In the table below, we indicate where we provide more information on specific engagements this year.

Stakeholder category	Method of engagement	Stakeholder needs, expectations and concerns	Business response and outcome
 <b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>Website</li> <li>SENS</li> <li>Trading updates</li> <li>Results presentations, announcements and reports</li> <li>AGM question-and-answer session</li> </ul>	<ul style="list-style-type: none"> <li>Return on investment</li> <li>Responsible capital allocation</li> <li>Business sustainability</li> <li>Ethical management</li> </ul>	<ul style="list-style-type: none"> <li>Focus on increasing HEPS as a key performance indicator</li> <li>Interim dividend payment of 8 cents (FY2021: Nil cents)</li> <li>Additional capital invested in projects to grow the business and return underperforming segments to profitability</li> <li>We take a zero-tolerance approach to unethical conduct</li> </ul>
 <b>Employees</b>	<ul style="list-style-type: none"> <li>Internal communication, including roadshows</li> <li>Management and union meetings</li> <li>Confidential tip-off anonymous lines</li> <li>Training programmes</li> <li>Performance feedback discussions</li> </ul>	<ul style="list-style-type: none"> <li>Job security</li> <li>Personal development (including training)</li> <li>Health and safety</li> <li>Fair remuneration and wages</li> <li>Diverse and inclusive workplace culture</li> </ul>	<ul style="list-style-type: none"> <li>A more disciplined approach to formal and informal performance discussions to ensure a high-performance culture</li> <li>Formal health and safety audits with no fatalities and 104 safety incidents reported (FY2021: 87)</li> <li>416 employees received training (FY2021: 352) to further their careers and improve performance. The increase in the number of employees trained includes the effect of COVID-19 restrictions in 2021 and increased focus in 2022 on health and safety training.</li> </ul>
 <b>Customers and consumers</b>	<ul style="list-style-type: none"> <li>Brand websites and marketing material</li> <li>Regular meetings</li> <li>Consumer hotline</li> <li>Customer satisfaction surveys</li> </ul>	<ul style="list-style-type: none"> <li>Nutrition benefits</li> <li>Products within specification</li> <li>Competitive pricing</li> <li>Reliable supply</li> </ul>	<ul style="list-style-type: none"> <li>Food safety ensured through effective controls and audits</li> <li>Reliable supply of safe products, including transport to other parts of the country to meet demand</li> <li>Customer satisfaction surveys to support quality relationships</li> </ul>

We completed our second independent ESG audit.  
 ➔ Read more from page 49.

We had a challenging engagement with employees and their union during labour action at Kaalfontein farm.  
 ➔ page 34

Stakeholder category	Method of engagement	Stakeholder needs, expectations and concerns	Business response and outcome
 <b>Suppliers and contractors</b>	<ul style="list-style-type: none"> <li>A centralised procurement team manages communication for larger expenditure items</li> <li>The Group's decentralised procurement managers meet with suppliers and contractors</li> </ul>	<ul style="list-style-type: none"> <li>Security of supply</li> <li>Commitment to B-BBEE</li> <li>Reasonable terms</li> </ul>	<ul style="list-style-type: none"> <li>Policies and practices ensuring ethical procurement with a focus on B-BBEE</li> <li>Quality management in place for key procurement categories</li> </ul>
 <b>Communities</b>	<ul style="list-style-type: none"> <li>Requests for assistance in the communities where we operate</li> </ul>	<ul style="list-style-type: none"> <li>Economic empowerment and job creation</li> <li>Basic human rights requirements (food security and education)</li> <li>Drought relief support</li> </ul>	<ul style="list-style-type: none"> <li>R567 000 invested in community projects (FY2021: R1.1 million)</li> </ul>
 <b>Government and regulatory bodies</b>	<ul style="list-style-type: none"> <li>Independent audits</li> <li>Adherence to regulatory requirements</li> <li>Employee training on regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>Compliance and independent assurance to measure compliance</li> <li>Responsible corporate citizenship</li> </ul>	<ul style="list-style-type: none"> <li>Employees receive compliance training, and we take immediate action in the event of adverse findings</li> <li>No material regulatory penalties, sanctions or fines for contraventions of, or non-compliance with statutory obligations were noted</li> </ul>
 <b>Industry bodies</b>	<ul style="list-style-type: none"> <li>Industry body meeting participation</li> </ul>	<ul style="list-style-type: none"> <li>Active participation in industry body management</li> <li>Keeping abreast of new developments</li> </ul>	<ul style="list-style-type: none"> <li>Support in the execution of South Africa's Poultry Industry Master Plan and its 2030 vision</li> <li>Executive committee members are involved at senior level in industry bodies such as SAPA and the Animal Feed Manufacturers Association ("AFMA")</li> <li>Engagement with government through SAPA in motivating for antidumping duties to ensure that our industry is protected from unfair global trading practices and that we contribute to food security while providing employment</li> <li>Engagement with the National Society for the Prevention of Cruelty to Animals ("NSPCA") to ensure best-in-class welfare standards for birds</li> </ul>

We support a small black-owned family business in the Western Cape and a black female-owned poultry enterprise in the Eastern Cape.

👉 Read more on page 51.

We had a challenging engagement with the community surrounding the Hekpoort farm

👉 page 38

Quantum Foods, in recognition of the Company's commitment and contribution to transformation, received the Transformation Award at the 116th SAPA Congress.

# Understanding our business

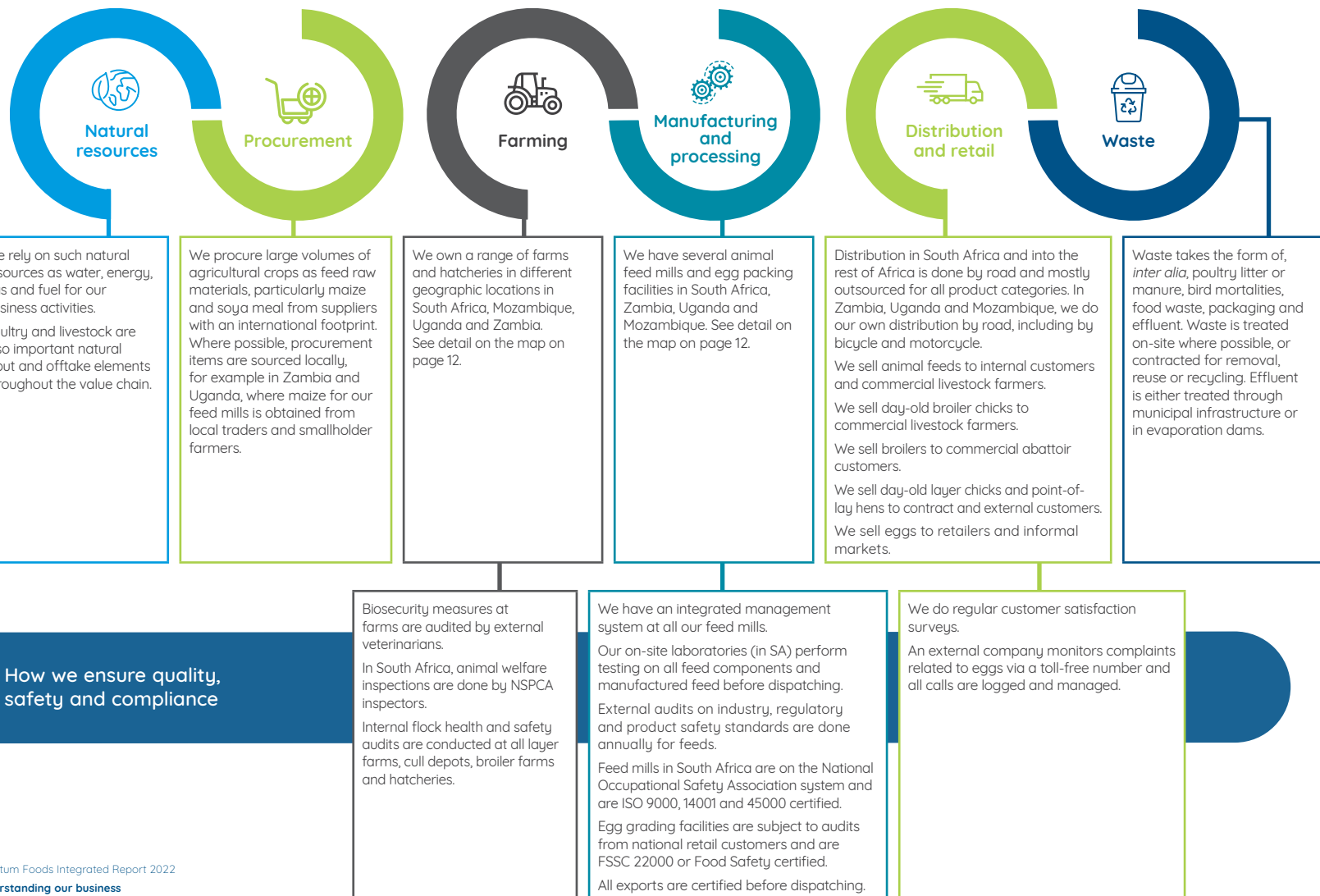
## The Quantum Foods value chain

*Quantum Foods generates and protects value by providing affordable access to poultry and egg products for human consumption and animal feeds for livestock consumption. Through consistent, high quality and fresh supply of products, we contribute to alleviating hunger and enabling better nutrition. Our consumer products are targeted at all income groups in South Africa and selected other African markets. Products are competitively priced and sold under trusted and market-leading brands.*

We have an integrated and diversified value chain that supports Quantum Foods' own poultry operations while servicing the external market locally and in selected other African countries. Leading expertise and dedicated points of contact support a strong focus on responsive and customised service and technical solutions, particularly in feeds.







# Our business model

We have a dynamic business model that is subject to seasonal and cyclical agricultural impacts that are in turn shaped by a challenging operating environment. This causes significant shifts in the outcomes achieved. We make trade-off decisions to ensure a sustainable system where all six capitals are nurtured and protected over the long term, and stakeholders are able to participate in the value that we create over time. This also embeds a unique competitive advantage for Quantum Foods and creates new opportunities to explore.

## Inputs

### Financial capital:

- Largely ungeared statement of financial position
- Sufficient debt capacity
- Dividends from operating subsidiaries

### Manufactured capital:

- Strategically located and owned feed mills, poultry farms, commercial hatcheries and egg packing stations
- Contracted broiler breeder and live broiler farms
- Contracted egg farms
- Extensive outsourced and some own distribution in South Africa and other African countries
- Solar energy generation capacity and expansion opportunity

### Intellectual capital:

- Leading consumer brands
- Access to world-class poultry genetics
- Scientific expertise and data-rich monitoring sources for animal feed formulation and analysis
- Independent audits on biosecurity, risks and ESG

### Human capital:

- Employee skills, expertise and experience
- Low management employee turnover
- Investment in training

### Social and relationship capital:

- Strong relationships with customers, suppliers and communities
- Industry participation
- Animal welfare commitment

### Natural capital:

- Natural resources such as maize, soya, water and gas
- Poultry

### Business activities

- Procurement, with feed raw materials the largest category
- Contract commodity buying for select customers
- Poultry farming
- Processing and manufacturing of animal feeds and eggs
- Technical advice and customer support

### Outputs, by-products and waste

- Animal feeds used by internal business units
- Animal feeds sold to external livestock farming clients
- Day-old pullets sold to customers or reared to be layer hens
- Day-old broiler chicks sold to customers or reared as broilers
- Broilers sold to commercial abattoir customers
- Layer hens reared for producing eggs or sold to customers
- Eggs sold to informal and formal markets as packed, loose or liquid eggs
- Waste includes eggshells, litter/manure produced, mortalities, packaging, hazardous waste and effluent

### Looking back

- 🔗 Read more about external challenges on page 18.
- 🔗 Read more about risks on page 29.
- 🔗 Read more about topical stakeholder engagement on page 13.

### Looking forward

- 🔗 Read more about opportunities in the value created for investors on page 2.
- 🔗 Read more about capital investment plans on page 38.
- 🔗 Read more about our purpose and strategy on page 25.
- 🔗 Read more about key relationships to create value on page 13.
- 🔗 Read more about our contributions to ensure a sustainable future society and resources from page 48.
- 🔗 Read more about potential climate-related risks and opportunities from page 63.

## Outcomes

### Financial capital:

- Dividends to shareholders
- Capital retained for investment and growth
- Cyclical dip in profits due to internal and external factors

### Manufactured capital:

- Optimised portfolio of farms and processing facilities
- Maintenance and upgrades to ensure compliance and efficiency



### Intellectual capital:

- Improved customer contracting
- Operational risks well managed
- Customer livestock performance increased due to continuous improvement in animal feeds

### Human capital:

- Skills pool for agriculture sector expanded
- Job losses due to the closure of the East London packing station and Tonaat rearing farm as well as the resizing of some layer farms despite efforts to relocate or re-contract employees
- No fatalities, very few serious injuries



### Social and relationship capital:

- Customer loyalty through strong brands
- Contribution to food security, nutrition and reducing hunger
- Supplier and enterprise development gaining traction
- Communities supported through social initiatives focusing on education and food security



### Natural capital:

- Waste recycling optimised by using the Biobin® system
- Additional solar energy generated
- Biodiversity supported through Zouterivier farm conservancy
- Avian flu outbreak affected poultry health and mortality



# Our operating context

*Efficient and functioning agro-value chains are critical for food security, trade and economic growth. At their best, such value chains are inclusive and integrated, and able to flexibly balance supply and demand.*

Agriculture as a major economic activity provides employment and income to around 70% of the southern African region's population. This is evident from research done by the South African Institute of International Affairs<sup>1</sup>. However, agriculture's contribution to gross domestic product ("GDP") varies widely across the Southern African Development Community member countries. In Botswana, South Africa, Mauritius and Zambia, agriculture's share of GDP is less than 3%, whereas it is more than 26% in countries such as Madagascar, Mozambique and Malawi. As such, agriculture, including agro-processing and agricultural value chains, has been earmarked as one of the region's most significant potential growth areas.

Three major themes that affected the sustainability and performance of companies operating in the feed, poultry and egg industries in South Africa, Zambia, Uganda and Mozambique are set out below.

## Climate change and conflict impacting commodity prices

The La Niña climate phenomenon is one of the key determinants of global maize and soya meal availability and pricing. It creates drought and dry conditions in many parts of the world, including Argentina and the US, while bringing additional precipitation to other areas, such as Australia. This year, the world is experiencing a rare "triple-dip" La Niña (three straight years of its effect on climate patterns). This is likely to further exacerbate uncertainty about supply estimates across agriculture markets, largely driven by weather adversities in top-producing countries. Prices of maize and soybean have thus remained volatile this year, with the weather as a major price driver. In South Africa, exchange rate weakness heightened the pricing issue for imports.

For producers worldwide, crop choice and optimal geographical locations for crop production are becoming complicated decisions. La Niña is associated with deficit rainfall in equatorial eastern Africa. East Africa is already experiencing its worst drought in four decades, with five consecutive years of extremely dry conditions. In southern Africa, La Niña tends to bring above-average summer rainfall. With South Africa and Zambia both net exporters of maize, good harvests ensure secure local sourcing options.

Global warming is likely to increase drought frequency and duration over large parts of southern Africa over the long term. Drought cycles typically result in smaller maize and other grain harvests while more farmers need to buy animal feed due to the condition of grazing areas.

A further driver for commodity and energy pricing this year was the Russian war in Ukraine, with both countries previously some of the largest grain producers and exporters in the world. Ukraine and Russia are also among the top 10 global

producers of fertilizer ingredients, which is a key input cost in grain production. The war has been affecting global supply since February 2022, on top of continued supply chain disruption caused by COVID-19 lockdowns in China. These factors have contributed to significant increases in the cost of commodities, energy and logistics worldwide.

**Quantum Foods' response:** To be competitive in local feed manufacturing, we are highly dependent on sourcing raw materials at optimal prices to produce animal feeds at the lowest possible cost. Imported raw materials have the Rand-Dollar exchange rate as an additional cost variable. We have seen a structural change in maize-related prices following four years of continuous price increases:

The compound annual growth rate ("CAGR") from 2019 to 2022 shows a structural change in maize-related prices:

- Maize prices have increased by a CAGR of 16.0%
- Egg prices have increased by a CAGR of 5.3%

👉 Read more about our performance in the leadership report from page 32.

Rand vs US Dollar exchange rate



Safex yellow maize Rand per ton





## Pervasive economic and operational challenges

According to the South African Treasury, the economy grew by 4.9% in 2021 with real GDP per capita growth of 1.9% projected for 2022 and an average of 1.6% over the next three years. This slowdown is based on heightened global uncertainty, the continued conflict in Ukraine and escalating inflation. Local factors include the highest levels of load shedding to date, increasing interest rates and high unemployment. Consumer disposable income is under increasing pressure from the factors mentioned above and this will impact the ability of producers to recover cost increases and maintain margins.

In operational terms, South African companies are further experiencing increasing levels of labour action, violence affecting logistical infrastructure and delivery access, as well as increasing theft of livestock and eggs.

In August 2022, the Department of Trade, Industry and Competition suspended anti-dumping chicken import duties for 12 months to counter the rapid rise in food prices in the Southern African Customs Union. This is expected to reduce the demand for locally produced day-old broiler-type chicks and broiler meat.

In sub-Saharan Africa, surging oil and food prices have increased food security concerns in many countries. Several central banks, including the Bank of Zambia, have started to increase rates because of inflationary pressures.

Despite significant economic uncertainty, the World Bank expects economic growth in Mozambique to accelerate in the medium term, averaging 5.7% between 2022 and 2024. With large natural gas reserves, the country is likely to benefit from stronger export demand from Europe, with positive growth and stability impacts.

The past year saw improved social, political and economic situations in Zambia and Mozambique, whereas Uganda remains stable.

**Quantum Foods' response:** Economic hardship is affecting our customer base in all markets. Margin pressure has become extreme as consumers are unable to absorb price increases. We are also dealing with the increased cost of compliance, and global inflation is increasing the cost of borrowing. 📖 Read more about our performance under these circumstances in the leadership report from page 32.

## Dealing with the avian influenza epidemic

According to the European Centre for Disease Prevention and Control, the 2021–2022 HPAI epidemic season is the largest epidemic so far observed in Europe. In South Africa, the Department of Agriculture, Land Reform and Rural Development ("DALRRD") reported 91 poultry outbreaks between April 2021 and October 2022, which forced producers to destroy millions of birds to contain the spread. Outbreaks mean heavy economic losses for farmers, resulting in long-lasting impacts on trade and livelihoods. This includes lost production capacity as birds cannot be replaced immediately.

In South Africa, previous assumptions about the wider geographic nature of outbreaks were challenged as more localised outbreaks were identified.

Biosecurity measures remain the most appropriate response combined with surveillance strategies for early detection measures. Governments in Europe are considering reducing poultry density in high-risk areas as medium- to long-term strategies for prevention<sup>1</sup>.

In South Africa, avian influenza is a controlled animal disease in terms of legislation. All cases have to be reported to the state veterinarian, with DALRRD directing passive and active surveillance.

Due to the fragmented nature of the South African poultry industry – consisting of widely disparate large commercial to small backyard operations – ensuring compliance in terms of monitoring and controls across the industry remains challenging. Producers are further subject to increasingly demanding terms and conditions from retailer customers, more costly delivery expectations and expanding regulatory compliance requirements.

**Quantum Foods' response:** Avian flu outbreaks have devastating financial and operational consequences, and can result in farms being out of operation for months. We apply the highest standards in biosecurity, training and monitoring to ensure flock health and productivity. Due to the integrated nature of our business, outbreaks also have an indirect impact on the performance of our animal feeds segment. 📖 Read more about the outbreak at our Lemoenkloof layer farm this year in the leadership report from page 32.

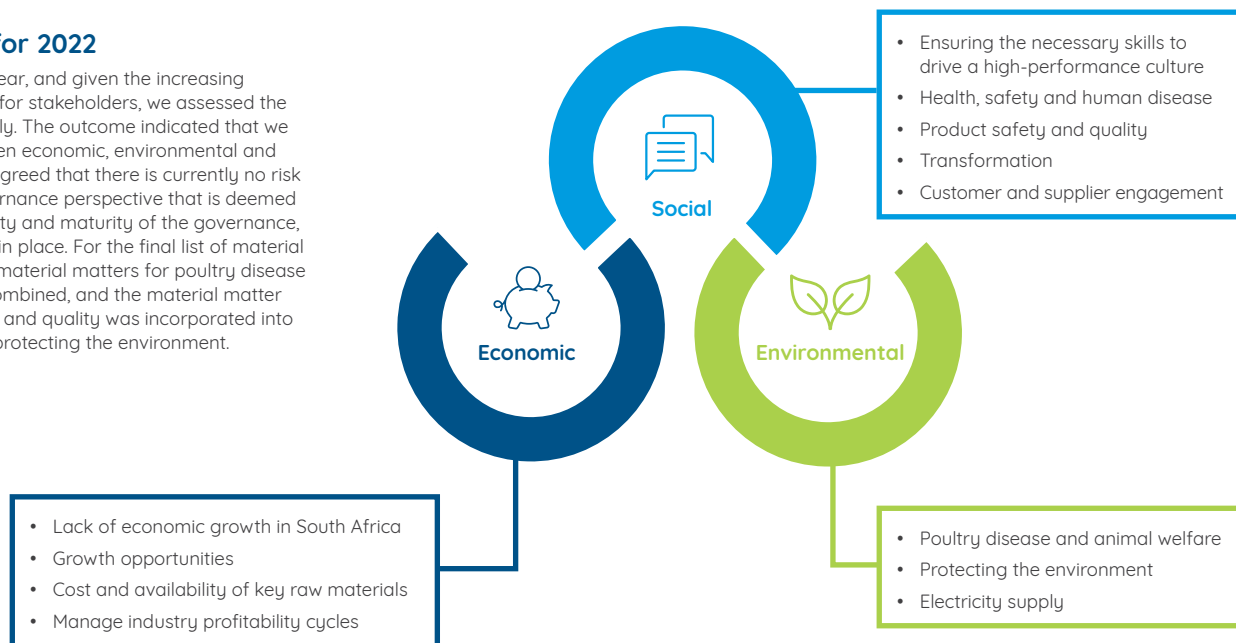
<sup>1</sup> European Food Safety Authority's Avian Influenza overview March – June 2022

# Material matters

*We evaluate our material matters annually to ensure that they reflect matters with the most significant impact on our ability to create value going forward. Senior decision-makers participated in a structured process to identify and prioritise matters that were presented to and approved by the Board. Our material matters consider our external environment and ensure that our strategic response remains targeted at value creation, risks and opportunities.*

## Material matters for 2022

In our review process this year, and given the increasing prominence of ESG criteria for stakeholders, we assessed the material matters accordingly. The outcome indicated that we had a good balance between economic, environmental and social matters. The Board agreed that there is currently no risk or opportunity from a governance perspective that is deemed material based on the quality and maturity of the governance, ethics and control systems in place. For the final list of material matters reported here, the material matters for poultry disease and animal welfare were combined, and the material matter related to water availability and quality was incorporated into the material matter about protecting the environment.





Profitable growth through industry cycles



Operational excellence



Customer and product focus



Enhance the performance culture

## Lack of economic growth in South Africa

Poor economic growth in South Africa negatively impacts consumer demand, limiting our ability to recover rising input costs and achieve growth. Causes include the aftermath of COVID-19, rising inflation, the conflict in Ukraine, power shortages, political instability and exchange rate weakness. Central banks have revised global and local growth forecasts downwards for the next two years.

### Business response and opportunities

Eggs and chicken remain the most affordable animal protein products for human consumption. While this presents growth opportunities, the expansion of our 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 we made further investments in 2022 to expand the production capacity supplying these customers.

[Read more in the leadership report from page 32.](#)




	Impact time frame	Strategic link	Capitals impacted
	Medium to long term		

## Cost and availability of key raw materials

The cost and availability of key raw materials for animal feed production are ongoing concerns. This is not only a risk in terms of larger inputs but also plays a role in the cost and efficiency of feeds, with some formulas containing multiple ingredients that have to be secured. A weak Rand, fluctuations in the cost of local and international grain crops and supply chain disruptions affecting availability threaten profitability. Feed is the largest cost element in poultry production and therefore has a significant impact on profitability where, for example, incorrect procurement decisions are made, or supply is interrupted. Our main exposure is in the egg business, where the selling price is determined by supply and demand factors and not the cost of production (of which feed is the main contributor). These dynamics result in cyclical profitability due to varying margins and our inability to recover fluctuating raw material costs in final product prices.

### Business response and opportunities

Our centralised procurement team mitigates this risk by sourcing and securing feed raw materials through agreements with dependable local and international suppliers.

	Impact time frame	Strategic link	Capitals impacted
	Short to medium term		

## Growth opportunities

Quantum Foods regards growth not as a choice, but as essential for continued value creation. Growing populations demand more food, and by planning for this demand, agriculture players can develop scale that delivers better efficiencies, and eventually more sustainable profits.

### Business response and opportunities

Our product portfolio targets the growing demand for affordable animal protein. This mitigates the risk of reduced demand for our products arising from poor economic growth. The Group's financial capital, animal feeds 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 animal feed, livestock and table egg value chains across the continent. However, we need to balance growth ambitions with profitability given the cyclical nature of agriculture and pressure on pricing.

[Read more on page 26.](#)

	Impact time frame	Strategic link	Capitals impacted
	Medium to long term		

Quantum Foods recovers increases in input costs through a relentless focus on procurement efficiencies, currency movement, operational efficiencies, and cost and margin management. Exchange rate fluctuations are mitigated through an approved hedging strategy and no speculative positions are taken.

We optimise our internal requirement for animal feeds by ensuring feed formulas achieve ideal conversion while unlocking genetic potential. We also continuously improve the operating environment for our poultry livestock. Customers have the option to do forward contracting on the raw material portion of their animal feed orders to avoid price volatility and secure supply.

[Read more in the leadership report from page 32.](#)





Profitable growth through industry cycles



Operational excellence



Customer and product focus



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## Manage industry profitability cycles

Poultry companies are significantly exposed to:

- Changes in the cost of animal feed raw materials, which are, *inter alia*, 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

## Business response and opportunities

Our diversified portfolio of animal feed, poultry and egg operations, and the fact that, except for the egg segment, all our business segments have internal and external customers, create some resilience as the different segments have varying cycles and challenges. We monitor industry trends, particularly for the production of day-old layer chicks and consider adjusting production planning accordingly. In our animal feed business, we have a just-in-time, made-to-order operating model.

Our egg business is the most exposed to cyclical profitability. Despite high levels of operational efficiency achieved through improved egg packing station efficiencies, effective cost management and high levels of distribution efficiency, we responded to declining performance in the past year by reducing capacity (fixed costs) and volumes sold in less profitable sales channels (variable costs).

[Read more in the leadership report from page 32.](#)

	Impact time frame	Strategic link	Capitals impacted
	Medium to long term		

## Poultry disease and animal welfare

Outbreaks of poultry disease can significantly impact the productivity, efficiency and financial performance of our farming operations. We experienced another outbreak of HPAI in 2022 (following outbreaks in 2017, 2018 and 2021), however, unlike previous outbreaks, this one only affected one of our farms. The farm-specific outbreak at the Lemoenkloof layer farm in the Western Cape forced us to revise a long-held assumption that the disease affects all players in a particular region.

More than mitigating against outbreaks, livestock husbandry and day-to-day care of our animals are critical to the success of the business. Quantum Foods is committed to treating 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 performance.

## Business response and opportunities

Biosecurity, vaccination and monitoring programmes are continually reviewed with the assistance of veterinary consultants. This helps to ensure the protection of our birds and ultimately improves farm production efficiencies. The geographic diversification of our farms assists in managing risk, but results in additional costs to serve markets from far regions due to HPAI-induced supply interruptions.

Strict measures and protocols also apply in terms of animal welfare. We have a zero-tolerance approach to non-compliance with animal welfare regulations and requirements. We frequently engage with external parties on matters related to animal welfare transparently and openly. Regular internal audits and ongoing employee training ensure compliance with standards. Optimal livestock husbandry practices and facilities create an environment for improved farming production efficiencies.

[Read more about risk management on page 29.](#)

	Impact time frame	Strategic link	Capitals impacted
	Short to medium and long term		





Profitable growth through industry cycles



Operational excellence



Customer and product focus



Enhance the performance culture

## Protecting the environment

As an agricultural business, the long-term sustainability of Quantum Foods depends on our ability to access a range of natural resources. To sustain a healthy agricultural business and achieve optimal production efficiencies, we depend on continuous access to high-quality water across our operations, particularly for poultry. Climate change has the potential to impact water supply in the long term. Water availability, especially in drought-stricken areas, remains a concern.



It is therefore in our interest to protect the environment by promoting sustainable agricultural and production practices, particularly concerning water usage.

### Business response and opportunities

We implemented various initiatives to recycle waste and reduce water consumption. We are increasing our use of electricity generated from renewable sources. These initiatives assist in reducing the environmental impact of the Group's operations.

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 are dependent on municipal water supply. Although this did not significantly affect operations this year, the failing infrastructure in some municipal areas is a concern. We have water contingency plans in place if the current water supply is interrupted.

[Read more about contributing to a sustainable world from page 48.](#)

	Impact time frame	Strategic link	Capitals impacted
	Long term		

## Electricity supply

We depend on an adequate and stable supply of electricity throughout our operations. Interrupted electricity supply mostly impacts our feed mills, not all of which are equipped with standby generators to enable uninterrupted manufacture of feed during load shedding. Interruption in electricity supply negatively affects the efficiency and operating costs of all facilities.

### Business response and opportunities

To supplement the electricity supplied by Eskom, the Group continues to consider investments in solar electricity, thereby reducing its reliance on the national grid. The Board approved R15 million for the installation of generators at our largest feed mill in Malmesbury in the first quarter of the next financial year. We will consider investing in more generators, despite the high cost associated with fuel use if warranted.

[Read more about solar energy on page 62.](#)

	Impact time frame	Strategic link	Capitals impacted
	Short, medium and long term		

## Ensuring the necessary skills to drive a high-performance culture

Working in commercial agriculture, specifically poultry, requires rare skill sets. This is particularly evident in 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 a priority.

### Business response and opportunities

We continue to strengthen our management teams through a combination of key appointments and talent development. We create a pipeline of skills by employing

interns. Our remuneration policy (as part of the employee value proposition) aims to position Quantum Foods as an employer of choice. It combines talent development, career growth opportunities and performance recognition, and supports a corporate culture driven by performance and value creation.

[Read more about training on page 55 and in the remuneration report on page 74.](#)

	Impact time frame	Strategic link	Capitals impacted
	Short to medium term		





Profitable growth through industry cycles



Operational excellence



Customer and product focus



Enhance the performance culture

## Health, safety and human disease

We are committed to ensuring that our operations are conducted in an environment that supports the health and safety of employees and the animals with which we 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.

### Business response and opportunities

Internal audits are conducted regularly and on a rotational basis to evaluate and improve health and safety compliance at all our sites. Employees receive training to ensure the necessary health and safety awareness and competency remains a priority.

[Read more about health and safety on page 56.](#)

Impact time frame	Strategic link	Capitals impacted
Short to medium term		

## Product safety and quality

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. Consumers demand increasing information about how their food choices are sourced, produced and packaged. Traceability of all ingredients is becoming a consumer issue and leads to increasing retail certification and inspection requirements.

### Business response and opportunities

We have stringent and global standard quality control processes in place. Our dedicated consumer feedback channel is actively monitored to ensure any issues that arise are attended to swiftly and professionally.

[Read more about food safety on page 20.](#)

Impact time frame	Strategic link	Capitals impacted
Short, medium and long term		

## Transformation

We recognise our obligation to contribute toward improving the socio-economic status of historically disadvantaged South Africans ("HDSA"). We also appreciate the benefits of introducing increased levels of diversity throughout our management structures as a way to promote equality and inclusion.

### Business response and opportunities

While the agricultural industry faces many transformation and skills challenges, we are 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.

[Read more about creating talent pipelines on page 55.](#)

Impact time frame	Strategic link	Capitals impacted
Medium to long term		

## Customer and supplier engagement

Regular and reasonable engagement with customers and suppliers is a key requirement to ensure the sustainability of our business. Local supplier development is a transformation imperative, and a way to mitigate supply chain risk, exchange rate impacts and import-driven inflation.

### Business response and opportunities

We have long-standing relationships with key customers and aim to exceed their expectations where it makes business sense. We are committed to developing new suppliers and continue investing in promising small ventures.

[Read more about supplier development on page 51.](#)

Impact time frame	Strategic link	Capitals impacted
Short, medium and long term		

# Strategy

*We identified four strategic themes that support the successful execution of our vision and purpose to build the best feed, poultry and egg business.*

## Strategic themes and progress

Our strategic themes were developed in 2018 and approved by the Board as guidance for the subsequent three to five years. We reviewed these in the past year and reconfirmed their relevance in responding to a dynamic context and our material matters.

### Our strategy review process



As a low-margin commodity business, efficiency is a key driver of profitability

**Profitable growth through industry cycles**

As a commodity business in agriculture, we need to focus on protecting and growing operating profit through the cycles associated with the underlying businesses

**Operational excellence**

**Customer and product focus**

As a provider of products for human and animal consumption, we need to ensure adherence to regulations, specifications and changing customer requirements

**Enhance the performance culture**

As a listed, commercial business in agriculture, delivering value creation and excellence is not possible without our people performing at their best

Progress with the implementation of our strategy is measured via a range of operational indicators, which are reported to the executive team on a monthly basis. Our risk register is updated annually and considers any challenges or opportunities arising from our performance against strategy and changes in the external environment.

Operational targets form the basis for management employees' performance contracts. The Board reviewed actual performance against the operational targets at the Board strategy session in September. At this session, operational targets were set for the new year and also approved by the Board.

Financial and operational excellence targets are linked to executive remuneration.

[Read more in the remuneration report from page 74.](#)

## Strategic themes performance summaries

### Profitable growth through industry cycles

*This year saw a downturn in profitability due to a combination of mostly external factors. Going forward, our diversified portfolio should benefit from strategic decisions implemented this year.*

Strategic initiatives	Progress in 2022
Maintain cost competitiveness of key input costs through judicious feed raw material procurement	Ratio of cost-to-income for animal feeds increased due to market prices despite targeted cost competitiveness being achieved.
Achieve targeted earnings from capacity expansion to improve profitability in the less cyclical feeds business	Animal feeds operating profit decreased by 7.5% primarily affected by load shedding and lower volumes sold to external customers.
Increase profitability from the less cyclical broiler farming business by increasing day-old broiler chick volumes	Day-old broiler chick volumes increased by 4.2%.
Maintain profitability from the less cyclical broiler farming business in the Western Cape by maintaining volumes (number of birds) supplied to customer abattoirs	Number of broilers supplied to customer abattoirs increased by 4.2% and total weight supplied increased by 3.7% with a marginal decrease in the average weight of birds supplied.
Achieve targeted earnings from capacity expansion to improve profitability from the less cyclical layer livestock business	Revenue for layer livestock decreased by 3.5%. Lower volumes and earnings resulted from weaker customer demand due to very challenging egg industry conditions.
Increase egg supply	Egg volumes increased by 0.7%.
Improve operating margin by achieving targeted profitability from businesses outside South Africa that traditionally achieve higher margins	Operating margin for our African segment decreased to 4.7% (FY2021: 9.6%) mainly due to more challenging trading conditions in Uganda.

### Future priorities

- Maintain cost competitiveness of key inputs for animal feeds
- Achieve targeted earnings from the available animal feeds capacity
- Ensure availability of animal feeds capacity through further investment in generators to mitigate load shedding
- Successfully complete the migration from importing grand-parent stock to acquiring broilers parents that can be purchased within South Africa
- Successfully complete the production capacity expansion at the Hartbeespoort broiler hatchery
- Maintain profitability from the less cyclical broiler farming business in the Western Cape
- Successfully implement a revised strategy for the layer livestock business
- Ensure dedicated focus on layer livestock for sale to customers or livestock used by the internal business for egg production following the restructuring of management and operating units
- Optimise sales volumes to customers following the closure of the Tongaat layer rearing facility early FY2023
- Consider egg supply and market opportunities in additional South African regions to optimise earnings from the egg business
- Improve operating margin by achieving the targeted profitability from businesses outside of South Africa that traditionally achieve margins higher than in South Africa



## Customer and product focus

*With customers and consumers in all market segments remaining under pressure, we focused on supplying quality products within specification and strengthening relationships.*

Strategic initiatives	Progress in 2022
Maintain optimal product performance and ensure satisfied customers and consumers	No key customers lost. Customer and consumer surveys indicated no significant concerns throughout the year.
Continuously consider geographic distribution of egg sales to achieve optimal profitability	Egg packing station in East London closed to protect profitability.
Consider egg marketing strategy and sales channel	Optimised sales volume split between formal and informal markets.

### Future priorities

- Maintain optimal product performance and ensure satisfied customers and consumers
- Optimise earnings from the egg segment by continuously evaluating the geographic distribution of egg sales
- Continuously consider routes-to-market for egg sales to optimise profitability

## Operational excellence

*We identified further opportunities to be more efficient, to strengthen our people on the ground and be more productive.*

Strategic initiatives	Progress in 2022
Ensure increases in operating costs are contained	Cash operating expenses increased by 10.2%. 🔗 Read more in the CFO report from page 39.
Maintain commercial broiler farm conversion costs and efficiency	Broiler farming efficiency remained at a satisfactory level.
Improve broiler breeder production efficiency to boost sales volumes and lower costs	Hatchability increased. Conversion from the Cobb500 to the Ross308 genetics commenced during the financial year.
Improve layer farm production efficiency	Layer farm production efficiency improved from the previous financial year although targeted efficiencies were not achieved.
Maintain operational efficiencies in egg packing stations	Operational efficiencies improved during 2022 and were at world-class levels.
Implement a new enterprise resource planning ("ERP") system, SAGE X3, to replace SAP R/3	Implementation project completed for migration to SAGE X3 on 1 October 2022.

### Future priorities

- Ensure increases in operating costs are maintained
- Maintain broiler conversion costs and profitability
- Successfully complete the broiler breed change and realise the genetic potential to optimise cost of production and number of day-old chicks available for sale
- Realise layer bird genetic potential to optimise feed conversion costs and achieve more eggs available for sale
- Ensure an optimal sales mix for eggs by reducing second-grade eggs
- Ensure benefits from a modern ERP system configured to optimally support the Group's business operations

## Enhance the performance culture

*We are strengthening our management teams and investing in skills.*

### Strategic initiatives

Continue to strengthen the Group's management team

### Progress in 2022

Vacancies are used as an opportunity to review operational structures for optimal performance and to allow for succession.

Following a review of the management structure, the Executive: Layer farming will manage layer breeding and external sale of layer livestock operations going forward, while the layer farming units supplying the eggs business will report to the Executive: Eggs. The management team supporting the Executive: Eggs in this role has been strengthened by creating and filling a number of senior management positions.

To improve management's ability to execute the Group's strategy, 11 senior managers joined an internal leadership development programme in 2020 and despite some delays due to COVID-19, the development plans for these individuals are progressing. The aim of the programme is to retain critical talent to set the individuals' careers towards advanced leadership roles and senior management positions.

Increase skills by improving farming employees' access to training material while evaluating and implementing training for non-farming employees

R4.6 million invested in training.

[Read more on page 55.](#)

### Future priorities

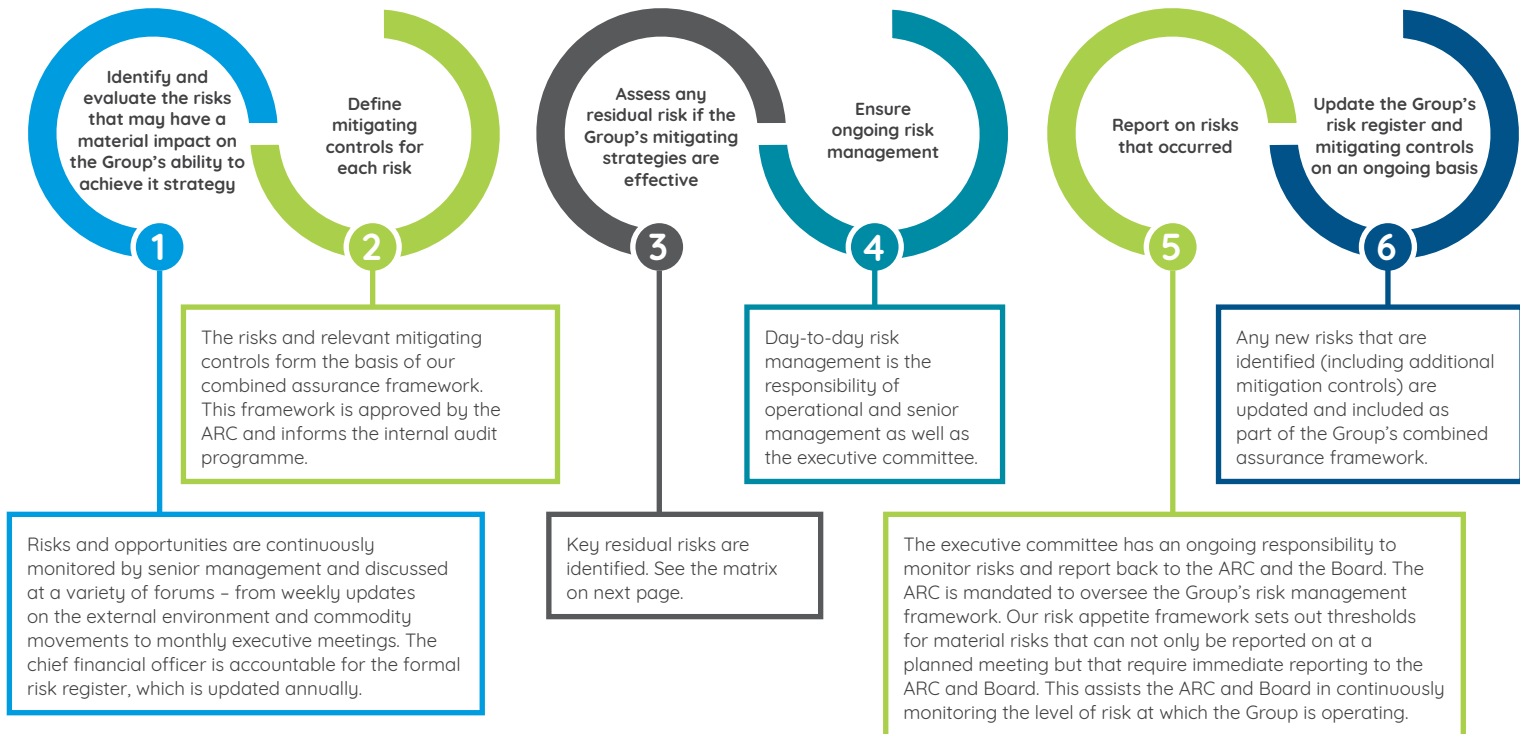
- Continuous process to evaluate and improve the senior management succession plan
- Continuously improve employee skills throughout the Group
- Improve management's ability to effectively execute the Group's strategy which includes actions to further entrench Company values



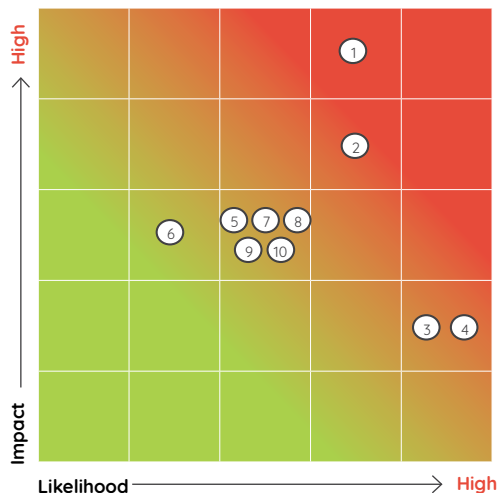
# Strategic risks

*Proactive risk management is essential for the effective implementation of our strategy and to ensure Quantum Foods remains a competitive and sustainable business. Risk management improves operational effectiveness, and improved value creation becomes possible if challenges are turned into opportunities.*

## Our risk management process



## Quantum Foods' top 10 residual risks

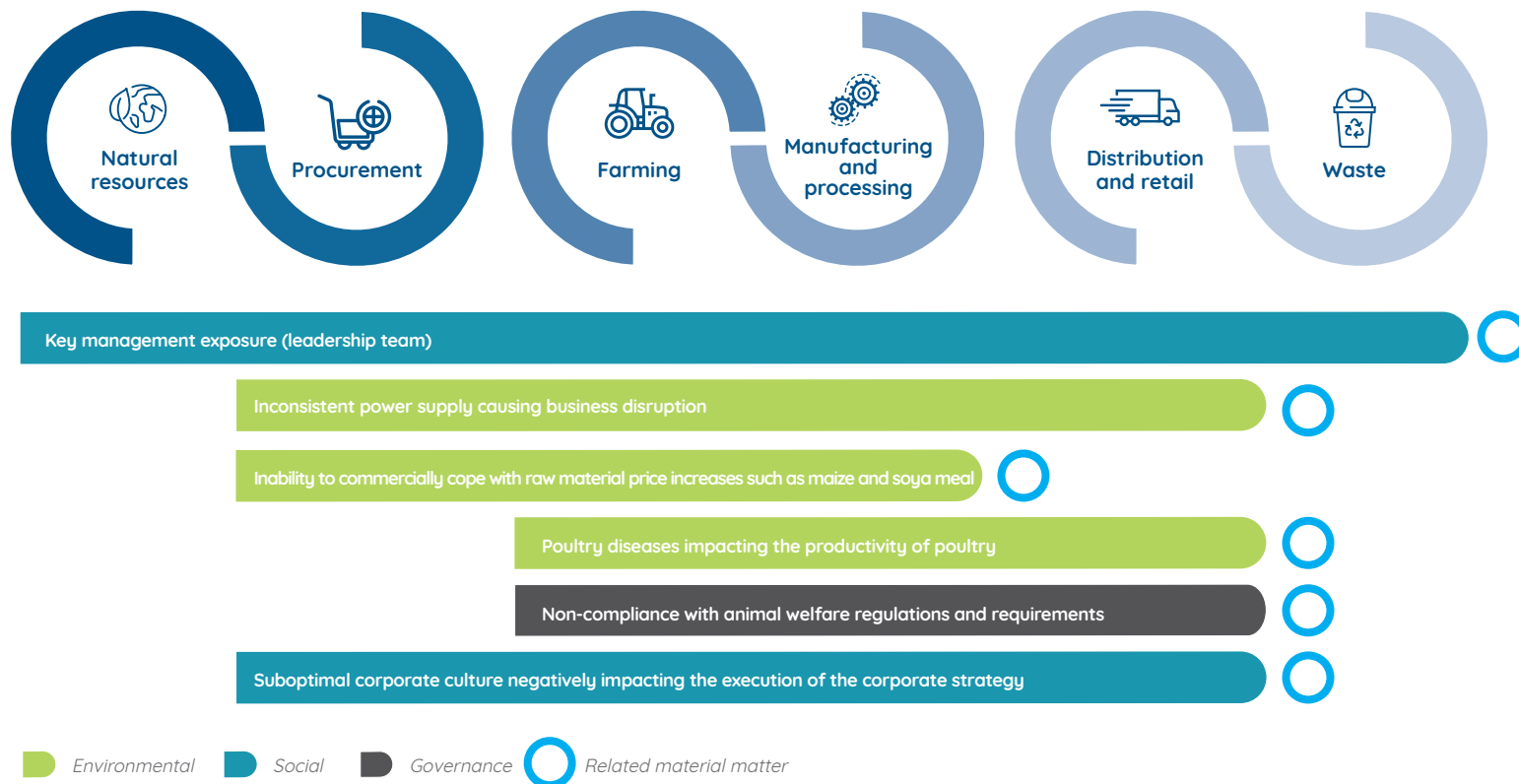


1. Poultry diseases impacting the productivity of poultry (5/4)
2. Inability to cope commercially with raw material price increases – particularly maize and soybean meal (4/4)
3. Inconsistent power supply causing business disruption (2/5)
4. Declining consumer spend impacting sales (2/5)
5. Egg supply and demand imbalances with oversupply resulting in pricing challenges (3/3)
6. Cyber security breach resulting in loss of information (3/2)
7. New market entrants increasing competition (3/3)
8. Suboptimal corporate culture negatively impacting the execution of the corporate strategy (3/3)
9. Non-compliance with animal welfare regulations and requirements (3/3)
10. Key management exposure (leadership team) (3/3)

Risk description	Mitigation to create opportunities
<b>Poultry diseases impacting the productivity of poultry</b>	We have a comprehensive vaccination and flock health monitoring programme. Strict biosecurity management is enforced and was further expanded following the impact of the HPAI outbreaks in 2022. The geographical spread and number of farming operations provide us with some protection from the impact and scale of poultry disease outbreaks.
<b>Inability to cope commercially with raw material price increases – particularly maize and soybean meal</b>	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 team observes market trends daily.
<b>Inconsistent power supply causing business disruption</b>	We have backup generators for strategic sites, especially where livestock is held in facilities with automated temperature control and ventilation. We increased feed mill production capacity to mitigate against stage two energy supply interruptions and will be installing additional generators at our largest feed mill during FY2023. We have manual procedures to ensure business continuity in prolonged periods of business interruption. A disaster recovery plan is in place in case of damage to our information technology infrastructure. We are expanding our solar generating capacity.
<b>Declining consumer spend impacting sales</b>	Our products meet basic nutritional requirements in terms of animal feeds, poultry products and eggs. We manage capacity in our portfolio to adjust to demand and monitor margins to protect profitability. Production planning and cost management are based on continuous sales data monitoring.
<b>Egg supply and demand imbalances with oversupply resulting in pricing challenges</b>	Our focus on operational efficiencies enables us to mitigate some price pressure while we adjust production planning and capacity. We are able to move volumes between market segments and regions to smooth some demand and supply imbalances.
<b>Cyber breach resulting in loss of information</b>	We have a combination of outsourced and internal security mechanisms in place. A formal cyber security risk management programme includes the continuous review of vulnerabilities. Regular risk awareness training takes place on the Ataata platform, with a disaster recovery test being performed every six months. We drive initiatives to increase employee awareness, including requirements of the Protection of Personal Information Act, No. 4 of 2013. Cyber risk insurance cover is in place.
<b>New market entrants increasing competition</b>	We do continuous market research and monitor our competitive environment. Strong and long-lasting customer relationships are key to retention and a competitive strength.
<b>Suboptimal corporate culture negatively impacting the execution of corporate strategy</b>	Employees are sensitised to our values during their induction programme and receive or give feedback through the performance management programme. We also have a tip-off line where employees may anonymously report any issues.
<b>Non-compliance with animal welfare regulations and requirements</b>	Formal training programmes are in place, assisted by third-party veterinary consultants. We conduct internal and external audits to monitor and ensure compliance. When the opportunity arises, meetings are held with the National Council of SPCA's to discuss relevant matters.
<b>Key management exposure (leadership team)</b>	We maintain 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.



## An integrated summary of ESG risks and material matters across our value chain



Our Quantum Foods values and commitment to teamwork enable us to be resilient. We cope well, even under tremendous pressure. Our executive team leads with passion and a shared vision for success.

# Leadership report

## Joint report of the Chairman and CEO



Revenue (external)

**R6.0 billion**

+11.5% from FY2021



Headline earnings per share

**14.1 cents**

-72.9% from FY2021



Cash from operations

**+R78 million**

(FY2021: R24 million)



Dividend per share

**8 cents**

(FY2021: Nil cents)

*This was an exceptionally challenging year for Quantum Foods. We faced historic highs in the costs of raw materials, significant increases in logistical and energy costs on top of rising inflation, labour unrest, drought conditions and a serious outbreak of HPAI. Feed volumes declined, egg volumes were flat, with broiler chicks and Africa operations the only areas of growth.*



**WA Hanekom**  
Chairman

Our value chain is subject to global effects and pricing curves, which also put consumers in all market segments under pressure. As we experience the widening impacts of global food insecurity, inequality and climate change, we remain anchored to our purpose, values and the resilience of Quantum Foods' people.

Whereas it might seem that most of these factors are beyond our control, there are still opportunities for us to be more efficient, to strengthen our people on the ground and be more productive.

Several factors enabled us to perform this year, despite facing difficulties:

- In the animal protein segment, sales of chicken meat and eggs were the least impacted by shrinking consumer budgets.
- The disruptive impact of COVID-19 receded with Uganda being the only market where closed borders affected trade as delayed import of parent stock resulted in low bird productivity and earnings were impacted by an imbalance in egg supply and demand.
- Our combined focus on ESG factors, cost management and operational efficiency enabled us to contain operational expenses and mitigate against a larger decline in earnings. Areas of performance include:
  - Operational efficiencies improved in the feeds and egg businesses, and cost management was well executed in these businesses, despite the impact of increased load shedding
  - Hatchability for both layer and broiler chicks increased
  - Egg farm efficiencies improved with better feed conversion rates, lower mortality and higher egg production
  - Read more on ESG performance on page 48
- We successfully transitioned from SAP to the SAGE X3 platform on 1 October 2022, with change management and training implemented for the first components, enabling functionality better aligned to our requirements and the cost of support more affordable over the long term.

### The Board's view on performance and prospects

Quantum Foods remains a solid business with good risk management and attractive future opportunities. The Board continues to support the executive team by considering the longer-term drivers of growth and how to ensure we capture value. We are committed to protecting earnings, safeguarding our assets and developing our people.

We enhanced our focus on and understanding of ESG factors such as climate change and sustainable resource use. We also consider these in our capital allocation decisions, which we set out in the outlook statement of this report.



**HA Lourens**  
Chief Executive Officer

## Factors that had a major impact on Group performance

### Margin closure

The Company was unable to recover the further and significant increases in the cost of feed raw material and other operating costs from customers, especially in the layer farming, eggs and Ugandan businesses. This contributed to the significant decline in Group earnings for FY2022.

### The devastating impact of avian influenza

An outbreak of avian influenza on a poultry farm has an immediate as well as lingering operational impact, not even considering the difficulties that our farming employees have to face until operations return to normal – often months after the outbreak. The business suffers from direct stock losses of birds and clean-up costs that include burial of birds, sanitation and cleaning of all facilities. We lose egg production, which means that we must transport eggs from other regions to meet demand. This also affects volumes and efficiency at egg packing stations.

The outbreak in January 2022 at our Lemoenkloof layer farm in the Western Cape affected operations for the remainder of the year. Repopulation of the farm commenced in July 2022. The farm supplies about 13% of our total production of eggs and approximately 400 000 layer hens had to be culled.

We also experienced false positive tests for HPAI on two of our farms in Gauteng and the North West. This resulted in the quarantine of layer hens, which still had to be fed, at a higher cost, beyond their normal age of depopulation. The disruption of the normal flow of birds from layer rearing farms to layer farms contributed to a higher cost of rearing.

Overhead costs such as wages remain fixed, despite an outbreak and lost production on a farm. Any outbreak of HPAI further comes with unplanned costs, including significant laboratory expenses due to a heightened test regime.

Even though we recovered some costs through insurance, the total impact of HPAI on Quantum Foods this year was calculated at more than R28 million. Insurance was limited to the risk associated with direct losses resulting from the culling of infected flocks but not the further effect of lost production and lower sales volumes.

### Impact of increased load shedding

FY2022 was impacted by a significant increase in the number of hours of load shedding. This affected operations across the Group's South African operations. Costs increased due to, *inter alia*, additional overtime costs, increased fuel usage, transporting products over increased distances and some previously planned raw materials not being available for feed production. The impact of load shedding on Quantum Foods this year was c. R19 million.

### The Kaalfontein labour unrest

Employees at the Kaalfontein layer farm in Gauteng initiated an unprotected strike in October 2021 which disrupted operations and had a significant cost impact. The Kaalfontein farm provides approximately 15% of Quantum Foods' South African egg production.

The strike followed a disciplinary process that was launched against an employee suspected of sabotage. This labour action, unfortunately, resulted in 40 employees being dismissed, and the Company had to contract additional security and employ temporary labour at short notice while starting a process to fill these positions. The change of staff together with a maintenance backlog resulting from the labour action resulted in much higher operational costs and weaker production efficiencies at the farm. We lost significant egg production, with the total negative impact reaching more than R5 million for the financial year.

### Consolidation for profitability in eggs

While egg prices have increased over the past year, we have not been able to recover costs driven by the steep rise in raw material costs for feeds, HPAI and the cost of power supply disruptions. This has led to a further decline in operating profit and a loss of R42 million for our egg business.

With our biggest customers being retailers in the formal market, the increasing cost of transport further impacted our margins as we carry the cost of delivery to retailer stores and warehouses. The outbreak of HPAI at the Lemoenkloof farm and labour action at the Kaalfontein farm, both major egg-supplying farms, meant that we had to incur additional transport costs to meet customer demand in other areas.

Following a strategic review of our challenges and anticipated loss drivers, we decided to close the East London egg packing station. This will result in a reduction in volumes, but also in fixed costs as we ceased operations and retrenched some employees.

When the egg cycle returns to profitability, we are positioned to upscale volumes and benefit accordingly.



## Segmental performance summaries

### Animal feeds



Revenue

**R2 688 million**

+10.1% from FY2021



Adjusted operating profit

**R93 million**

(FY2021: R101 million)



Total volumes

**1% down**

from FY2021

#### Highlights

- Cost management well executed
- Improvement in operational efficiencies
- Price-volume-management well executed
- Malmesbury mill at full capacity

#### Areas of concern/improvement

- Long and continued upward feed input cost cycle (CAGR c.13% since 2018)
- Customers under increasing pressure
- Continued increase in South African feed production capacity, outpacing growth in demand

The animal feeds segment is the most significant contributor to Group revenue and targets a Rand per ton margin. Generally, pricing changes are in line with raw material costs. Revenue increased by 10.1% to R2 688 million this financial year, despite external volumes being lower. Volumes were impacted by the HPAI outbreaks and certain customers investing in their own facilities, while margins were affected by increasing levels of load shedding and general cost inflation. Volumes transferred to the internal poultry business, which is not included in revenue, increased.

Customers for this segment were under severe pressure with some closing their operations during the year. We are experiencing higher levels of credit risk and have been managing this closely in terms of credit facilities, approving new limits and managing any overdue accounts.

### Farming



Revenue

**R1 588 million**

+12.5% from FY2021



Adjusted operating loss of

**R15 million**

(FY2021: profit of R34 million)



Day-old pullet volumes

**down 10%**

Day-old broiler chick volumes up 4%

#### Highlights

Broilers:

- Commencement of Hartbeespoort hatchery expansion
- Project to repurpose grandparent farm at Bulhoek for breeders on target
- Improvement in egg production of current flocks and in hatchability
- Growth in day-old chick sales volumes

#### Areas of concern/improvement

Broilers:

- Profitability below target
- Slightly lower broiler performance
- Target for increased live broiler production not achieved

Layers:

- Above-standard breeder and hatchery performance
- High customer satisfaction rating

Layers:

- Layer livestock's poor financial performance
- Cost increases
- Placement cycle disruptions due to changes in demand

### Broiler farming

Broiler farming revenue increased by 15.4% to R1 376 million. The majority of revenue from the broiler farming business is generated from long-term supply agreements entered into whereby the Company is compensated for the production risk it undertakes and therefore does not experience the associated broiler meat market margin fluctuations. Volumes increased for both broilers and day-old chicks. Quantum Foods benefited, to a limited extent, from improved trading conditions in the broiler industry, where supply volumes were reduced and the levels of consumer demand remained adequate, culminating in a higher demand for day-old broiler chicks.

Our broiler farming segment has a defensive business model, which makes it less prone to cyclical movements in the market, and as such it provides a more stable income. We are in a unique position as a large-volume supplier to abattoirs.

As we have a relatively small share of the national market, and with a successful broiler farming model to replicate, we see significant growth opportunities for this business.

Progress on the project to increase production capacity at the Hartbeespoort hatchery is on track and expected to be completed by June 2023. The project to repurpose the Bulhoek farm, previously used for broiler grandparent farming, to a broiler parent farm is progressing well and has provided the Group the opportunity to purchase parent stock, as opposed to importing grand-parent stock, as the starting point of the Company's broiler value chain. The process of converting from Cobb500 to Ross308 genetics has a long lead time due to the genetic cycle of bird stock.

## Layer farming

Layer farming revenue decreased by 3.5% to R212 million following a significant decline in demand for point-of-lay hens as egg margins came under pressure in the market and high input costs could not be recovered. Lower volumes had a reduced throughput effect over time, and negatively affected efficiencies and our ability to cover fixed costs. The Kaalfontein labour unrest and the HPAI outbreak at Lemoenkloof had a further significant impact on margins for the layer business.

Operational efficiencies in the hatcheries improved. The number of day-old pullets sold to external customers was marginally lower in FY2022 when compared to FY2021. Point-of-lay volumes sold to external customers were, as planned, much lower in FY2022 compared to FY2021, which contributed to lower earnings from the layer livestock business.

The effect of more challenging egg industry conditions resulted in lower demand from layer livestock

customers which culminated in the Group's inability to recover increased production costs in product selling prices and some customers either postponing or cancelling orders for point-of-lay hens. This resulted in point-of-lay hens being retained on the Company's farms for increased periods resulting in a higher cost of production and reduced margins.

Production efficiencies on commercial egg farms improved compared to FY2021. The labour unrest at the Kaalfontein farm and the HPAI outbreak at the Lemoenkloof farm resulted in significant increases in overhead costs. Egg production from the Lemoenkloof farm was much lower in FY2022 given that the majority of the farm was not stocked with birds in the second half of FY2022 due to the HPAI outbreak, leading to the under-recovery of overhead costs and reduced egg volumes being available for sale.

The second half of FY2022 saw additional costs incurred by the egg business to supply customers from the Western Cape with eggs produced in both Gauteng and the North-West.

Quantum Foods' insurance for the HPAI outbreak on the Lemoenkloof farm was limited to the risk associated with direct losses resulting from the culling of infected flocks and did not cover the further effect of lost production and lower sales volumes. A payment of c. R20 million from the insurance provider was received in FY2022.

Following a review of the layer farming business, a decision has been made to close the Tongaat layer rearing farm and Hekpoort layer farm in the first quarter of FY2023. Egg production on two other layer farms will also be scaled back in FY2023. These impending closures and resizing resulted in once-off exit costs incurred in FY2022. We now have dedicated rearing and egg farms for our internal needs. We also have dedicated facilities and a management team focussing on external livestock sales opportunities.

## Eggs



Revenue

**R1 350 million**

+9.9% from FY2021



Adjusted operating loss

**R42 million**

(FY2021: loss of R5 million)



Volumes up

**1%**

from FY2021

### Highlights

- Further improvement in operational efficiencies
- Overhead cost management well executed
- Kasi Star Brands 2022/2023 egg category winner
- Increased egg supply from enterprise and supplier development beneficiaries

### Areas of concern/improvement

- Under-recovery of cost increases
- Decline in sales of extra-large and jumbo eggs
- East London employee strike action

Revenue for eggs increased by 9.9% to R1 350 million. Egg prices increased by 8.4% on average this year and volumes increased by 0.7%. We lost volumes due to the HPAI outbreak at the Lemoenkloof farm and labour action at the Kaalfontein farm.

Higher production costs, arising from the increase in feed raw material costs and increased overhead costs, could not be recovered in the final product selling prices in FY2022.

Packing station efficiencies further improved in FY2022 and cost management was well executed.

The relatively large South African layer flock together with the current depressed consumer environment has created an imbalance in the supply and demand of eggs. The resultant pressure on egg selling prices together with higher production costs resulted in significant margin pressures and losses incurred in the egg business.

Following a review of the egg business, a decision was taken to close the East London packing station in August FY2022, resulting in the exit of some unprofitable distribution routes and the incurrence of once-off exit costs in FY2022.

We continue to serve the informal market by delivering directly to wholesalers from the farms. This is a cash market where prices are negotiated daily. In the formal market, egg prices are adjusted less frequently. By serving both the formal and informal markets, we build on a more responsive model that captures opportunities and enables us to better manage margin risk.

Our intent is to consolidate the egg business in the short to medium term and maintain a smaller, highly efficient and more profitable base from where we are able to upscale once margins stabilise and start increasing.

## Other African countries



Revenue

**R394 million**

+23.2% from FY2021



Adjusted operating profit

**R19 million**

(FY2021: R31 million)



Egg volumes

**down 2%**

from FY2021

**Total day-old chick volumes  
up 3.0% from FY2021**

### Highlights

- Layer breeder performance improved in Uganda
- Commercial layer performance improved in Mozambique
- Egg realisation management in all three countries
- Cost management in all three countries

### Areas of concern/improvement

- Lower farm production efficiency resulting from disease challenges in Zambia
- Below-target broiler breeder and commercial layer production efficiencies in Uganda
- Weak demand for day-old chicks and eggs in Uganda

Revenue from other African operations showed a healthy increase of 23.2% to R394 million. Egg volumes increased in Mozambique due to better efficiencies and more hens in production. In Zambia, egg sales volumes decreased due to disease challenges affecting producers in the Copperbelt province. In Uganda, egg volumes declined due to poor efficiencies, while the demand for layer chicks was very weak.

Margins in our African businesses continued to outperform South Africa.

The political situation in Zambia stabilised since the elections in August 2021, which led to a stimulated economy. Trading conditions remained favourable for egg businesses in Zambia, however, compared to FY2021, feed raw material costs were higher but so were egg selling prices. The animal feed business delivered strong results.

The Ugandan business was negatively affected by record high raw material costs and subdued egg selling prices following restrictions on the normal export trading pattern of eggs, which resulted in an imbalance in the local supply and demand for eggs. The business suffered from three 42-day lockdowns, which limited our ability to import parent stock for our layer and broiler business. These factors also resulted in much lower demand for, and earnings from the sales of, layer livestock. By contrast, day-old broiler chick volumes increased.



Our business in Mozambique performed in line with expectations. Although costs were higher, so were volumes, thanks to improved efficiency following physical improvements to more chicken houses on our farm. This meant more hens could be placed, and losses due to heat were curtailed thanks to improved climate control. Our operations have fortunately not been affected by the security situation in Cabo Delgado, in the north of the country. The economic situation in Mozambique is tough, but growth prospects are positive. This business is similarly exposed to the profit drivers experienced by the South African egg business and margins remained under pressure during 2022.

No HPAI outbreaks were experienced in the other African businesses.

### Difficult stakeholder conversations

Flies breed on poultry farms and pose a health risk for humans and animals alike. They are more challenging to manage on farms that lack modern automated facilities and can become a major issue for neighbouring residential communities.

The Hekpoort layer farm in Gauteng came under scrutiny this year due to complaints about flies. In response to these complaints, we performed a fly control audit and invited one of our major customers to do a supplier audit. The NSPCA also inspected the farm, as did a consulting veterinarian accompanied by an independent expert on pest control.

None of these visits highlighted any significant deviation from procedures for good husbandry or general housekeeping standards.

However, the complaints generated media interest and social media exposure, which affected our reputation and standing as a corporate citizen. Many factors were taken into consideration, including the need to consolidate our egg business, the age of the poultry houses on the farm, the cost of the fly control programme and the interests of the community in close proximity of the farm in deciding to close the farm by the end of October 2022.

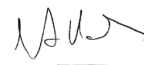
### Outlook summary

- The cost of raw materials is expected to remain high in all the countries where we operate, challenging us to improve margins in especially the eggs and other African businesses. Customers and consumers are likely to remain under pressure due to economic conditions and global uncertainty which are leading to higher interest rates and inflation. This has a negative effect on our ability to recover cost increases.

- We expect egg selling prices to be supported by lower supply resulting from a reduced South African flock size as producers place fewer hens in response to challenging egg industry conditions. Despite this, margin recovery is expected to be contained by lower consumer spending power.
- With no end in sight to load shedding in South Africa, we are investing to mitigate against potentially higher energy supply constraints. Generator installation at the Group's largest feed mill in Malmesbury is in progress.
- Layer farming efficiencies are expected to improve further given the measures implemented to support proactive management and control.
- Diligent cost management and efficiency will be key drivers for success and sustainability in the next year.
- A further factor that could have a significant impact on FY2023 is the possibility of further HPAI outbreaks. Europe has experienced an increase, while sporadic outbreaks in South Africa have continued.
- The COVID-19 pandemic, despite a minimal impact on the Company in FY2022, remains an uncertainty should the virus start spreading significantly and could impact the recovery of trading patterns and operations.
- The continued decline of the South African economy remains a concern. High levels of unemployment and poverty have the potential to lead to increased social unrest, with a concomitant risk to business.

### Appreciation

Teamwork is one of our values, accentuated by the integrated nature of our business. It would not be possible to operate a business of Quantum Foods' size and scale without teamwork and the active engagement of our stakeholders. 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



# CFO report

## Financial overview

### Salient features

- Revenue increased by 11.5%
- Operating profit decreased by 78.0%
- Headline earnings per share decreased to 14.1 cents
- Other gains/(losses) – net includes a R5.4 million impairment of goodwill originating from the acquisition of the Olifantskop feed mill in 2016.
- Animal feeds increased revenue by 10.1%, while operating profit decreased by 12.9%
- Broiler and layer farming increased revenue by 12.5% but recorded an operating loss of R14 million
- The eggs business increased revenue by 9.9% and recorded an operating loss of R42 million
- Other African countries increased revenue by 23.2% while operating profit reduced by 40.5%

### Revenue keeping pace

Group revenue increased by 11.5% to R6.0 billion (FY2021: R5.4 billion) in a year characterised by:

- Global: Increasing cost of feed raw materials, cost of logistics and volatile currency effects
- Africa: Lingering COVID-19 impacts such as closed borders in Uganda
- South Africa: Severe load shedding, rising interest rates, food and fuel costs, failing infrastructure and climate events such as the floods in KwaZulu-Natal and drought in the Eastern Cape

Revenue for South African operations increased by 10.7% to R5 626 million (FY2021: R5 081 million).

Revenue from other African operations increased by 23.2% to R394 million (FY2021: R320 million). Revenue from other African operations contributed 6.6% to total revenue, up from 5.9% in 2021.

## Summary statement of income

### External revenue

Eggs	
Farming	
Animal feeds	
Other African countries	
Cost of sales	
Gross profit	
Other income	
Other gains/(losses) – net	
Net impairment losses on trade and other receivables	
Cash operating expenses	
Depreciation and amortisation	

### Segment results

Eggs	
Farming	
Animal feeds	
Other African countries	
Head office costs	
Net finance costs	
Share of (loss)/profit of associate companies	
Profit before income tax	
Income tax credit/(expense)	

### Profit for the year

HEPS (cents)	
Dividend per share (cents)	

	2022 R'000	2021 R'000
<b>External revenue</b>	<b>6 020 558</b>	<b>5 401 116</b>
Eggs	1 350 127	1 228 789
Farming	1 587 880	1 411 630
Animal feeds	2 688 142	2 440 511
Other African countries	394 409	320 186
Cost of sales	(4 910 916)	(4 339 005)
Gross profit	1 109 642	1 062 111
Other income	20 120	10 201
Other gains/(losses) – net	(5 870)	72 304
Net impairment losses on trade and other receivables	(1 739)	(9 050)
Cash operating expenses	(982 690)	(891 421)
Depreciation and amortisation	(106 958)	(96 556)
<b>Segment results</b>	<b>32 505</b>	<b>147 589</b>
Eggs	(42 185)	(5 016)
Farming	(14 007)	33 497
Animal feeds	87 832	100 810
Other African countries	18 476	31 057
Head office costs	(17 611)	(12 759)
Net finance costs	(12 057)	(7 097)
Share of (loss)/profit of associate companies	(180)	1 767
Profit before income tax	20 268	142 259
Income tax credit/(expense)	3 554	(36 464)
<b>Profit for the year</b>	<b>23 822</b>	<b>105 795</b>
HEPS (cents)	14.1	52.2
Dividend per share (cents)	8.0	–

## Cost of sales tracking up

Cost of sales increased by 13.2% to R4.9 billion (FY2021: R4.3 billion) and included:

- Significantly higher feed raw material costs, which include an increase of 15% in maize costs and 15% in soybean meal costs
- The effect of increased hours under load shedding, significantly higher energy and fuel costs
- Higher costs resulting from the labour unrest at the Kaalfontein farm and the outbreak of HPAI at the Lemoenkloof farm
- Fair value adjustments to the value of R6 million (FY2021: R87 million) of biological assets (livestock) and agricultural produce (eggs) that were realised and included in other gains and losses in the statement of comprehensive income

Gross profit, excluding the fair value adjustments, decreased by R33 million to R1 116 million (2021: R1 149 million) at a margin of 18.5% (FY2021: 21.3%).

Aggregate cash operating expenses increased by 10.2% from the previous year, driven primarily by:

- Significant increases in energy and distribution costs
- The increased number of hours under load shedding
- Expenses for the Helderfontein broiler farm (acquired on 31 January 2021) being included for the full period
- Higher costs associated with the labour unrest at the Kaalfontein egg farm and the outbreak of HPAI at the Lemoenkloof farm

## Operating profit sliding

Operating profit before items of a capital nature decreased by 74.5% to R37 million (FY2021: R144 million).

South African operations recorded a 72.5% decrease in operating profit to R36 million (FY2021: R130 million) at a margin of 0.6% (FY2021: 2.6%). Other African countries recorded a 39.5% decrease in operating profit to R19 million (FY2021: R31 million) at a margin of 4.7% (FY2021: 9.6%). Shared services costs increased from R17 million in FY2021 to R18 million in FY2022.

Operating profit decreased primarily due to the reasons set out on page 34.

The effective tax rate of the Group decreased and includes the effect of a credit of R9 million due to the remeasurement of deferred tax liabilities in accordance with the lower corporate tax rate applicable in South Africa from FY2023.

### Summary statement of cash flows

	2022 R'000	2021 R'000
Cash flow from operating activities	77 792	24 348
Cash flow from investing activities	(118 214)	(153 272)
Cash flow from financing activities (excluding dividend)	(39 212)	(31 639)
Dividends paid	(15 962)	(19 392)
Movement in cash for the year	(95 596)	(179 955)

## Earnings disappointed and cash flow impacted by increase in working capital investment

HEPS decreased to 14.1 cents from 52.2 cents in FY2021.

Cash flow from operating activities amounted to R77.8 million (FY2021: R24.3 million) and includes an increased investment in working capital of R87.1 million (FY2021: increase of R259.3 million). The increase in the investment in working capital for FY2022 includes the benefit of adjusted vendor payment terms for key suppliers of maize and soybean meal.

Cash flow from investing activities includes capital expenditure on property, plant and equipment and intangible assets amounting to R125.2 million (FY2021: R108.6 million). In addition to maintenance capital, the main projects included the broiler hatchery expansion in the North-West province, the implementation of SAGE X3 as the new enterprise resource planning system for the Group and the refurbishment of the Kaalfontein layer farm.

Summary statement of financial position	2022 R'000	2021 R'000
Non-current assets	1 416 940	1 360 639
Current assets (excluding cash)	1 650 008	1 350 554
Net cash	(11 063)	73 311
Current liabilities (excluding lease liabilities and bank overdraft)	(607 334)	(400 741)
Non-current liabilities (excluding lease liabilities)	(266 144)	(274 946)
Lease liabilities	(81 619)	(109 015)
Equity	2 100 788	1 999 802

Cash and cash equivalents decreased from R73 million as at 30 September 2021 to a net bank overdraft of R11 million as at 30 September 2022.

The Rand value of the Group's investment in the other African countries segment increased by R86 million from 30 September 2021. The Rand depreciated against the Zambian Kwacha, Ugandan Schilling and Mozambican Meticals since the end of the 2021 financial year. This increase in the foreign currency translation reserve is included in other comprehensive income for the current reporting period.

The Group's borrowings as at 30 September 2022 comprised mainly lease liabilities as accounted for in terms of International Financial Reporting Standards ("IFRS") 16 – Leases.

## Dividend declaration

The Board declared an interim cash dividend of 8 cents per share in May 2022.

The Board decided to not declare a final cash dividend for FY2022.

## A longer-term view on earnings

The cyclical nature of our business is evident from an analysis of EBIT from 2017 to 2022. The duration and severity of the impact of cycles in the segments are different, with our portfolio designed to limit losses in the downcycle and deliver significant returns when high points coincide. The Group achieved its highest EBIT of R472 million in 2018, when feed costs were relatively low and egg prices increased significantly following supply shortages. Adjusted EBIT, that is EBIT excluding items of a capital nature, is set out in the table below.

R million	EBIT from 2017 – 2021				2022
	Highest EBIT achieved	Year in which highest EBIT achieved	Lowest EBIT recorded	Year in which lowest EBIT recorded	
Animal feeds	101	2021	69	2018	93
Farming	122	2020	34	2021	(15)
Eggs	287	2018	(5)	2021	(42)
Other African countries	31	2018 and 2021	(10)	2017	19



**AH Muller**  
Chief Financial Officer

## Five-year financial performance view

		2018	2019	2020	2021	2022
<b>Earnings</b>						
Revenue	R million	4 122	4 418	5 095	5 401	6 021
Operating profit (excluding items of a capital nature)	R million	472	245	220	144	37
Operating profit margin (excluding items of a capital nature)	%	11.5	5.5	4.3	2.7	0.6
Earnings	R million	362	189	155	106	24
Headline earnings	R million	361	189	156	102	28
<b>Segment operating profit</b>						
Eggs	R million	287	38	6	(5)	(42)
Farming	R million	99	112	122	34	(15)
Animal feeds	R million	69	89	99	101	93
Other African countries	R million	31	14	6	31	19
Head office costs	R million	(13)	(9)	(13)	(17)	(18)
<b>Financial position</b>						
Total assets	R million	2 515	2 514	2 645	2 785	3 131
Total liabilities	R million	(660)	(677)	(759)	(785)	(1 030)
Total equity	R million	1 855	1 837	1 886	2 000	2 101
Net assets	R million	1 656	1 859	1 939	2 303	2 450
<b>Returns</b>						
Return on net assets	%	29	14	12	7	2
<b>Shareholder returns</b>						
Earnings per share	cents	164.3	92.6	80.1	53.9	12.0
HEPS	cents	163.9	92.3	80.5	52.2	14.1
Dividend per share (declared)	cents	41.0	23.0	16.0	-	8.0
Special dividend per share	cents	49.0	10.0	-	-	-
Dividend cover	cents	4.0	4.0	5.0	-	1.8
Total dividends declared for the year	R million	192	64	31	-	16
Share repurchases	R million	55	63	4	-	-
Dividends plus share repurchases as % of headline earnings	%	68	67	23	-	57
<b>Share statistics (JSE)</b>						
Market value per share at year-end	cents	425	365	618	540	483
Closing earnings yield (headline earnings)	%	39	25	13	10	3
Closing dividend yield	%	21	9	3	-	2
Closing price-earnings ratio	times	2.6	4.0	7.7	10.3	34.3
Number of shares in issue	'000	210 530	200 025	200 025	200 025	200 024
Number of shares issued excluding treasury shares held	'000	210 195	192 917	194 263	197 547	199 611
Number of shares traded	'000	24 209	55 253	187 014	67 111	4 931
Number of shares traded as a percentage of shares in issue	%	11	28	93	34	2



## 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. Ziyanda Patience Wakashe

13. Hendrik Albertus Lourens  
14. Jan Hendrik van Rhyn  
15. Adel Deidré van der Merwe

## Board of directors



### WOUTER ANDRÉ HANEKOM (63)

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, ethics and transformation, nomination (chairman) and investment.*

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.

R SET N C I



### GEOFFREY GEORGE FORTUIN (55)

Geoff was appointed to the Board on 28 April 2015 and appointed as lead independent director on 9 September 2021.

#### 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 various South African listed companies. He was also a member of the Deloitte South Africa board of directors.

AR C R C



### TANYA GOLDEN (49)

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, ethics and transformation.*

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 chairperson of the Cape Bar Transformation Committee and the National Transformation Chairperson for the General Council of the Bar. She also 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.

AR SET



### LARRY WILSON RIDDLE (63)

Larry was appointed to the Board on 28 September 2020.

#### Qualifications CA(SA)

#### Quantum Foods Board and committee membership

*Non-executive director, audit and risk, remuneration, nomination and investment.*

Larry previously held the positions of commercial director and group corporate & 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 chairman of Crookes Brothers Ltd.

AR R N I



Non-executive  
director

## GARY VAUGHAN-SMITH (59)

Gary was appointed to the Board on 19 February 2021.

### Qualifications

BSc (Hons) Mathematical Statistics, MPhil Finance, Fellow of the Institute of Actuaries.

### Quantum Foods Board and committee membership

*Non-executive director, social, ethics and transformation (chairman), nomination and investment.*

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.



Chief executive  
officer

## HENDRIK ALBERTUS LOURENS (59)

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 – Group managing 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 over 24 years.



Chief financial  
officer

## ANDRÉ HUGO MULLER (52)

André was appointed to the Board on 27 January 2014.

### Qualifications

CA(SA)

### Quantum Foods Board and committee membership

*Executive director – Group 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* before being appointed as head of finance for Quantum Foods in 2012.



Company  
secretary and  
legal advisor

## ZIYANDA PATIENCE WAKASHE (37)

Ziyanda was appointed on 20 September 2022.

### Qualifications

LLB

### Quantum Foods Board and committee membership

*Company Secretary*

Ziyanda joined Quantum Foods in September 2022, from Sea Harvest Group Limited, where she served as the Legal and Compliance Officer, and Assistant to the Group Company Secretary. Having completed her articles in the civil and commercial litigation department at Schneider Galloon Reef & Co Attorneys, she was admitted as an attorney of the High Court in 2020.

# Executive committee



Chief  
executive  
officer

## HENDRIK ALBERTUS LOURENS (59)

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 over 24 years.



Chief  
financial  
officer

## ANDRÉ HUGO MULLER (52)

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 before being appointed as head of finance for Quantum Foods in 2012.



Executive:  
Supply  
chain

## ROELOF VILJOEN (56)

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 23 years' experience in the food industry, of which 15 years were spent in the poultry industry. Roelof was appointed in his current role in 2016.



Executive:  
Feeds

## MARTHINUS PETRUS VAN LILL (52)

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 24 years' experience in the animal feeds and poultry industry.



Executive:  
Eggs

## ADEL DEIDRÉ VAN DER MERWE (51)

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 material and commodity 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 14 years' experience in the animal feeds and food industry.





Executive:  
Broiler  
farming

### SELLO LACTON MAILULA (43)

Lacton has been with Quantum Foods since 1 January 2020.

#### Qualifications

NDip Poultry, BTech Agriculture, MBA

Lacton rejoined Quantum Foods on 1 January 2020 after five years of working internationally. He has 22 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 Dakhala Poultry in Egypt, followed by two years as Poultry Director of Biyinzika Poultry International Ltd in Uganda.



Executive:  
Human  
resources

### HEATHER ELIZABETH PETHER (54)

Heather has been with Quantum Foods since 2005.

#### Qualifications

National Diploma in Human Resources

Heather has 26 years' experience in the human resources field. She spent seven years as the human resources manager of *Tydstroom* while it was a division of Pioneer Foods. She was appointed as the executive responsible for human resources at Quantum Foods in 2012.



Executive:  
Africa

### JAN HENDRIK VAN RHYN (57)

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 China, South Africa and a number of other 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 November 2014 and is responsible for the business in the rest of Africa.



Executive:  
Layer farming

### LESEGO AMOS SELALEDI (45)

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 January 2017. He has 23 years' experience in the poultry industry.

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



# Ensuring a responsible business

*To build the best feed, poultry and egg business, we implement our strategy. To create and preserve value for our stakeholders, we deliver resilient results.*

## Our ESG journey

We are committed to creating and protecting value for our stakeholders and to supporting sustainable development. This requires responsible business management of ESG matters. This year saw major progress in five areas relating to our ESG journey:

The Board adopted a new Quantum Foods Responsible Investment code

We completed our second ESG audit of operations

We started with our first reporting according to TCFD requirements



The SEC's name was changed to the social, ethics and transformation committee

We prioritised the UN SDGs where Quantum Foods can make the most impactful contribution

## New responsible investment code

The Board approved a new Quantum Foods responsible investment code this year. It defines the principles, objectives, policies and management systems for sustainable and responsible ESG investment. It also includes an exclusion list, which specifies businesses and activities in which Quantum Foods will not invest.

The objectives of the code are:

- To minimise adverse impacts and enhance positive effects on the environment, as relevant and appropriate.
- To make efficient and sustainable use of natural resources, for example, soil, land, livestock, biodiversity and water, and to take a preventive and precautionary approach to protect the environment wherever possible.
- To support the reduction of greenhouse gas emissions which contribute to climate change.
- To encourage the development of environmentally friendly technologies.
- To ensure the fair treatment of animals.

## SEC renamed

Transformation is a key item on the agenda of this Board committee. The Board decided to include transformation in the committee's name to emphasise the importance of this social and empowerment aspect of its mandate. Our commitment to transformation was also recognised this year through the SAPA Transformation Award.

## Second ESG audit done

The IBIS ESG audit highlighted the following progress factors for 2022:

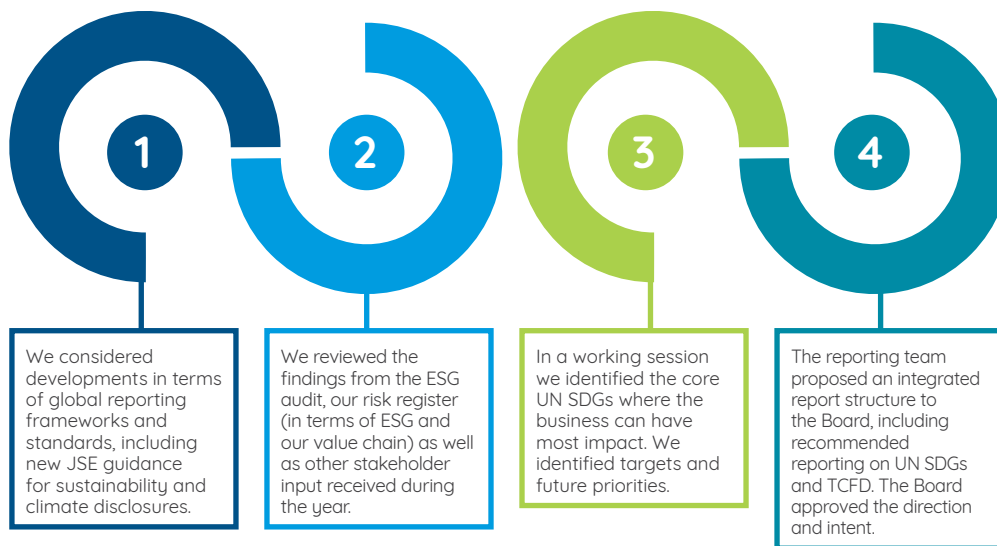
- Additional solar power panels were installed
- Ongoing upgrades were made to water-based fire-fighting systems (sprinklers)
- Additional human resource management capacity was created in Zambia

- With the closure of the Hekpoort facility, all employees will be relocated to other farms
- *Nulaid* achieved the status of the best egg brand in the country for the ninth consecutive year
- An employee transportation vehicle inspection system was implemented
- The Biobin® system was installed in our egg business as a solution to managing organic waste that would otherwise end up in landfill
- Upgrades at the Hartbeespoort hatchery are in process that will improve wastewater management and incorporate solar power generation and energy efficiency measures into the design
- An asbestos survey was completed, and an action plan developed

Core challenges were identified as:

- Widely publicised complaints relating to pest control at the Hekpoort facility
- An HPAI outbreak at the Lemoenkloof farm
- Resourcing challenges associated with finding suitably skilled individuals, especially for layer farming
- Industrial action included protected strikes at four units/farms relating to wage negotiations (all issues have been resolved)

## Our UN SDG priorities



Read more about our priority UN SDGs and contribution on the next page.

# Contributing to the United Nations Sustainable Development Goals

The UN SDGs are a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030. While the 17 UN SDGs are interconnected and interdependent, Quantum Foods prioritised three goals that are catalysts for positive change in our context.



## 2 ZERO HUNGER

### UN SDG 2: Zero hunger

#### Context and commitment

About 333 million people, representing more than a quarter of Africa's population, are classified as severely food insecure<sup>1</sup>. According to the UN's Food and Agriculture Organization ("FAO"), undernutrition is a critical issue on our continent, with more than a third of African children suffering from stunted growth. Low-quality food is seen as one of the major contributors to poor growth, both in the womb and during the vulnerable first years of life.

Poultry is a critical source of human nutrition. Layer hens and broilers are highly efficient converters of feed into animal protein, with favourable conversion ratios of feed to final product compared to other animal protein sources. A study published by the FAO suggests that eggs can play a key role in fighting hunger, malnutrition and to prevent stunting in children.

Eggs are almost pure protein of very high quality. They also provide virtually the entire adequate intake for young children of vitamin B12 and choline. The essential fatty acid content of eggs may be especially important in pregnancy.

As a listed producer of animal feeds and poultry products, Quantum Foods plays an important role in the fight against hunger and food insecurity through our products, services and corporate social investment initiatives.

As per our responsible investment code, we are committed to promoting local food production. We are also committed to supporting small producers through supplier and enterprise development.

#### UN SDG 2 targets

#### Measuring progress in 2022

2.2 By 2030, end all forms of malnutrition, including achieving by 2025 the internationally agreed targets on stunting and wasting in children under five years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women, and older persons

Beneficiaries received food security support through our long-standing donor relationship with Food Forward South Africa

We donated egg and liquid egg products to several institutions that assist with food security

2.3 By 2030, double the agricultural productivity and the incomes of small-scale food producers, particularly women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets, and opportunities for value addition and non-farm employment

Continued supporting small black enterprise suppliers.

Read more on page 51



### Driving nutrition and giving

FoodForward SA ("FFSA") is a non-profit organisation that collects edible surplus food from manufacturers, wholesalers and retailers, which it then distributes to verified organisations that actively feed thousands of hungry people daily. We have been contributing to FFSA for 6 years.

This year, contributions were allocated to the Huis Andrew Murray children's home in the Western Cape, and Pusetso ya Setjhaba Community Nutrition and Development Centre in the Free State. At the former institution, our contribution helped feed vulnerable and orphaned children. And at the latter, more than 400 beneficiaries received food assistance.

We also contributed to OTB Africa's project to provide Vita Kidz instant porridge to early child development centres and creches.

The product is a nutritionally smart breakfast designed to sustain the levels of energy that children need to maximise their educational opportunities.

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

### Supporting small-scale producers

Initiatives to support small businesses in our supply chain include:

- 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, Eastern Cape and Free State

We increased the procurement of products and services from HDSA suppliers by more than 50% during the year and continue to explore opportunities to further support HDSA suppliers.

### Supporting a family business in Philippi

Small farmers have a vital role to play in global food security and nutrition, but they need support. Linking small-scale farmers to efficient food value chains can contribute to poverty alleviation while at the same time boosting the production of nutritious foods, thereby contributing to food security and nutrition. It is against this background that Quantum Foods runs supplier and enterprise development programmes.

Chamomile Farming is a family business established in 2003 in Schaapkraal, on the outskirts of Cape Town and situated in the Philippi Horticultural area. We purchase eggs from them and further support the business through technical visits and advice. We have been part of Chamomile Farming's growth journey since 2018, and we provided them with an interest-free loan of R6.5 million in 2019. The loan was used to fund the construction of an additional layer house with a capacity of 25 000 birds.

### Female entrepreneurs in poultry

In the Mfengu community at Wittekleibosch on the Tsitsikamma Wind Farm near Humansdorp in the Eastern Cape, Nomonde Peter-Bunu, Nomathamsanqa and Thandeka Mazantsi, and Nomsa Msizi established NNT Women Poultry in 2019. The venture is described as a 100% local, black woman-owned business supplying eggs within and around the Tsitsikamma area.

We supported NTT Women Poultry by donating 1 620 laying hens through our layer farming segment, and feed and technical support through *Nova Feeds*. Our egg business procures eggs from them for processing at our Gqeberha packing station. Our enterprise development support and procurement are aimed at helping these entrepreneurs expand their businesses sustainably.



## UN SDG 8: Decent work and economic growth

### Context and commitment

During the past year, South Africa's official unemployment rate came down to 33.9%, which is still very high. Creating decent jobs for all and improving living standards require sustained and inclusive economic growth.

We are committed to treating all employees and contractors fairly and to respecting their dignity, well-being and diversity. Our intent is to work towards full compliance with the fundamental conventions of the International Labour Organization and the Universal Declaration of Human Rights of the UN.

According to our responsible investment code, we:

- comply with applicable local and national laws (as a minimum)
- do not employ or make use of forced labour of any kind
- do not employ or make use of any child labour
- pay wages that are reasonable, and which also meet or exceed industry or legal national minimum requirements
- treat employees fairly in terms of recruitment, progression, terms and conditions of work and representation, irrespective of gender, race, colour, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, or HIV status
- allow consultative workplace structures and associations which provide employees with an opportunity to present their views to management
- enable the relocation of employees for extended periods where remote operations are involved

### UN SDG 8 targets

### Measuring progress in 2022

8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Quantum Foods provides employment for 2 625 people

37.2% female employees in South Africa (FY2021: 38.6%)

8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training

56 internships, apprenticeships, learnerships and adult basic education and training ("ABET") opportunities

Support for skills training and entrepreneurship community programmes

8.7 Take immediate and effective measures to secure the prohibition and elimination of the worst forms of child labour, eradicate forced labour, and by 2025 end child labour in all its forms

No child labour

No forced labour

8.8 Protect labour rights and promote safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment

Workers' rights respected during labour strikes

### Our employee profile

The employee numbers of our South African operations as at 30 September 2022 are reflected in the table below:

	2022	2021
Salaried	499	520
Salaried contractors	36	46
Waged	1 310	1 322
Waged contractors	3	9
<b>Total</b>	<b>1 848</b>	<b>1 897</b>

During the year, the Group's South African employee complement decreased by 2.6%. The largest contributors to this change were the closures of the East London packing station and Tongaat rearing farm as well as the resizing of some layer farms.

At 30 September 2022, the Group employed 531 (FY2021: 447) individuals in Zambia, 166 (FY2021: 152) individuals in Uganda and 80 (FY2021: 71) individuals in Mozambique. The increase in Zambia is due to additional staff employed at sales depots and employment of fixed-term contractors during the maize buy-in season.

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

### Employee turnover

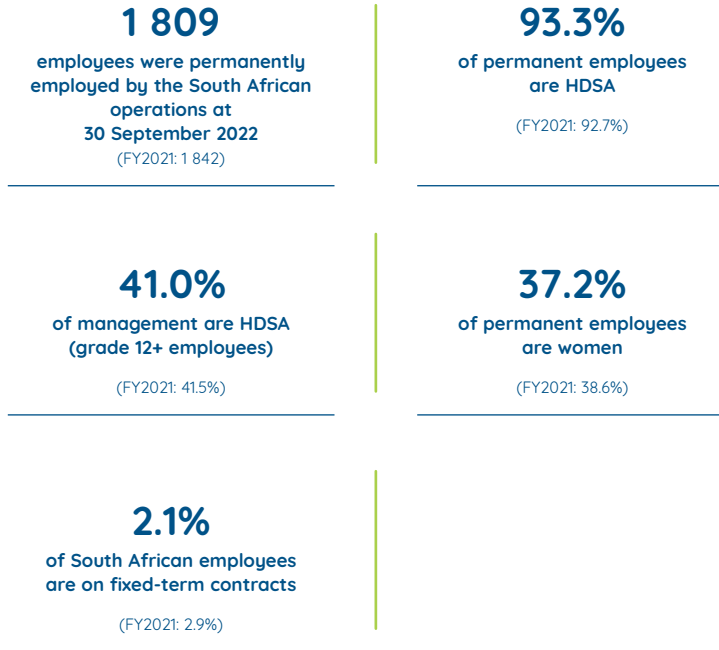
	2022	2021
Total turnover	13.4%	9.2%
Management turnover (South African operations)	1.1%	0.7%
Not-in-management turnover (South African operations)	12.3%	8.5%

### Job losses due to operational requirements

A drop in market demand for layers, eggs and day-old chicks due to high input and operational costs affected four of our farms and our egg packing station in East London, which was closed in August 2022. Two farms will be closed in early FY2023 and production on two farms will be decreased. These closures and resizing will result in a total of 96 jobs lost. Fortunately, all employees at our Hekpoort farm were redeployed and three salaried employees at the East London facility were transferred into existing vacancies elsewhere. Throughout these processes, we engaged with the relevant unions and employees to follow a fair process and to provide support where possible. [Read more about our labour policies and commitments on page 57.](#)

### Diversity and employment equity

Quantum Foods is committed to addressing inequalities with regard to race, gender and disability. The employment equity statistics for the Group's South African operations are provided below:



## Employment equity statistics for South Africa as at 30 September 2022

Occupation levels	African		Coloured		Indian		White		Foreigners		Total
	F	M	F	M	F	M	F	M	F	M	
Top management	1	2	1	0	0	0	1	5	0	0	10
Senior management	1	4	2	1	0	0	2	15	0	0	25
Professionally qualified, experienced specialists and mid-management	0	23	7	12	0	1	15	41	0	0	99
Skilled technical and qualified employees, junior management, supervisors, foremen and superintendents	35	107	56	55	4	3	17	23	0	0	300
Semi-skilled and discretionary decision-making employees	146	378	80	123	0	0	1	1	0	0	729
Unskilled and defined decision-making employees	274	311	30	30	0	1	0	0	0	0	646
Total permanent employees	457	825	176	221	4	5	36	85	0	0	1 809
Non-permanent employees	17	11	1	2	0	7	1	0	0	0	39
<b>Total</b>	<b>474</b>	<b>836</b>	<b>177</b>	<b>223</b>	<b>4</b>	<b>12</b>	<b>37</b>	<b>85</b>	<b>0</b>	<b>0</b>	<b>1 848</b>

### Supporting education for a future workforce

We believe that education is a sound investment in future employment. We partner with Hilltop Legacy, a non-profit company ("NPC"), to raise leaders and strive for quality education. This year we contributed to our "adopted" primary school, Groenheuvel Primary and provided funding to Khula Development, an organisation that supports at-risk children in Paarl, Klipmuts and Stellenbosch to get them back into the school system.

We provided the Struisbaai SOS (School of Skills) with funds for a generator. The school assists learners who are unable to cope in the educational mainstream and thus receive technical training in a field depending on their ability and interest. This sets them up for further technical training or to enter the labour market.

We also contributed to the Wamakersvallei Training Centre, a community-based facility in Wellington that provides training to unemployed individuals. Short courses include frail care, childcare, home management and cooking and hairdressing.

## Training and development

As one of the few corporate players in the poultry and egg sector in South Africa, Quantum Foods is an attractive employer but also contributes to creating a pool of skills for the industry. We continuously develop available training resources and adapt our training investment according to business performance and requirements.

We use online learning to train farm employees, induct new employees and enhance or refresh existing skills. In FY2022, this included training on the use of SAGE X3 as our new ERP software platform.

Training and workshops in life skills, legislation and compliance continued. All relevant licences and accreditations were obtained.

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.

Skills pipeline in South Africa	2022	2021
Internships	14	11
Apprenticeships	6	10
Learnerships	30	34
Bursaries	29	31
ABET	6	5
Total	85	91

Training spend in South Africa	2022	2021
Total number of employees trained	416	352
Employee training spend	R4.6 million	R4.8 million
Employee training spend as a percentage of payroll	1.0%	1.2%

Key initiatives included:

- 12 layer farming employees are working towards the NQF 2 National Certificate for animal production
- Six employees are in the process of completing their adult basic education training in communication and numeracy for level 4, which is equivalent to Grade 9
- Bursaries to the value of R898 378 were awarded to 24 employees and five unemployed learners that are black
- 4 disabled unemployed students participated in learnerships

In Zambia, training focused on first aid, human resource skills, tractor driving and security as well as Company values, customer care and emotional intelligence.

The Uganda team worked according to a training plan with 25 topics, including health and safety, security, public health and marketing among others.

### Creating a pipeline of qualified supervisors

Our journey with the Tshwane University of Technology ("TUT") started more than 15 years ago when we appointed the first students that completed their national diploma in agriculture (animal production). These students require work-integrated learning ("WIL") to graduate. During a student's first and second year, they attend lectures at TUT and in their third year, they have to complete WIL with a company such as Quantum Foods. TUT provides us with a curriculum and specific outcomes to be achieved by the student, which we then include in their WIL experience.

Each student has a mentor to oversee the process. Our human resource team consults with the direct line manager to assess whether any of the TUT students can be retained in our system, after which they are appointed as trainee supervisors and then considered as supervisors, as and when we have vacancies. Since 2016, we have had the same agreement with the Elsenburg Agricultural Training Institute outside Stellenbosch.

We are particularly proud of four black female employees who completed their WIL through TUT with Quantum Foods.



### Graduate trainees joining from 2023

We are piloting a graduate training programme for students in BScAgric Animal Science at the University of Pretoria. Students who have already graduated will be able to participate in a 12-month fast-track trainee programme to help create a pipeline for farm managers from 2023. The programme includes exposure to all areas of farming operations, and packing station processes. We started in our layer farming value chain first with the view of rolling it out to our broiler value chain later.

## Occupational health and safety

Employees working in animal feed and poultry production face risks that include exposure to high noise levels, dangerous equipment, slippery floors, musculoskeletal disorders and hazardous chemicals used in refrigeration and disinfection. Biological hazards include infectious diseases.

All of our farming operations have an Occupational Health, Safety and Environmental ("OHSE") manager who supports the farms in the development of their management systems and conducts annual inspections. The OSHE Manager is suitably qualified and experienced for this role. At each farm, the farm manager and maintenance manager are primarily responsible for implementing the management system. Each farm has a health and safety committee that meets monthly or quarterly and comprises farm management, supervisors and labourers.

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

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. 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 our feed mills.

Hazardous chemicals include cleaning and disinfection chemicals, pesticides, liquid fuels (primarily diesel), fumigation chemicals and water treatment chemicals. For sites with significant quantities of hazardous chemicals, hazardous chemical assessors are appointed and trained. Employees are provided with suitable protective wear including respirators when handling or being exposed to hazardous chemicals.

No

Fatalities

(FY2021: 0)

104

Recordable injuries

(FY2021: 87)

580

Lost days

(FY2021: 467)

### Addressing asbestos risks and regulation

Asbestos exposure can increase the potential of developing lung cancer, and it can take years for symptoms related to the exposure to appear.

An asbestos identification project was completed this year for all South African operations. Asbestos-containing poultry houses, rooftops and offices were included on a register, including an assessment of the condition of the asbestos at the unit. Based on this, the business units developed management plans with three phases up to 2024, with the intent to remove all asbestos in due course.

These plans ensure that we comply with South Africa's new Asbestos Abatement Regulations. We obtained the services of a competent person to compile an inventory, and we implemented an Asbestos Management Plan before 10 May 2022, as required. Risk assessments will be done in the next phase. Based on all of the above, we will develop a timeframe for removal and allocate the necessary resources.

Our responsible investment policy prohibits the production and use of, and trade in unbonded asbestos fibres.

## Protecting labour rights

Our human resource policies and code of ethics protect employees' rights against discrimination and set out our commitment to freedom of association. Employees are informed of these policies at induction and have access to a central database of policies.

We adhere to all legal and regulatory requirements with labour decisions and processes.

We support employees' rights to collective bargaining. We engage with the unions regularly, conduct annual negotiations and sign annual agreements.

Employees in South Africa are represented by 15 trade unions. The Food and Allied Workers Union ("FAWU") has the highest overall representation among Quantum Foods' employees. On 30 September 2022, 22% of the Group's wage employees in its South African operations were members of FAWU (FY2021: 23%) and 40.6% of employees belonged to a trade union (FY2021: 47.4%). Union membership declined mainly due to retrenchments as a result of closures of a packing station and farm, as well as restructuring on some layer farms.

Wage negotiations commenced in January 2022 and were successfully concluded. Labour unrest at the Kaalfontein layer farm had a significant impact on operations. The strike followed disciplinary action relating to substantial bird mortality and led to the dismissal of 40 employees. Associated costs included temporary labour, increased security and recruitment to fill these positions at short notice. The labour unrest also resulted in lost production as feeding systems and egg collection did not function optimally over a period of time.

In Zambia, 95.7% of full-time employees belong to the National Union of Plantation, Agricultural and Allied Workers ("NUPAAW").

In Mozambique 53% of employees belong to Sindicato Nacional dos Trabalhadores Agro-pecuaria Industria e Caju Union (SINTAICAF).

None of our employees in Uganda belong to a union.

## B-BBEE

We are committed to contributing to improving the socio-economic status of HDSAs. Quantum Foods achieved a level 7 score in 2022 but was discounted to level 8 as we did not achieve the subminimum score for the ownership element. This element is largely outside our control as it relates to shareholder structures.

In such elements as enterprise and supplier development and socio-economic development, we achieved the maximum scores. Our full scorecard is available on our website at [www.quantumfoods.co.za/company-documents](http://www.quantumfoods.co.za/company-documents).

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.

### Transformation in distribution

When *Nova Feeds* considered a new distribution contract for bagged raw materials and manufactured products, the team set out to find a local, empowered company to support. Following a formal process, we were able to conclude a five-year agreement with NCD Transport and Rigging, a local transport company based in Malmesbury that is 100% black owned and 25% black female owned.

We work with our suppliers to achieve shared value benefits. This includes driving efficiencies by increasing volumes delivered per truck, reconstituting the delivery fleet in terms of different size combinations, and negotiating flexibility within the agreements to reduce the number of vehicles and associated fixed costs if market conditions and sales volumes warrant adjustments.



## UN SDG 12: Responsible consumption and production

### Context and commitment

Africa's natural resources are precious, and we want to preserve and allow the regeneration of these as far as possible. This includes understanding and minimising any negative social and environmental impacts of products and services within our value chain. We are committed to being responsible and ethical in how we use and recycle natural resources.

Food producers need to maintain trust and transparency in supply chains. Consumers are becoming increasingly aware of food safety issues and require traceability and assurance of quality control measures.

As the demand for socially responsible food grows, consumers are also expecting more information about animal welfare and wellness at every stage of the poultry production process. In response, more producers are using smart farming technologies to monitor animal health and welfare as this has the potential to further improve disease prevention and the implementation of animal welfare standards.

According to our responsible investment code, we will:

- operate in compliance with applicable local and national laws (as a minimum)
- identify potential risks and appropriate mitigating measures through an environmental impact assessment where business operations could involve loss of biodiversity or habitat, emission of significant quantities of greenhouse gases, severe degradation of water or air quality, substantial solid waste or other significant negative environmental impact
- consider the potential for positive environmental impacts from business activities
- take appropriate actions to mitigate environmental risks, ameliorate environmental damage, and enhance positive effects by working over time to apply the relevant International Finance Corporation policies and guidelines, with appropriate targets and timetables for improvements
- work over time to comply with international environmental best practice standards
- ensure the fair treatment of animals according to local guidelines, as appropriate

### UN SDG 12 targets

### Measuring progress in 2022

12.2 By 2030, achieve the sustainable management and efficient use of natural resources

See page 59 for detail on the consumption of resources

12.3 By 2030, halve per capita global food waste at the retail and consumer level, and reduce food losses along production and supply chains including post-harvest losses

We contribute to FoodForward SA, which collects and distributes edible surplus food, thus reducing food waste

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

3 Biobin® systems installed

12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

ESG reporting expanded  
First TCFD reporting

### Promoting resource efficiency

All our business segments have social and environmental management systems ("SEMS"), ranging from comprehensive systems covering all environmental issues to African businesses covering the majority of the basics of environmental management. We monitor resource efficiency levels, for example, electricity and water usage to further reduce consumption and impact. Our operations in Zambia and Uganda started to compile monthly reports in FY2022 that include ESG data to monitor resource use.

We use new technologies to drive improvements, including process optimisation and advanced boiler heating systems, as well as solar panel projects completed at six sites and in progress on one further site. We are also investigating opportunities to recycle wash water at our hatcheries.

Environmental performance indicators	2018	2019	2020	2021	2022
Coal (tons) <sup>1</sup>	2 986	2 520	3 082	2 963	3 547
Gas (Kg) <sup>2</sup>	1 401 808	1 427 225	1 372 395	1 601 939	1 691 353
Diesel/petrol/paraffin (litres) <sup>3</sup>	924 053	1 022 507	1 110 670	1 282 974	1 722 523
Heavy fuel oil/poly fuel (litres) <sup>4</sup>	1 025 030	1 042 513	1 061 436	1 112 546	1 063 457
Packaging (tons) <sup>5</sup>	13 121	12 390	13 616	11 600	11 264
Waste: litter/manure produced (tons) <sup>6</sup>	135 720	144 078	163 163	138 604	144 331
Mortalities to landfill/waste pits (tons) <sup>7</sup>	714	743	824	949	1 409
Water (kl) <sup>8</sup>	1 337 449	1 413 077	1 435 349	1 473 424	1 539 176
Effluent water (kl) <sup>9</sup>	60 909	204 993	297 823	285 490	264 694
Electricity (kWh'000) <sup>10</sup>	42 415	44 450	49 170	46 813	45 209
Electricity from renewable sources (kWh'000) <sup>11</sup>	642	1 446	1 776	2 353	2 797

<sup>1</sup> Coal heating has remained fairly flat over time as it is only used at a small number of farms and at the start of the rearing cycle. Higher 2022 usage includes an increase in rearing cycles during the measurement period and weaker quality of coal available.

<sup>2</sup> Factors that affect gas use include the number of day-old pullets placed on layer rearing farms, the acquisition of the Helderfontein broiler farm in 2021 and the impact of HPAI on bird volumes.

<sup>3</sup> Fuel use increased as we sourced fleets at some units, and when birds and eggs were transported between regions due to HPAI and market demands. Diesel use is also increasing due to the use of generators during load shedding.

<sup>4</sup> Heavy fuel oil use is impacted most significantly by the production of higher volumes of pelletised feeds, as these consume more fuel per ton of feed produced.

<sup>5</sup> Although we continuously improve packaging, it is mostly determined by the volume of eggs sold.

<sup>6</sup> Litter or manure is determined by the volume of birds on farms, which can be impacted by HPAI and market demand.

<sup>7</sup> Mortalities increased over time in line with volumes, and outbreaks of HPAI, with the main outbreak in the period reported occurring in 2022.

<sup>8</sup> Water usage is mostly determined by bird numbers and the requirement for cooling. The acquisition of the Helderfontein broiler farm in 2021 is the main reason for increased consumption.

<sup>9</sup> Effluent water usage is dependent on volumes produced, as well as the number of rearing and laying cycles completed within a year. Continuous improvement is targeted to reduce effluent water.

<sup>10</sup> The use of purchased electricity decreased in the last two years due to additional solar panel projects implemented and increased load shedding.

<sup>11</sup> The use of electricity from renewable sources has increased over time as new solar panel projects were implemented.



## Ensuring food safety

We aim to provide products that are safe and nutritious for their target market – be it human or animal – to consume.

We produce safe animal feeds according to good manufacturing practices. All feed mills have integrated management systems (“IMS”) 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.

Our quality system identifies non-conformance, records specific customer complaints and identifies preventative and corrective actions which management is accountable to implement.

The health of poultry flocks is important in the production of safe food. Stringent biosecurity measures are in place at all our farms and are audited regularly by employees and independent veterinarians. In addition, we implement vaccination programmes and monitor 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.

Our egg production and packing facilities undergo annual food safety audits by accredited audit bodies. Food safety certification for conformance to Food Safety Assessment (“FSA”) or Food Safety System Certification (“FSSC”) 22000 requirements has been awarded for each site.

The annual independent ESG audit of all our operations includes, for example, assessments of the effectiveness of food safety management systems, personal hygiene, training, micro-biological, environmental, and chemical verification plans, handling of non-conformances and traceability.

## Making sure our customers are satisfied

The integrated nature of our business means that we supply internal as well as external customers, for whom we deliver the same high quality and service levels. We have a formal customer complaint system in place.

For animal feeds, an independent customer satisfaction survey is conducted annually to measure overall satisfaction, identify trends and benchmark performance.

For farming operations, customer satisfaction is monitored through engagement with customers on the quality and production performance of the livestock supplied.

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 2022 (FY2021: 0).

## Protecting animal welfare

Our animal welfare policy statement includes our commitment to the ongoing welfare of poultry in all operations under our management. The policy statement further commits to compliance with standards as laid down by SAPA's welfare standards and code of practice, including that birds must have access to feed and water at all times and be free from undue fear, distress, discomfort and infectious diseases.

Regular internal audits are conducted on all farms to ensure adherence and compliance. We also receive unscheduled and unplanned visits from the NSPCA. Strict biosecurity measures are in place at all farms to protect birds 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 animal welfare.

We have a schedule for upgrading facilities, including bird cages, houses, roofs and temperature control systems.

Our South African sites have facilities for poultry that include fresh water, feed, ventilation and lighting. All farms have a veterinarian health plan and biosecurity measures, including access control for visitors.

In Zambia, mortality rates, water quality indicators and dust levels are monitored to mitigate, *inter alia*, infectious bronchitis, and there is regular oversight and monitoring by qualified veterinarians.

As is the case in Zambia, Uganda and Mozambique also have formal procedures for biosecurity and animal welfare.



## Water availability

We require water in all our operations for consumption, as part of poultry sustenance, packing, processing and cleaning.

Water is primarily obtained from boreholes or surface water, through irrigation schemes, and the quality is managed carefully to ensure that bird health is not adversely affected. This includes periodic water sampling and testing to confirm the water meets the required standard.

Poultry farming constitutes a large component of our water consumption, with limited opportunities for reduction beyond ensuring that water is not wasted.

## Wastewater and effluent management

We have processes in place to manage wastewater and effluent, for example:

- For domestic wastewater, we use septic tank systems, soakaways, or discharge effluent into municipal sewer systems
- Animal feed truck wash effluent is mostly outsourced to custom-built facilities that are periodically audited
- Upgrades at facilities aim to improve wastewater management, for example at the Hartbeespoort hatchery where multiple wastewater treatment and retention ponds are installed to improve wastewater management.
- Effluent from poultry houses drains to evaporation ponds where this is a requirement included in water use licence applications for new farm constructions/expansions post the ratification of the National Environmental Management Act, No. 107 of 1998

Going forward, a formal wastewater management procedure that describes the process of treating or managing wastewater, for example identifying all wastewater streams, obtaining authorisation for any discharge wastewater into a municipal sewer or the environment and testing of wastewater, will be developed.

No environmental or pollution incidents have been reported in South Africa, Mozambique, Uganda or Zambia this year.

## BiobiN® systems for organic waste

The organic waste generated at poultry farms (mortalities) and egg packing stations (mainly shells left over from the manufacture of liquid eggs) is biodegradable. However, by turning this waste into compost through a BiobiN® system, we can reduce the volume of waste going to landfill sites.

BiobiN® is an in-vessel composting system developed in Australia and adapted for South African conditions. Waste is placed inside a closed, airtight container lined with sawdust. Using a condenser and a biofilter, the heat and ammonia created inside the BiobiN® destroy unwanted bacteria and pathogens while speeding up the composting process.

Quantum Foods installed its first BiobiN® pilot system in the 2021 financial year and now has three units in place – at our Brackenfell egg packing station, Fransrug layer rearing farm and Bellevue broiler hatchery in the Western Cape.

Full bins are collected by the local agents and delivered to a compost manufacturer. Once the bins are emptied, they are washed and returned to our sites to be filled again.



## Increasing renewable energy use

Quantum Foods invested in grid-tied solar photovoltaic ("PV") systems since 2016, as the technology matured and became more affordable. Solar PV has proved to be a solid investment with a predictable rate of return.

We have so far installed solar PV systems at six of our sites, where they delivered a combined output equal to 6% of our total electricity usage. We have another solar project in progress, an approved project in the pipeline, and a further 17 potential future projects lined up.

	2018	2019	2020	2021	2022
Electricity purchased (kWh'000)	42 415	44 450	49 170	46 813	45 209
Electricity from renewable sources (kWh'000)	642	1 446	1 776	2 353	2 797

## We support the protection of biodiversity

Adjacent to our *Tydstroom* broiler farm, located on the Zouterivier Farm on South Africa's West Coast, is the Quantum Foods Atlantis Sand Fynbos Conservation Area, covering 34 ha. It was established in 2010 in collaboration with the City of Cape Town, under the auspices of the Western Cape Nature Conservation Board. The aim is to protect critically endangered plant species of Atlantis Sand Fynbos found on the property.

This vegetation type has been classified by the South African National Biodiversity Institute as critically endangered due to the rate of habitat loss and the high number of threatened plant species which occur in this habitat.

The conservation area contains a vast variety of threatened species, as identified by a team of researchers who visit the site regularly. Over the years, the list has grown to more than 160 species, of which 31 are considered threatened by extinction. Critically endangered species found in the area include *Diastella proteoides*, *Amphithalea ericifolia* spp. *Erecta* and *Marasmodes trifida*.

In terms of the environmental management plan for the area, no development may take place, alien and invasive species are controlled and eradicated, and a fire management system is implemented to ecologically favour natural vegetation patterns.

The area is fenced off from our broiler farm and access is restricted so that it can be kept in its natural state.

# Climate-related risks, opportunities and disclosures

*As a business reliant on agriculture, Quantum Foods is concerned about changing weather patterns, droughts, floods and the other likely effects of climate change. We make a conscious effort to manage and minimise our environmental impact and support the effective consumption of resources, focusing on water and energy.*

## Governance

### How does the board provide oversight of climate-related risks and opportunities?

- The new Quantum Foods responsible investment code states the Group's support for the reduction of greenhouse gas emissions which contribute to climate change in line with the 1994 UN Framework Convention on Climate Change and the associated 2005 Kyoto Protocol.
- The Board mandated the SETC to monitor the sustainable development and non-financial performance of the Group relating to our environmental impact. The SETC reports directly to the Quantum Foods shareholders at the AGM on matters within its mandate. It, therefore, has reporting as well as monitoring duties.
- The annual independent ESG audit report is submitted to the Board and includes elements related to climate risks and opportunities.
- The Board considers climate-related risks and opportunities when allocating resources to capital expenditure projects. Investments in renewable energy and efficiency projects are prioritised.  
👉 Read more about these in the leadership report on page 32.
- The Board included ESG targets as performance criteria for the remuneration policy.

### What is management's role in assessing and managing climate-related risks and opportunities?

- The monthly reports that executives submit to the Executive Committee contain climate-related data.
- Management uses resource data to identify opportunities to reduce impact and improve the Group's resilience to climate change while managing costs.
- Management participates in strategy development and risk management processes, where members introduce relevant ESG topics to the discussions.
- Tracking legislative and regulatory requirements related to climate.

## Strategy

### What climate-related risks and opportunities have we identified over the short, medium and long term?

- We have started mapping our strategic risks and material matters according to ESG criteria.  
👉 Read more about this on page 31.
- We have not formally or explicitly identified climate-related risks as part of the risk management process, which is set out on 👉 page 29. However, due to the impact of climate-related factors such as water availability and growing conditions affecting

raw material input costs, some of these factors are already embedded in our risk management and planning processes.

- Our strategic objective relating to operational excellence requires optimised resource use to drive future profitability.

### What was the impact of climate-related risks and opportunities on our businesses, strategy and financial planning?

- No change was implemented or is expected in terms of our products and services. We monitor the genetic performance of broiler and layer birds to ensure their resilience and performance under changing conditions, for example increasing temperatures.
- We remain flexible in sourcing raw materials, such as maize and soya, depending on price and availability, which are increasingly affected by climate conditions globally. Water availability is impacting the geographic feasibility of some crops, which might lead us to explore new areas from where to source raw materials.
- We continue our investment in technical and scientific research and innovation relating to animal feed formulation. We develop formulas per species and a range of indirect climatic criteria to ensure livestock deliver according to their genetic potential based on the nutritional value of feeds.

- Climate-related risks and opportunities might become a significant determinant in future acquisitions, including types of operations and location of facilities.
- Access to capital is likely to become subject to climate-related information, and financing institutions are starting to introduce requirements into debt covenants.
- The following climate-related costs impacted profitability significantly this year:
  - Significant increases in the cost of feed raw materials
  - Additional costs due to the drought in the Eastern Cape as water had to be transported and boreholes sunk to seek additional supply
  - Additional cost to mitigate load shedding from coal-based electricity supply, which includes the cost of diesel to fuel generators
- As we increase our investment in solar energy, we expect more reliable supply, lower cost over the long term and lower carbon emissions as a result. [Read more about solar energy on page 62.](#)

## Risks

### What is our process for identifying, assessing and managing climate-related risks?

- Our current risk management framework, policy and appetite do not require specific attention to climate-related issues but consider risks according to categories such as strategic, operational, human resource or compliance risks. We classify risks according to likelihood and impact, which is an executive judgement and not based on scientific data. [Read more about risk management and strategic risks on page 29.](#)

- As part of the risk identification process, we consider existing and emerging regulatory requirements related to climate change, such as carbon tax.

## Metrics and targets

### What metrics do we use to assess climate-related risks and opportunities in line with our strategy and risk management process?

We measure greenhouse gases ("GHGs") for reporting to South Africa's Department of Forestry, Fisheries and the Environment ("DFFE"), which includes Scope 1 emissions from our South African operations. Our African operations are putting the necessary processes in place to report on environmental performance indicators and carbon emissions from FY2023 onwards. The inclusion of waste Scope 1 emissions, as well as Scope 2 and Scope 3 emissions, is under consideration. No targets have yet been set for climate-related metrics.

### What are our Scope 1 and Scope 2 GHG emissions, and related risks?

This is our first report on GHG emissions and related risks, with detail Scope 1 and limited Scope 2 metrics for the South African business.

Scope 1 GHG emissions increased during the year to 20 309 tCO<sub>2</sub>e. Quantum Foods paid R623 049 in carbon tax in FY2022.

	2021	2022
Scope 1 (direct GHG emissions) (tCO <sub>2</sub> e)	17 784	20 309
Scope 2 (indirect GHG emissions) (tCO <sub>2</sub> e)	49 622	47 922

*Increase Scope 1 emissions resulting from increased coal consumption. [Read more on page 59.](#)*

*Scope 2 emissions were calculated using the electricity grid emission factor for South Africa of 1.06 kg CO<sub>2</sub>e /kWh, Eskom (2021).*



# Corporate governance

## Governance report

*Quantum Foods is committed to stakeholder inclusive governance that is efficient, effective and creates value. We apply the principles set out in King IV and have an outcomes-based approach.*

Our governance practices are well entrenched through the Group's internal controls, policies and procedures. We continue to strengthen our governance framework to align with what we believe is best practice for a listed company of our nature and size.

### Governing structures and delegations

#### The Board

The Board acts as the focal point for and custodian of corporate governance, with its key roles and responsibilities including:

- Setting the direction and determining the Group's strategic objectives
- Determining and setting the tone for the Group's values
- Satisfying itself that the Group is governed effectively 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, Remco and SETC
- Appointing and evaluating the performance of the CEO and the company secretary



Our King IV disclosure register sets out detail of how we apply King IV and is available at [www.quantumfoods.co.za/company-documents](http://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	The Board reviewed and approved the Group's strategy, which was presented by management during the annual Board strategy meeting. The Board resolved to retain the strategic themes and approved the operational targets for 2023.
Approval of capital projects of more than R6 million and consideration of funding options	The Board reviewed and approved capital expenditure projects based on affordability, expected return, support of Group strategy, risk and environmental impact. Projects approved in 2022 include special maintenance at the Kaalfontein layer farm in Bronkhorstspruit and the installation of generators at the Malmesbury feed mill. The Board oversaw the process of increasing the working capital financing facility by R150 million to R371 million.
Industrial action	<p>The Board governed through the labour unrest and subsequent events at the Kaalfontein layer farm. <a href="#">Read more on page 34.</a></p> <p>The Board monitored the wage negotiation process which included some protected strikes for short periods of time, and resulted in resolved wage disputes. <a href="#">Read more on page 57.</a></p>
Restructuring and downsizing of layer farming operations and closure of East London packing station	The Board oversaw the review of the layer farming and egg business performance resulting in changes made to the management structure and downsizing operations. <a href="#">Read more on page 34.</a>
Declaration of dividend	The Board considered and resolved to declare an interim dividend of 8 cents per share from cash generated in Zambia and which was repatriated to South Africa.
Investment committee	The Board resolved to constitute an investment committee in September 2022. <a href="#">Read more on page 67.</a>
Name change of SETC committee	The Board resolved to change the name of the Social and Ethics committee to the Social, Ethics and Transformation committee to ensure sufficient emphasis on the transformation objectives of the committee.
Responsible investment code	The Board adopted a code for responsible, sustainable investment.
Appointment of new company secretary	The Board noted the resignation of Ms Marisha Gibbons, effective 31 May 2022, appointed Acorim Pty Ltd as interim company secretary with effect from Ms Gibbons' resignation and appointed Ms Ziyanda Wakashe on 20 September 2022 as the effective company secretary.

In addition to the key focus areas outlined, the Board:

- Reviewed, discussed and approved the Group's interim and full-year financial results
- Reviewed and approved the Group's budget for FY2023
- Monitored progress on projects to expand the Hartbeespoort hatchery and implement SAGE X3
- Oversaw management's response to the Hekpoort fly control incident and eventual decision to close the farm

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.

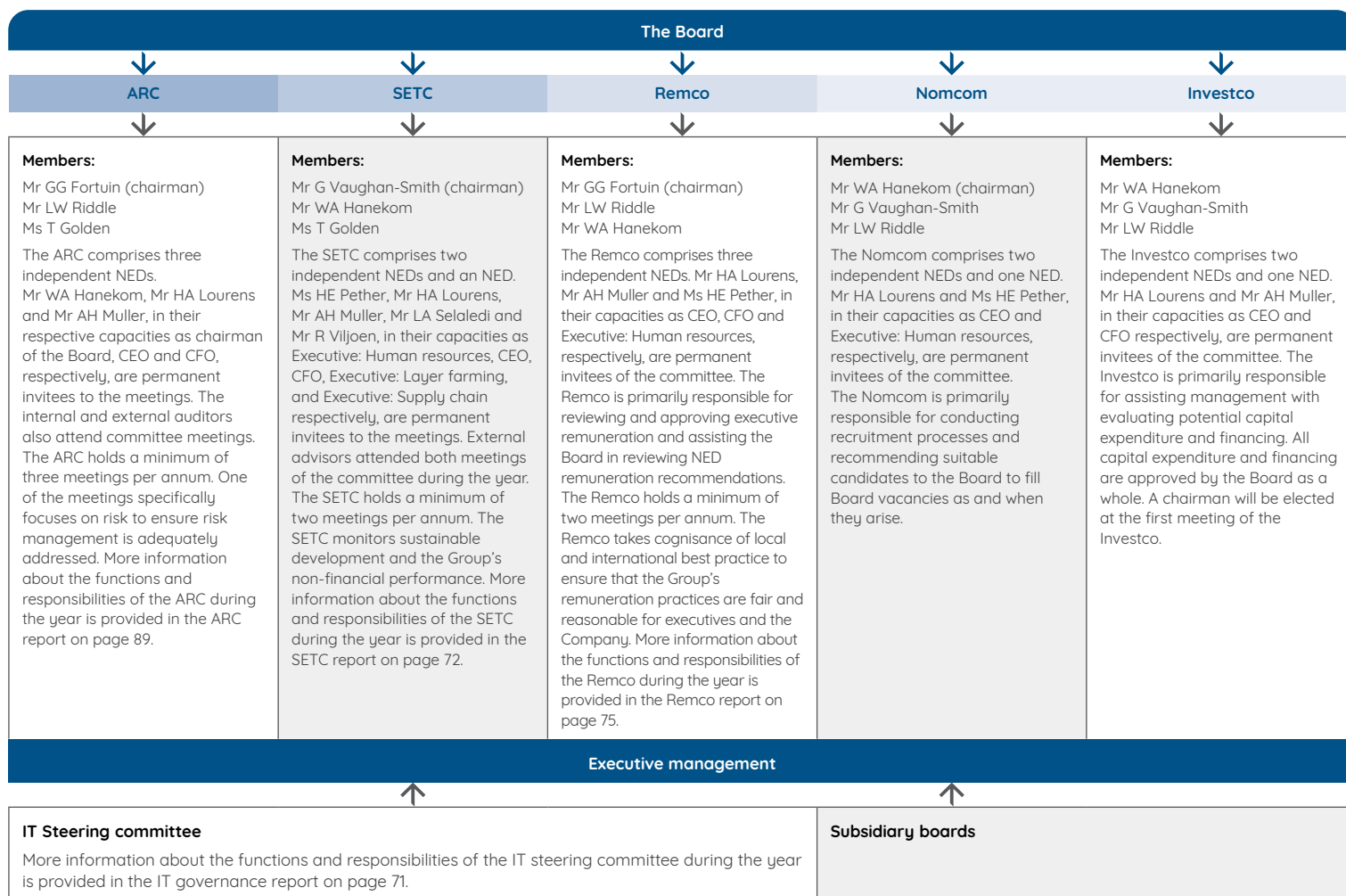
Members of the Board are regularly updated on industry matters and applicable laws, rules and codes.

Opportunities are 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, insurance, 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 five 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 CEO, and monitors performance through its various subcommittees.

All subsidiaries have formally adopted the Group Governance Framework at their respective Board meetings.



The aforementioned 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, through its oversight responsibilities, remains committed to ensuring the achievement of the Group's vision, mission and strategy.

### The Board sets the tone for the Group's values, including principles of ethical practices.

#### Meeting attendance

The Board held five scheduled meetings during the year. The Board members also attended a full-day session during which the 2023 strategy was approved. The SETC and Remco had two scheduled meetings during the year while the ARC had three scheduled meetings. No meetings were held by Nomcom and Investco in FY2022.

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

Member	Status	AGM	Board	Remco	ARC	SETC	Strategy session
WA Hanekom	Chairman, independent non-executive	1/1	5/5	2/2	3/3	2/2	1/1
GG Fortuin	Lead independent non-executive director	1/1	4/5	2/2	3/3	n/a	1/1
T Golden	Independent non-executive director	1/1	5/5	n/a	3/3	2/2	1/1
LW Riddle	Independent non-executive director	1/1	5/5	2/2	3/3	n/a	1/1
G Vaughan-Smith	Non-executive director	1/1	5/5	2/2	n/a	2/2	1/1
HA Lourens	CEO	1/1	5/5	2/2	3/3	2/2	1/1
AH Muller	CFO	1/1	5/5	2/2	3/3	2/2	1/1

### 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 is the lead-independent director.

The duties and functions performed by Mr Hanekom as chairman and independent NED are separate from those performed by the CEO, Mr Lourens, who is an executive director.

The CEO 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.

The Remco has oversight of the succession planning of the CEO and the executives. 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 CEO 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 members of the Board are experienced individuals who understand their duty to act with care, skill and diligence.

The Investco assists management in evaluating capital projects and financing but has no decision-making authority. Capital expenditure and financing are considered and approved (if deemed fit) by the Board as a whole.

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.

The Board did not set voluntary diversity targets during 2022. 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.

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 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.

## 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 newly appointed company secretary was not evaluated due to her short tenure at the Company. 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.

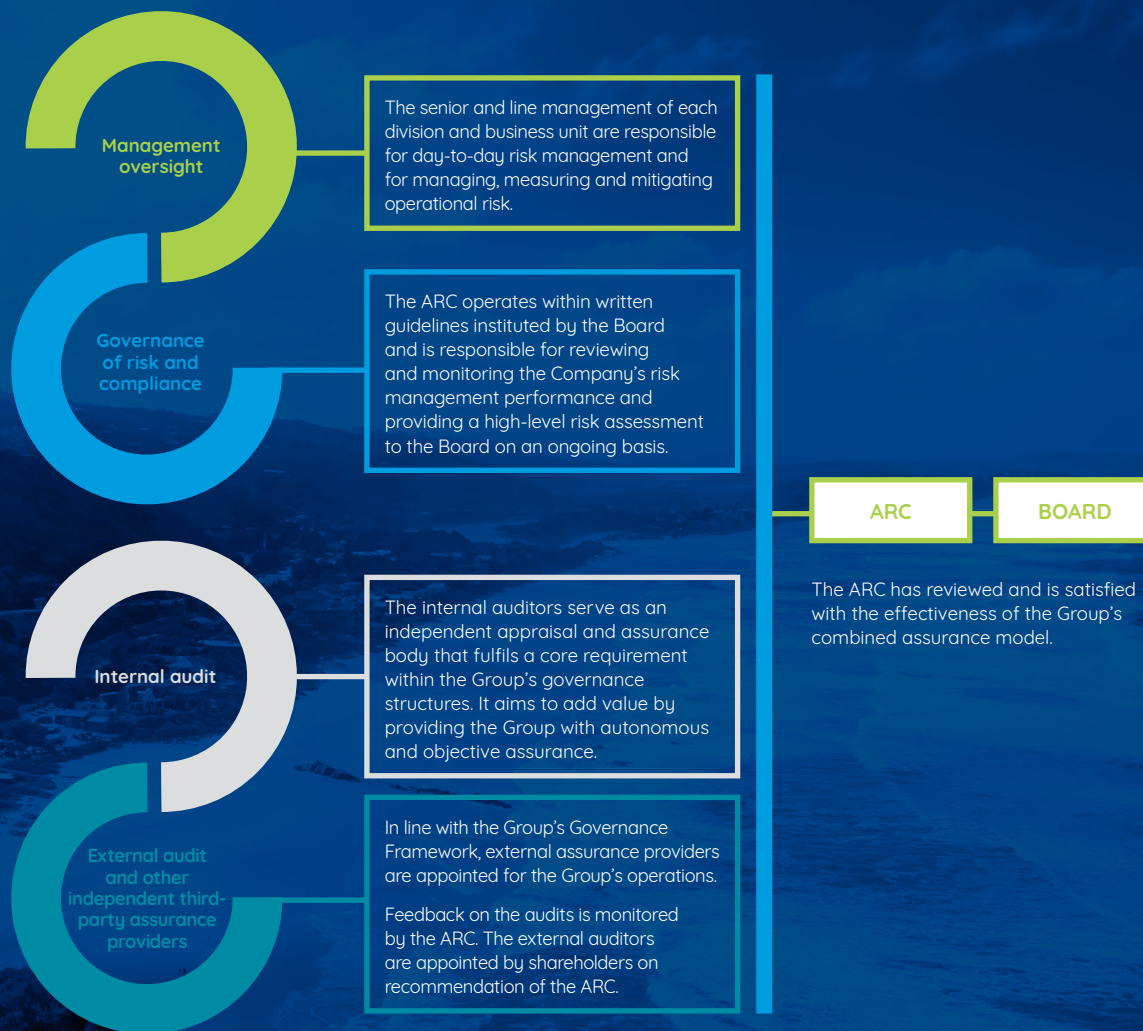
No material regulatory penalties, sanctions or fines for contraventions or non-compliance with statutory obligations were imposed on the Company or any of its directors or officers, in their capacities as directors or officers of the Company, during FY2022.

In FY2023, 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 FY2022 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 from page 89.](#)

## Group internal audit

The Group's internal audit services for FY2022 were provided by Deloitte and Touche. The internal audit service contract runs until 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 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.

The internal auditors continued to monitor the effectiveness and adequacy of the Group's risk framework and risk register with the assurance process 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.

[Read the report of the ARC from page 89.](#)

[Read more about the Group's strategic risks on page 29.](#)

## Stakeholder relations

Quantum Foods adopts a stakeholder-inclusive approach and has an established stakeholder engagement process in place. [Read more about stakeholder engagement on page 13.](#)

## 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.

The IT governance framework and reporting system provides 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 during 2022 was to monitor progress with the implementation of SAGE X3 as the ERP system for the Group from 1 October 2022. Progress was monitored against six key metrics (risk, timeline, cost, quality, scope and benefits) and culminated in a decision in September 2022 that the Company is ready to go live on SAGE X3 on 1 October 2022.

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, ethics and transformation committee report

In terms of Regulation 43(5)(a) of the Companies Regulations, 2011, the SETC has oversight of five main focus areas. These areas include

- social and economic development
- good corporate citizenship
- environment, health and public safety
- consumer relationships
- labour and employment

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

- Performance against the Group's environmental, social and governance standards
- 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 SETC is equipped with adequate knowledge and insight to monitor Quantum Foods' role as a responsible corporate citizen. It further ensures that the SETC 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 SETC monitors the impact of the business on the environment and society and guides its actions to ensure its sustainability for the future.

Below are the key areas of focus during the reporting period:

Topic	Progress and actions arising
B-BBEE scorecard and targets	The SETC monitored the Group's strategy and targets to ensure compliance and improvement on the compliance score achieved in 2021. More detail is available on page 57.
Sponsorships and charitable donations	The SETC monitored the various product donations and continues to monitor the Group's social responsibility initiatives. These are detailed on pages 51 and 54.
Water, energy and waste disposal management	The committee monitors 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. <a href="#">Read more on page 58.</a> A specific area of focus is projects that supplement electricity produced from non-renewable sources with solar technology. <a href="#">Read more on page 62.</a>
Occupational health and safety compliance	The SETC noted progress in obtaining occupational certificates for various business premises. This is an ongoing expense, and R4.9 million (FY2021: R8.3 million) of capital was spent to ensure progress on compliance.
Customer complaints and food safety	The SETC 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 SETC monitored employment equity and training. <a href="#">Read more on pages 53 to 55.</a>
Human capital	The SETC monitored organisational development initiatives, workforce design and planning. <a href="#">Read more on page 55.</a>
Animal welfare	The SETC monitored engagements with the NSPCA and other stakeholders to ensure that animal welfare remains a priority. <a href="#">Read more on pages 22 and 60.</a>
ESG compliance	The SETC received findings from the second external ESG review against standards including the International Finance Corporation Performance Standards. <a href="#">Read more on page 49.</a>
Ethics management	The SETC 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). <a href="#">Read more on the Group's measures to ensure proper ethics management in the King IV register available on the Company's website.</a>

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

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

The SETC has identified the following as the main areas of focus for 2023. This will be supported by ongoing monitoring of the various topics that form the committee's mandate.

Topic	Area of future focus
B-BBEE scorecard and targets	The SETC 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 SETC will oversee the progress made on improving ESG performance from its current 92% compliance level.

**Mr. G Vaughan-Smith**  
Chairman

Wellington  
18 November 2022



# Remuneration report

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

### Introduction

Dear shareholders

This report highlights the activities of Quantum Foods' Remco and addresses the outcomes of the implementation of the 2022 remuneration policy.

### Our performance and remuneration outcomes

FY2022 has seen us face challenges including higher raw material costs, an increase in the number of load shedding hours, above inflation increases in the cost of electricity and fuel, margin compression due to cost increases not recoverable from customers and consumers, lower demand from layer livestock customers, restrictions on normal trading patterns in Uganda, labour unrest at the Kaalfontein layer farm in Gauteng and the outbreak of HPAl at the Lemoenkloof layer farm in the Western Cape. On the positive side, production efficiencies in the animal feeds, layer farming and egg businesses improved.

Despite this, the challenges experienced outweighed the benefit of improved efficiencies and resulted in a decrease in earnings in 2022. This negatively impacted the short-term incentive and long-term incentive outcomes for the executive team.

## Short-term incentive ("STI")

STI component	%	Outcome for FY2022	Impact on variable remuneration
Target for headline earnings before tax per share	50	Actual earnings below threshold target	R Nil variable remuneration
Growth in economic profit over a three-year period	25	Decline in economic profit for the period 2020 to 2022	R Nil variable remuneration
Operational efficiency targets for: <ul style="list-style-type: none"> <li>Egg packing station efficiencies</li> <li>Hatchability of broiler-type breeder hens</li> <li>Layer-type hen production efficiency for completed flocks</li> <li>Cost management</li> </ul>	25	<ul style="list-style-type: none"> <li>Egg packing station efficiencies improved but threshold target was not achieved</li> <li>Hatchability of broiler-type breeder hens improved but threshold target was not achieved</li> <li>Layer-type hen production efficiency for completed flocks declined, and production efficiency for current flocks improved</li> <li>Above targeted increase in costs</li> </ul>	R Nil variable remuneration

## Long-term incentive ("LTI")

The LTI, which is an equity-settled share appreciation rights ("SAR") scheme consist of two components. 50% has a performance component and 50% is dependent on continued employment.

### Performance component (50%)

The first tranche of share appreciation rights ("SARs") granted in 2020, the second tranche of SARs granted in 2019 and the third tranche of SARs granted in 2018, will vest in 2023. The hurdle for any vesting is CAGR in HEPS of higher than CPI plus 1% growth with full (100%) vesting at CPI plus 5% growth and linear vesting in-between, measured from the grant date to the vesting date of the SARs. HEPS achieved in 2022 resulted in zero vesting of the performance component of any of these tranches. These performance condition SARs will not result in any LTI benefit to participants.

### Employment component (50%)

The employment period for the vesting of the first tranche of SARs granted in 2020, the second tranche of SARs granted in 2019 and the third tranche of SARs granted in 2018, will expire in February 2023. Any LTI benefit resulting from the vesting of these SARs will be reflected in a future report.

Quantum Foods' financial performance is discussed in the joint report of the chairman and CEO and the report of the CFO from page 32.

## Remco activities during 2022

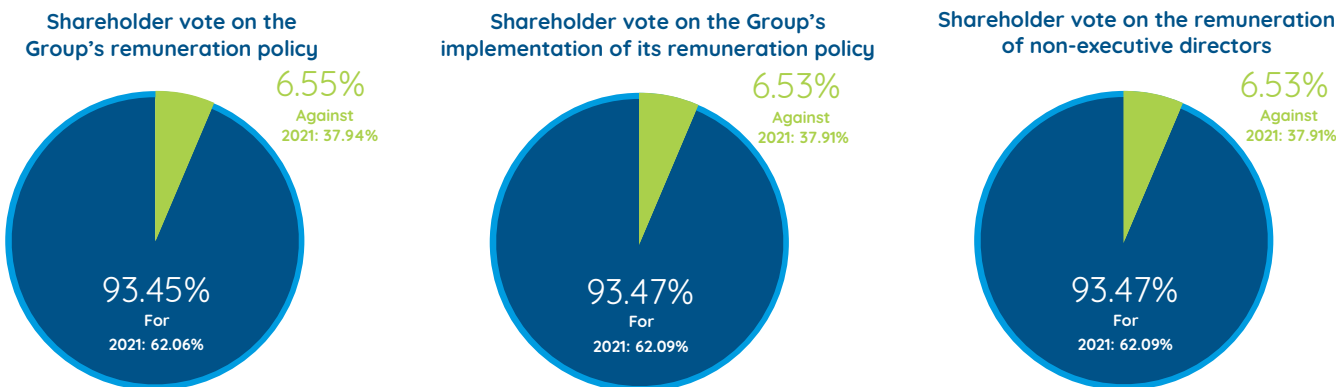
The Remco made various key decisions in 2022, including:

Topic	Progress and actions arising
Total guaranteed pay adjustments	The mandate to adjust total guaranteed pay by 5.0% 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, including the CFO, as a result of benchmarking.
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 payments in the calculation of their hourly rate of pay. The Labour Court ruled in favour of the employees in January 2022 following which the Company appealed the ruling. The Labour Court judge denied leave to appeal after a Petition Application was lodged with the Labour Appeals Court in August 2022. The Petition Application was successful and permission for leave to appeal was granted on 7 November 2022. The Remco will continue to monitor this process in 2023.
Short-term and long-term incentives, outcomes and targets	The Remco reviewed the STI and LTI performance outcomes for 2022 and considered new targets for 2023. Accordingly, the financial and operational targets were reviewed and new targets were set for FY2023, which will include a new target for ESG performance. The headline earnings baseline for determining achievement of the performance conditions of the SAR plan allocations made to participants in February 2023 will be 20 cents per share. The baseline is higher than the actual HEPS achieved for 2022 of 14.1 cents. <a href="#">Read more about this on page 80.</a>
NED fees	The Remco considered the NED fees approved at the 2022 AGM and will propose a 5.5% increase to the NED fees at the February 2023 AGM. In determining the proposed increase, the Remco considered inflation, benchmarking and the mandate for the adjustment in guaranteed pay for employees.
Equal pay for work of equal value	The Remco again considered the results of an equal-pay-for-work-of-equal-value exercise and reviewed salary bands to ensure that these are market related. After 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.

## Shareholder engagement and voting

At the 2021 AGM held on 25 February 2022:





## Shareholder engagement

In line with King IV and the JSE Listings Requirements, the remuneration policy and implementation report will be submitted to shareholders for two separate non-binding advisory votes. In the event that 25% or more of the shareholders vote against either or both of 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 areas of focus

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.
Companies Amendment Bill, 2021	The Remco will monitor potential legislative developments and respond appropriately.

## Policy statement

This Remco report provides an overview of organisation-wide remuneration policies with an emphasis on the remuneration structure for the Company's executive and non-executive directors. There were no policy exceptions during the period.

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 2022. Group profitability and operational efficiency for the South African business, Uganda and Mozambique were, despite improvement in certain areas, below target. This is reflected in the variable pay outcomes for 2022. Earnings from Zambia were satisfactory, with performance exceeding some targets and 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 2022 AGM, to be held on Friday, 24 February 2023.



**Mr. GG Fortuin**  
Chairman

Wellington  
11 November 2022



## Part 2: FY2023 remuneration policy

### Introduction

Part 2 of this report sets out the forward-looking remuneration policy, which will apply in 2023. No changes were made to the remuneration policy in 2022, other than to the specific STI performance targets for 2023.

The remuneration policy applied in 2022 is set out in the 2021 remuneration report, which is available at [www.quantumfoods.co.za/company-documents](http://www.quantumfoods.co.za/company-documents).

The implementation of this remuneration policy in 2022 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 non-executive directors ("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 SETC
- 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](http://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 68.

### Remuneration philosophy and principles

Quantum Foods' remuneration philosophy 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. Learnership programmes are available to students in animal production at junior level and students of business management and administration at junior management level. The bursary programme supports students studying towards tertiary qualifications in the areas of agriculture, science and other general management and business qualifications. 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.
Social – ensuring the necessary skills for a performance culture.	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. We use the REMChannel® Survey, which the Remco believes 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 are used in determining executive directors' remuneration, as well as analyses of remuneration paid by comparator companies. The Remco is satisfied that the surveys and benchmarks used are appropriate in the context of Quantum Foods and its business.
Benefits (fixed: applicable to all employees)	Benefits form part of TGP and include medical aid, retirement fund contributions, disability and life insurance, and travel allowances.
Social – allowing employees the flexibility of structuring benefits according to individual requirements.	Additional benefits such as cellphone allowances are given to qualifying employees. 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.

Component	Policy and link to business strategy																				
<p>STIs (variable: applicable to senior management)</p> <p>Economic – drives sound operational efficiency that assists the Group’s ability to recover rising input costs and improve returns on the asset base. This enables the creation of shareholder value.</p>	<p>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.</p> <p>Performance conditions:</p> <p><b>Headline earnings before tax per share (“HEBTPS”) target</b> – 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% weighting. The HEBTPS measure has been retained for FY2023.</p> <p><b>Growth in Economic Profit (“EP”)</b> – 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% weighting. The EP measure has been retained for the 2023 year.</p> <p><b>Operational efficiency</b> – the efficiency calculation is based on targets set for the percentage of second-grade eggs sold at egg packing stations, the number of day-old chicks hatched per one hundred eggs set in the broiler hatcheries, layer-type hen production efficiency, operating cost management and ESG performance.</p> <p>Each of the five operational efficiency measures contributes one-fifth to the overall operational efficiency performance measure. The operational efficiency measures have been amended for FY2023 by introducing a measurement target for ESG performance. Details are set out in the STI section below and are also available in annexure 5 of the Notice to the February 2023 AGM.</p> <ul style="list-style-type: none"><li>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.</li></ul> <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																		
<p>LTIs (variable: applicable to the executive committee and a small percentage of senior management)</p> <p>Economic – drives share price growth and by extension, the creation of shareholder value.</p>	<p>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.</p> <p>Performance condition measured over three-, four- and five-year performance periods respectively:</p> <ul style="list-style-type: none"><li>Growth in Group HEPS – the hurdle for any vesting is CAGR in HEPS of higher than CPI plus 1% growth with full (100%) vesting at CPI plus 5% growth and linear vesting in-between.</li></ul> <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.

## 2023 STI performance measures

The Remco reviewed the performance measures and will apply the following measures for the achievement of financial and operational targets for the STI for 2023. The STI is based on three performance measures that apply 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%	31.7* cents per share	36.5* 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, targets for the percentage of second-grade eggs sold at the egg packing stations, layer-type hen production efficiency, operating cost management and ESG performance. See further details in the operational targets section below.	

\* Targets for 2023. At HEBTPS performance of 31.7 cents per share or lower, the bonus will be 0%. At HEBTPS performance of 36.5 cents or higher, the bonus will be 100% with linear vesting for HEBTPS of between 31.7 cents and 36.5 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 payout. 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 payout. 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 2023, the Remco considered the factors set out in Part 1 of this report on page 74, which resulted in lower earnings in 2022. These factors included the impact of further increases in feed raw material costs which are expected to remain high due to increased levels of international commodity prices and the value of the Rand. Cost recovery and margins are expected to be negatively affected by the strained consumer environment. Earnings from the egg business, in particular, are expected to be impacted by the anticipated high cost of feed. Based on the Group's historical performance, the Remco considers the HEBTPS target set for 2023 to be sufficiently stretching.

The percentage of 25% of growth in the Group's EP included in a bonus pool calculation for 2022 will remain the same for 2023.

## Operational targets

The 2022 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 hatched per one hundred eggs set ("hatchability percentage") in the hatcheries.
- 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 was measured based on the percentage of second-grade eggs sold.
- Operating cost management, which was measured as actual operating cost in comparison to the approved operating cost budget.

For 2023, the measurements for broiler breeder, layer farming and egg packing stations efficiencies as well as for operating cost management were retained. An additional measurement for ESG performance was introduced. The 2022 weighting of one quarter each was amended to one-fifth for each component for 2023.

In adding a target for ESG performance the Remco considered the importance of environmental, social and governance performance in ensuring sustainable outcomes for stakeholders.

Targets are commercially sensitive and therefore not disclosed. The target for ESG performance will be measured against areas of improvement identified from the independent ESG review performed in 2022. The Remco considers the targets to be sufficiently stretching to ensure that, if achieved, they would optimise Group profitability and ESG performance.

The 2023 weighting and maximum contribution to total STI of the operational targets will be:

Target	Weighting	Maximum STI contribution
Layer farming efficiency	20%	5%
Egg packing station efficiency	20%	5%
Broiler breeder efficiency	20%	5%
Operating cost management	20%	5%
ESG performance	20%	5%
<b>Total</b>	<b>100%</b>	<b>25%</b>

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 2023 AGM.

## LTI allocation methodology

The SAR allocation levels are set out below:

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



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](http://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.

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 2023 grant of SARs are illustrated below:

## 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 2022. 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 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. No fees are paid to members of the nomination and investment committees which meet as and when required. The fee reflects the NED's assigned responsibilities. The fee is evaluated annually and benchmarked every two years against comparable companies. The Remco is satisfied that the benchmarking 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 2022 AGM, which fees are payable until the 2<sup>nd</sup> anniversary of the February 2022 AGM. The Company intends to, without detracting from the resolution passed by shareholders in terms of section 66(9) of the Companies Act at the February 2022 AGM authorising the payment of remuneration to NEDs, propose at a future shareholders' meeting that these fees be increased as set out in the table below.

	Approved fees per annum Rand (exclusive of VAT)	Proposed increase	Proposed fees per annum Rand (exclusive of VAT)
Chairman of the Board	393 000	5.5%	414 615
Lead independent director	337 200	5.5%	355 745
Board member (other than the chairman of the Board or the lead independent director)	279 500	5.5%	294 870
Committee chairman ARC	96 330	5.5%	101 630
Committee chairman (remuneration and social, ethics and transformation)	67 430	5.5%	71 140
Committee member ARC	87 350	5.5%	92 155
Committee member (remuneration and social, ethics and transformation)	62 390	5.5%	65 820

## Part 3: Implementation of the remuneration policy in 2022

### TGP

The Remco approved a salary increase mandate of 5.0% (FY2021: 4.25%) of total cost to company for non-sectoral employees and executives, and a 5.0% (FY2021: 4.25%) basic pay increase for sectoral employees. The Remco approved additional adjustments to the remuneration of a small number of senior managers, including the CFO, as a result of benchmarking.

### STI outcomes

For the reasons set out in Part 1 of this remuneration report on page 74, none of the threshold targets set for STI participants measured on Group and South African performance were achieved in 2022 and therefore R Nil of the STI bonus pool cap of R27.6 million accrued to these participants.

For STI participants measured against the Group's other African countries' performance, R0.2 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 2022.

The Remco did not exercise its discretion to adjust STI outcomes in 2022.

The table below sets out the STI performance outcomes of participants measured on Group targets and South African operational efficiency for 2022:

	Weighting %	Target performance	Stretch performance	Actual performance	Actual achievement (% of measure)	STI outcome (% of STI)
Group HEBTPS	50%	86.7 cents	99.4 cents	14.0 cents	Nil	Nil
				Three-year rolling average declined by R52.8 million	Nil	Nil
Group EP	25%				Nil	Nil
SA operational efficiency	25%			See below	Nil	Nil
<b>Total</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>		<b>Nil</b>	<b>Nil</b>

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

Performance measures	Weighting	Actual achievement (%)
Broiler hatchability	25%	Nil
Layer hen productivity	25%	Nil
Egg packing station efficiency	25%	Nil
Operating cost management	25%	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 2022. The financial and operational performance of the Zambian business is reflected in the STI outcomes below.

Performance measures	Weighting (%)	Actual achievement (%) <sup>*</sup>	STI outcome % <sup>**</sup>
HEBTPS	50	Nil	Nil
EP	25	75	12
Operational efficiency	25	6	3
<b>Total</b>	<b>100</b>		<b>15</b>

<sup>\*</sup> Actual achievement % calculation is the percentage of the maximum Rand value of the STI component achieved for all participants measured on performance of the African operations.

<sup>\*\*</sup> STI outcome % is calculated as the Rand value of the actual achievement of the STI component out of the maximum Rand value of the STI component, and includes the effect of African 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 2022, based on the achievement of performance targets:

Participant	Maximum STI earning potential (as % of TGP)	Achievement of performance conditions %	Actual STI (as % of TGP)	2022 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 2020, the second tranche of SARs granted in 2019 and the third tranche of SARs granted in 2018 will vest in 2023. The tables below set out the achievement of the performance conditions for the SAR awards that will vest in 2023.

No LTI benefits were reduced or forfeited due to malus or clawed back in 2022.

2020 grant	Threshold	Stretch	Actual
Performance measures = Compound annual growth in adjusted HEPS	CPI plus 1% growth	CPI plus 5% growth	Decrease in HEPS**
2020 SAR allocation*	110.4 cents	123.3 cents	14.1 cents**
Vesting (%)	0	100	0

\* 2020 adjusted HEPS was 93.20 cents per share and is equal to the actual 2019 HEPS

\*\* 2022 HEPS

Vesting date	17 February 2023
Performance period	1 October 2019 to 30 September 2022
Employment period	17 February 2020 to 17 February 2023

2019 grant	Threshold	Stretch	Actual
Performance measures = Compound annual growth in adjusted HEPS	CPI plus 1% growth	CPI plus 5% growth	Decrease in HEPS
2019 SAR allocation*	206.0 cents	238.9 cents	14.1 cents**
Vesting (%)	0	100	0

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

\*\* 2022 HEPS

Vesting date	11 February 2023
Performance period	1 October 2018 to 30 September 2022
Employment period	11 February 2019 to 11 February 2023

2018 grant	Threshold	Stretch	Actual
Performance measures = Compound annual growth in adjusted HEPS	CPI plus 1% growth	CPI plus 5% growth	Decrease in HEPS
2018 SAR allocation*	65.2 cents	78.5 cents	14.1 cents**
Vesting (%)	0	100	0

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

\*\* 2022 HEPS

Vesting date	22 February 2023
Performance period	1 October 2017 to 30 September 2022
Employment period	22 February 2018 to 22 February 2023

## LTIs granted during 2022

During the year under review, 5 514 892 SARs, at a strike price of R5.390 per share, were granted. The baseline HEPS of 52.20 cents per share for the 2022 allocation is the actual HEPS recorded for 2021. The Board did not increase the baseline HEPS for the 2022 allocation. Therefore, 0% vesting for the performance component of the 2022 allocation will result at CAGR in HEPS of CPI plus 1% or lower from the baseline of 52.20 cents per share and the total 100% vesting for the performance component of the 2022 allocation will be realisable at CAGR in HEPS of CPI plus 5% from the baseline of 52.20 cents per share.

## Unvested LTIs

The table overleaf discloses the number of each executive director's LTIs as of 30 September 2022, 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 2022 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 2022, less the grant price of the particular SARs granted. 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.



## Executive director LTIs in 2022

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	Cash value of instru- ments exercised R'000	Closing number	Indicative value R'000
<b>HA Lourens</b>											
2017/02/23	1	760 262	-	309	-	760 262	760 262	611	2 295	-	-
2018/02/22	2	1 133 987	-	391	377 996	377 995	377 995	589	750	377 996	572
2019/02/11	3	1 593 940	-	425	318 788	318 788	318 788	540	369	956 364	655
2020/02/17	4	1 404 498	-	357	234 083	-	-	-	-	1 170 415	1 481
2021/02/15	5	1 168 730	-	609	-	-	-	-	-	1 168 730	-
2022/02/21	6	-	1 737 372	539	-	-	-	-	-	1 737 372	-
									3 414	-	
<b>AH Muller</b>											
2017/02/23	1	170 248	-	309	-	170 248	170 248	611	514	-	-
2018/02/22	2	328 490	-	391	104 497	109 496	109 496	589	217	109 497	166
2019/02/11	3	414 389	-	425	82 877	82 877	82 877	540	96	248 635	170
2020/02/17	4	433 542	-	357	72 257	-	-	-	-	361 285	457
2021/02/15	5	307 084	-	609	-	-	-	-	-	307 084	-
2022/02/21	6	-	514 604	539	-	-	-	-	-	514 604	-
									827		

\* Include SARs for which performance conditions were not achieved

Note 1: Vested 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 2: 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 3: 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 4: 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 5: 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.

Note 6: Vesting in three equal tranches on 21/02/2025, 21/02/2026 and 21/02/2027. 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)
Number of shares transferred in 2022	(2 063 234)
<b>Remaining number of shares that may be transferred to settle the LTI</b>	<b>4 987 270</b>

## Remuneration outcomes for 2022

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 2022 and 2021, respectively:

30 September 2022	Basic salary		STI	LTI	Directors' fees	Total
	R'000	Benefits	R'000	R'000	R'000	R'000
HA Lourens	3 740	467	-	3 414	-	7 621
AH Muller	2 407	353	-	827	-	3 587
<b>Total</b>	<b>6 147</b>	<b>820</b>	<b>-</b>	<b>4 241</b>	<b>-</b>	<b>11 208</b>

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

## NED fees

The table below sets out the fees paid to NEDs:

Name	2022** R'000	2021* R'000
WA Hanekom	752	237
GG Fortuin	676	189
T Golden	600	156
LW Riddle	600	185
G Vaughan-Smith	504	Nil
Prof ASM Karaan (passed away on 13 January 2021)	Nil	107

\* 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. The special resolution to remunerate NEDs proposed at the February 2021 AGM was not passed. This resulted in the Company not being authorised to pay any fees to its NEDs.

\*\* The special resolution to remunerate NEDs was passed at the 2021 AGM held in February 2022. The resolution provided for fees to be paid for the period 1 April 2021 to 31 March 2022 and from 1 April 2022 onwards. 2022 fees include fees paid for the period 1 April 2021 to 30 September 2022.

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 2022. This remuneration report was approved by the Remco on 11 November 2022.

# 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 annual financial statements of the Group for the year ended 30 September 2022, 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 Listing Requirements.

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

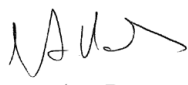
The Board is ultimately responsible for the internal control processes of Quantum Foods. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of financial records and of the financial statements and to 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 reasons given by management and the internal auditors, the Board is of the opinion that the accounting controls are sufficient 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, that the Group and its subsidiaries have 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 23 November 2022 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 2022, 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.



**ZP Wakashe**  
Company Secretary

## Audit and risk committee report

The audit and risk committee ("ARC" or "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 Ltd Listings Requirements ("JSE Listings Requirements") and responsibilities highlighted in the King IV Report on Corporate Governance™ for South Africa, 2016<sup>1</sup> ("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.

### Members of the audit and risk committee

As at 30 September 2022, the committee comprised three independent non-executive directors, namely Mr. GG Fortuin, Mr. LW Riddle and Ms. T Golden.

These members will retire and avail themselves for re-election at the ninth annual general meeting ("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.

<sup>1</sup> Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

## Meetings

The committee held three meetings during the year. Attendance of the meetings are shown on page 68 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 annual 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 Profession 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 auditor were in accordance with the non-audit services policy of the Group. 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 PricewaterhouseCoopers Inc. ("PwC") as the audit firm and Mr. R.J. 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. R.J. Jacobs as the designated auditor, after satisfying itself through enquiry that PwC is independent as defined in section 94(8) of the Companies Act. 2023 will be Mr. R.J. Jacobs' fifth year as designated auditor of the Company. The re-appointment of PwC as the recommended external auditor (with Mr. R.J. Jacobs as the designated auditor) will be presented and included as a resolution at the AGM.
- 2023 will be the last year for which PwC may be appointed as the external auditors in terms of the mandatory audit firm rotation rules. During 2023 the committee will consider new external auditors for the 2024 financial year, and which will be proposed for appointment by shareholders at the February 2024 AGM.
- Confirmed that PwC and the designated auditor are accredited by the JSE.
- Approved the external auditor's fees and terms of engagement.



- Approved the agreement with the external auditor 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 & Touche. The committee was satisfied that the internal audit function 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 finance function and experience of senior members of management responsible for the finance 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 auditor 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 auditor 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 statement on page 88.



**GG Fortuin**

Chairman: audit and risk committee

Wellington

23 November 2022

# 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, contained in the accompanying integrated report, which comprise the summary consolidated statement of financial position as of 30 September 2022, 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 2022.

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 requirements of the JSE Limited Listings 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 2022. 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 requirements of the JSE Limited Listings 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

15 December 2022

# Summary consolidated statement of financial position

as at 30 September 2022

	2022 R'000	2021 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>1 416 940</b>	1 360 639
Property, plant and equipment	1 322 700	1 243 120
Right-of-use assets	67 601	95 108
Intangible assets	11 633	7 098
Investment in associates	10 130	10 310
Trade and other receivables	3 312	4 033
Deferred income tax	1 564	970
<b>Current assets</b>	<b>1 713 853</b>	1 423 865
Inventories	463 765	383 450
Biological assets	433 910	403 308
Trade and other receivables	750 558	562 933
Derivative financial instruments	53	23
Current income tax	1 722	840
Cash and cash equivalents	63 845	73 311
<b>Total assets</b>	<b>3 130 793</b>	2 784 504
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves attributable to owners of the parent</b>	<b>2 100 788</b>	1 999 802
Share capital	1 465 069	1 465 069
Treasury shares	(1 390)	(8 315)
Other reserves	20 962	(65 769)
Retained earnings	616 147	608 817
<b>Total equity</b>	<b>2 100 788</b>	1 999 802
<b>Non-current liabilities</b>	<b>322 165</b>	360 101
Lease liabilities	56 021	85 155
Deferred income tax	257 178	266 590
Provisions for other liabilities and charges	8 966	8 356
<b>Current liabilities</b>	<b>707 840</b>	424 601
Trade and other payables	603 631	396 740
Current income tax	2 553	2 639
Lease liabilities	25 598	23 860
Provisions for other liabilities and charges	1 150	1 362
Bank overdraft	74 908	–
<b>Total liabilities</b>	<b>1 030 005</b>	784 702
<b>Total equity and liabilities</b>	<b>3 130 793</b>	2 784 504

# Summary consolidated statement of comprehensive income

for the year ended 30 September 2022

	Notes	2022 R'000	2021 R'000
Revenue	3	6 020 558	5 401 116
Cost of sales		(4 910 916)	(4 339 005)
Gross profit		1 109 642	1 062 111
Other income		20 120	10 201
Other gains/(losses) – net	4	(5 870)	72 304
Sales and distribution costs		(288 322)	(263 528)
Marketing costs		(13 311)	(15 065)
Administrative expenses		(156 773)	(143 972)
Net impairment losses on trade and other receivables		(1 739)	(9 050)
Other operating expenses		(631 242)	(565 412)
Operating profit		32 505	147 589
Investment income		4 244	4 747
Finance costs		(16 301)	(11 844)
Share of (loss)/profit of associate companies		(180)	1 767
Profit before income tax		20 268	142 259
Income tax credit/(expense)		3 554	(36 464)
<b>Profit for the year</b>		<b>23 822</b>	<b>105 795</b>
<b>Other comprehensive income for the year</b>			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Fair value adjustments to cash flow hedging reserve		1 035	7 993
For the year		65 176	57 668
Deferred income tax effect		(17 598)	(6)
Current income tax effect		-	(16 141)
Realised to profit or loss		(64 002)	(46 567)
Deferred income tax effect		17 459	(1)
Current income tax effect		-	13 040
Movement on foreign currency translation reserve			
Currency translation differences		85 993	8 651
<b>Total comprehensive income for the year</b>		<b>110 850</b>	<b>122 439</b>
Profit for the year attributable to owners of the parent		23 822	105 795
Total comprehensive income for the year attributable to owners of the parent		110 850	122 439
Earnings per ordinary share (cents)	5	12.0	53.9
Diluted earnings per ordinary share (cents)	5	11.9	53.0

# Summary consolidated statement of changes in equity

for the year ended 30 September 2022

	2022 R'000	2021 R'000
<b>Share capital and treasury shares</b>	<b>1 463 679</b>	1 456 754
Opening balance	<b>1 456 754</b>	1 445 731
Ordinary shares transferred - share appreciation rights	<b>6 925</b>	11 023
<b>Other reserves</b>	<b>20 962</b>	(65 769)
Opening balance	<b>(65 769)</b>	(85 089)
Other comprehensive income for the year	<b>87 028</b>	16 644
Recognition of share-based payments	<b>6 105</b>	11 147
Ordinary shares transferred - share appreciation rights	<b>(6 402)</b>	(8 471)
<b>Retained earnings</b>	<b>616 147</b>	608 817
Opening balance	<b>608 817</b>	525 000
Profit for the year	<b>23 822</b>	105 795
Dividends paid	<b>(15 969)</b>	(19 426)
Ordinary shares transferred - share appreciation rights	<b>(523)</b>	(2 552)
<b>Total equity</b>	<b>2 100 788</b>	1 999 802



# Summary consolidated statement of cash flows

for the year ended 30 September 2022

	2022 R'000	2021 R'000
<b>Cash flow from operating activities</b>	<b>77 792</b>	24 348
Cash profit from operating activities	170 625	295 297
Working capital changes	(87 074)	(259 292)
Cash effect of hedging activities	1 125	11 076
Cash generated from operations	84 676	47 081
Income tax paid	(6 884)	(22 733)
<b>Cash flow from investing activities</b>	<b>(118 214)</b>	(153 272)
Additions to property, plant and equipment	(114 673)	(107 095)
Additions to intangible assets	(10 551)	(1 507)
Proceeds on disposal of property, plant and equipment	2 367	1 277
Interest in associate acquired	-	(10 251)
Business combination	-	(54 682)
Proceeds on disposal of investment in associate	-	14 239
Repayment of loan included in other debtors	399	-
Interest received	4 244	4 747
Cash deficit	(40 422)	(128 924)
<b>Cash flow from financing activities</b>	<b>(55 174)</b>	(51 031)
Principal elements of lease payments	(23 963)	(20 941)
Interest paid	(15 249)	(10 698)
Dividends paid to ordinary shareholders	(15 962)	(19 392)
Decrease in cash and cash equivalents	(95 596)	(179 955)
Effects of exchange rate changes	11 222	1 485
Cash and cash equivalents at beginning of year	73 311	251 781
Cash and cash equivalents at end of year (net of overdraft)	(11 063)	73 311
Cash at bank and on hand	63 845	73 311
Bank overdraft	(74 908)	-

# Notes to the summary consolidated financial statements

for the year ended 30 September 2022

## Segmental analysis

	2022 R'000	2021 R'000
<b>SEGMENT INFORMATION</b>		
<b>Segment revenue</b>	<b>6 030 053</b>	5 409 490
Eggs	1 350 127	1 228 789
Farming	1 597 375	1 420 004
Animal feeds	2 688 142	2 440 511
Other African countries	394 409	320 186
Less: Internal revenue	(9 495)	(8 374)
Farming	(9 495)	(8 374)
<b>External revenue</b>	<b>6 020 558</b>	5 401 116
Eggs	1 350 127	1 228 789
Farming	1 587 880	1 411 630
Animal feeds	2 688 142	2 440 511
Other African countries	394 409	320 186
<b>Segment results – excluding items of a capital nature</b>	<b>36 818</b>	144 298
Eggs	(42 104)	(5 003)
Farming	(15 438)	34 275
Animal feeds	93 309	100 916
Other African countries	18 662	30 834
Head office costs	(17 611)	(16 724)
<b>Items of a capital nature per segment included in other gains/(losses) – net</b>		
Profit/(loss) on disposal of property, plant and equipment before income tax	1 115	(674)
Eggs	(81)	(13)
Farming	1 431	(778)
Animal feeds	(49)	(106)
Other African countries	(186)	223

	2022 R'000	2021 R'000
Profit on disposal of interest in associate before income tax	-	3 965
Head office costs	-	3 965
Impairment of intangible assets	(5 428)	-
Animal feeds	(5 428)	-
<b>Segment results</b>	<b>32 505</b>	147 589
Eggs	(42 185)	(5 016)
Farming	(14 007)	33 497
Animal feeds	87 832	100 810
Other African countries	18 476	31 057
Head office costs	(17 611)	(12 759)
<b>A reconciliation of the segment results (operating profit) to profit before income tax is provided below:</b>		
Segment results	32 505	147 589
Adjusted for:		
Investment income	4 244	4 747
Finance costs	(16 301)	(11 844)
Share of (loss)/profit of associate companies	(180)	1 767
Profit before income tax per statement of comprehensive income	20 268	142 259

# Notes to the summary consolidated financial statements

for the year ended 30 September 2022

## 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.

## 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 2022 and with those of previous financial years.

# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2022

## 3. Revenue

Disaggregation of revenue from contracts with customers:

### Revenue

Eggs

2022  
R'000

2021  
R'000

1 602 692

1 435 398

– included in eggs segment

1 350 127

1 228 789

– included in other African countries segment

252 565

206 609

Layer farming\*

240 958

256 165

– included in farming segment

211 906

219 597

– included in other African countries segment

29 052

36 568

Broiler farming\*\*

1 436 431

1 225 492

– included in farming segment

1 375 974

1 192 033

– included in other African countries segment

60 457

33 459

Animal feeds

2 740 477

2 484 061

– included in animal feeds segment

2 688 142

2 440 511

– included in other African countries segment

52 335

43 550

6 020 558

5 401 116

\* 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 2022

## 4. Other gains/(losses) – net

	2022 R'000	2021 R'000
Biological assets fair value adjustment	(8 438)	29 663
Unrealised – reflected in carrying amount of biological assets	(8 702)	(18 894)
Realised – reflected in cost of goods sold	264	48 557
Agricultural produce fair value adjustment	4 038	38 195
Unrealised – reflected in carrying amount of inventory	(2 094)	(26)
Realised – reflected in cost of goods sold	6 132	38 221
Foreign exchange differences	(1 252)	(5 370)
Financial instruments fair value adjustments	-	(3)
Foreign exchange contract cash flow hedging ineffective gain/(loss)	4 095	6 528
Profit/(loss) on disposal of property, plant and equipment	1 115	(674)
Profit on disposal of interest in associate	-	3 965
Impairment of intangible assets <sup>^</sup>	(5 428)	-
	(5 870)	72 304

<sup>^</sup> During the annual impairment test conducted on the CGU containing goodwill, it was identified that the carrying value of the CGU exceeded its recoverable amount. The customer base of the Olifantskop feed mill is mainly situated in the Eastern Cape province. This region experienced drought conditions since 2015 and the region was declared a disaster area in October 2019. The Olifantskop feed mill selling margins were negatively impacted by this. As a result of the aforementioned a goodwill impairment of R5.4 million was recorded in the current year.



# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2022

## 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

**23 822**

105 795

Weighted average number of ordinary shares in issue ('000)

**198 755**

196 126

### 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.

Weighted average number of ordinary shares in issue used as the denominator in calculating basic earnings per share

**198 755**

196 126

Adjustment for calculation of diluted earnings per share – Share appreciation rights

**1 255**

3 565

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share

**200 010**

199 691

Share appreciation rights issued in terms of the share incentive scheme have a potential dilutive effect on earnings per ordinary share.



# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2022

## 5. Earnings per ordinary share (continued)

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 **23 822** 105 795

Diluted weighted average number of ordinary shares in issue ('000) **200 010** 199 691

Headline earnings is calculated in accordance with Circular 1/2021 issued by the SAICA.

*Reconciliation between profit attributable to owners of the parent and headline earnings*

Profit for the year **23 822** 105 795

Remeasurement of items of a capital nature

(Profit)/loss on disposal of property, plant and equipment **(1 137)** 453

Gross

**(1 115)** 674

Tax effect

**(22)** (221)

Profit on disposal of interest in associate **-** (3 965)

Gross

**-** (3 965)

Tax effect

**-** -

Impairment of intangible assets **5 428** -

Gross

**5 428** -

Tax effect

**-** -

Headline earnings for the year **28 113** 102 283

Earnings per ordinary share (cents) **12.0** 53.9

Diluted earnings per ordinary share (cents) **11.9** 53.0

Headline earnings per ordinary share (cents) **14.1** 52.2

Diluted headline earnings per ordinary share (cents) **14.1** 51.2



# Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2022

## 6. Contingent liabilities

No litigation matters or other contingent liabilities 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 R31.7 million (2021: R12.3 million). Capital expenditure approved by the Board, but not yet contracted for, amounts to R104.2 million (2021: R154.7 million).

## 8. Events after the reporting period

### Dividend

The Board has resolved not to declare a final dividend for the year ended 30 September 2022 (2021: nil cents).

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.

## 9. Preparation of financial statements

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

## 10. 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.

# Appendix

## Commonly used terms

The following industry terms are commonly used throughout this report:

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



# 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 (lead independent director)  
T Golden  
LW Riddle  
G Vaughan-Smith  
HA Lourens (chief executive officer)\*  
AH Muller (chief financial officer)\*

*\* Executive*

## Company secretary

ZP Wakashe (appointed 20 September 2022)  
Email: Ziyanda.Wakashe@quantumfoods.co.za

## Company details

11 Main Road  
Wellington 7655  
PO Box 1183  
Wellington 7654  
South Africa  
Tel: 021 864 8600  
Fax: 021 873 5619  
Email: [info@quantumfoods.co.za](mailto:info@quantumfoods.co.za)

## Transfer secretaries

Computershare Investor Services (Pty) Ltd  
Rosebank Towers  
15 Biermann Avenue  
Rosebank 2196  
Private Bag X9000,  
Saxonwold 2132  
South Africa  
Tel: 011 370 5000  
Fax: 011 688 5209

## Sponsor

One Capital Sponsor Services (Pty) Ltd  
(Registration number 2000/023249/07)  
17 Fricker Road  
Illovo 2196  
Tel: 011 550 5000  
Fax: 086 538 4299

## Auditor

PwC

## Website address

[www.quantumfoods.co.za](http://www.quantumfoods.co.za)





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