



Integrated Report





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Quantum Foods is a diversified feed, poultry and egg business serving South African and selected African markets. The Group provides high volumes of quality products that meet important livestock and human nutritional requirements in a cost-effective way.



Our vision

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



Our purpose

To build the best feed, poultry and egg business



Our values

- 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

The Quantum Foods strategic themes and enablers

Strategic themes



Growth



Efficiency



Cost management
and savings

Strategic enablers



High performance
culture












Social and
environmental
impact

Our material stakeholders	
Shareholders and investors	
Employees	
Customers and consumers	
Suppliers and contractors	
Communities	
Government and regulatory bodies	
Industry bodies	

Matters with a material financial impact on Quantum Foods and the capitals affected	
Lack of economic growth in South Africa	
Growth opportunities	
Cost and availability of raw materials	
Manage industry profitability cycles	
Poultry disease	
Electricity supply	
Infrastructure	
Customer and supplier engagement	

Legend	Financial capital	Manufactured capital	Human capital	Intellectual capital	Social and relationship capital	Natural capital

The most material areas on which Quantum Foods has an impact and the outcomes aligned to our priority Sustainable Development Goals	
Nutrition	 SDG 2: Zero hunger
Animal welfare	 SDG 12: Responsible consumption and production
Responsible sourcing	 SDG 2: Zero hunger  SDG 8: Decent work and economic growth
Protecting the environment (emissions, water and waste)	 SDG 12: Responsible consumption and production
Skills development	 SDG 8: Decent work and economic growth
Health, safety and human disease	 SDG 8: Decent work and economic growth
Transformation	 SDG 8: Decent work and economic growth
Product safety and quality	 SDG 12: Responsible consumption and production

How we create value for investors

A pathway to better nutrition

Quantum Foods provides investors with a unique and sustainable investment that drives food security and nutrition. We service markets in Africa and South Africa, which include several regions recently affected by food inflation and food insecurity. With some of the highest population growth rates in the world, Africa offers significant, expanding and urbanising markets 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 to combat malnutrition.

🔗 Read more about our contribution to nutrition on page 61.

Commercial resilience and scale in egg production

The commercial egg industry is subject to cycles vulnerable to input costs, flock sizes, disease outbreaks and inflexible pricing. Few industry participants can weather the downturn in these cycles to capture significant value by scaling operations when the cycle turns. Quantum Foods has the leading egg business in South Africa under the *Nulaid* brand. The Group is well positioned to anticipate market movements and proactively resize and manage production through these cycles. Strategic locations further enable us to serve a variety of geographical regions through an efficient distribution network.

🔗 Read more about the egg business' return to profitability and the devastating outbreak of highly pathogenic avian influenza ("HPAI") in the fourth quarter of FY2023 on page 41.

A diversified and optimised value chain

Our four business segments effectively counter cyclical and geographic concentration challenges typical of the agriculture sector. All segments have internal and external customers, thus ensuring stable offtake from animal feed production to live broilers, hens and eggs. We have strong relationships with stakeholders in our value chain, including contract producers and buyers. Due to our scale and focus on quality, we are one of the only suppliers for larger customers requiring security of quality supply.

🔗 Read more about our value chain on page 19.

Effective application of data and analytics insights

As farming and food processing become more technologically enabled, we optimise efficiencies and are able to provide specialist consulting services to customers. We have access to extensive data captured throughout the value chain, including from livestock farming to poultry breeding, hatcheries and commercial poultry farming facilities. This leads to improved yields for Quantum

Foods and our customers while achieving world-class feed conversion rates. Our science and analytical expertise also enable us to develop appropriate responses under varying conditions.

🔗 Read more about our intellectual capital on page 10.

Exploring further opportunities in Africa

Quantum Foods gained a deep understanding and expertise in running operations in Zambia, Uganda and Mozambique over decades. We invest where input costs, such as maize, are predominantly priced in local currency and where the need for transport is limited. In Zambia and Uganda, we built effective, cash-based distribution networks that service rural areas and informal markets. In Mozambique, we supply both informal and formal retailers. We continue exploring expansion and acquisition opportunities in sub-Saharan Africa.

🔗 Read more about our performance in Africa on page 45.

Strong ESG focus driving efficiencies and impact

Quantum Foods is committed to advancing good environmental, social and governance ("ESG") practices to ensure a sustainable, ethical and responsible business. This is supported by strong management bench strength and investment in a development pipeline. Our people understand the importance of keeping customers satisfied and caring for our flocks. We track our ESG performance through periodic comprehensive on-site external reviews that identify potential risks and improvement actions. New capital investment project evaluations consider environmental impacts, including carbon emissions.

🔗 Read more about our ESG journey from page 59.

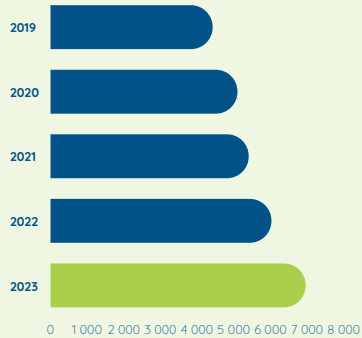
Financial prudence and risk mitigation

Quantum Foods has an experienced board of directors ("Board") intent on appropriate financial controls and oversight. The executive team has a proven track record of taking proactive steps to manage cash flow and working capital in an environment characterised by high input costs and periodic disaster events such as outbreaks of HPAI and other poultry diseases. The Group has a healthy asset base from which to grow through further strategic investment, particularly in species-specific animal feeds and broiler farming. Investments in backup generator facilities in the past year ensured continuous energy supply during load shedding for all operations.

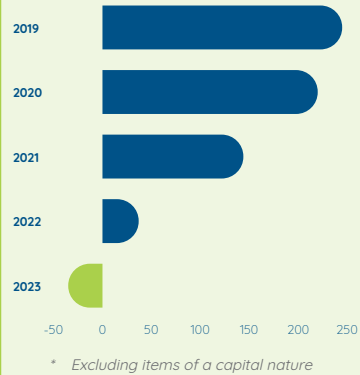
🔗 Read more about our financial position from page 105.

Key indicators

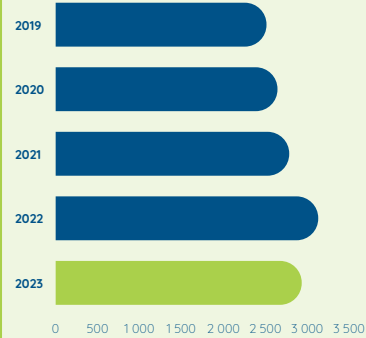
Revenue (R million)



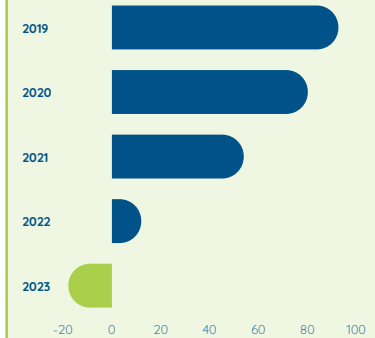
Operating profit/(loss)* (R million)



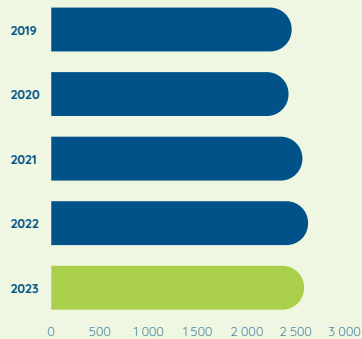
Total assets (R million)



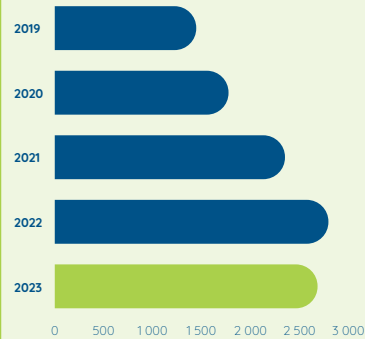
Earnings per share (cents)



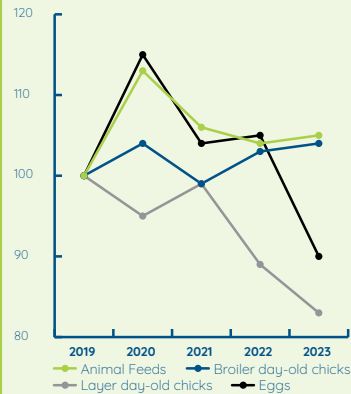
Number of employees



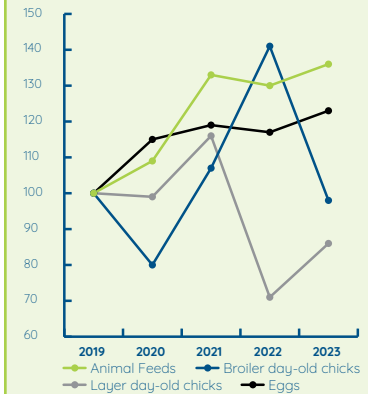
Electricity from renewable sources (kwh'000)



South Africa (% growth year-on-year)



Other African countries (% growth year-on-year)



Welcome to our 2023 annual integrated report

We are committed to transparent and responsive reporting that aims to meet the information needs of our material stakeholders while complying with regulatory requirements. As such, this annual 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.

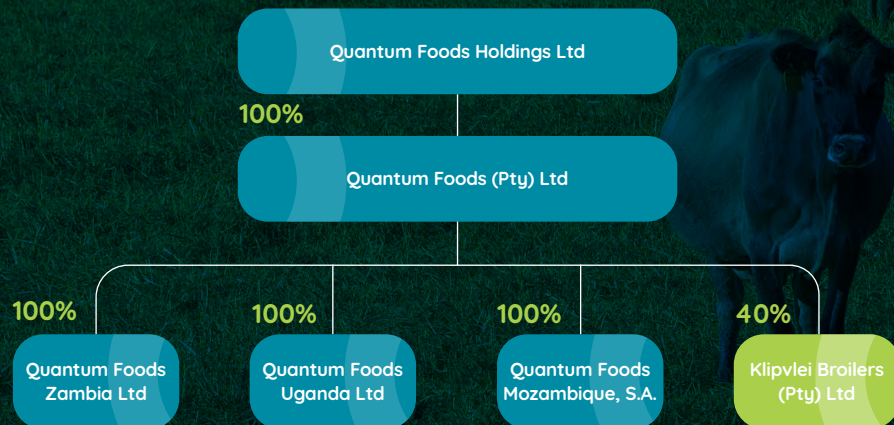
This annual integrated report for Quantum Foods Holdings Limited and its subsidiaries ("Quantum Foods", "the Group", or "the Company") covers the financial year from 1 October 2022 to 30 September 2023 ("FY2023").¹

This report is aimed at the Group's investors and other material stakeholders. We therefore considered both financial and impact materiality in determining the scope and contents of this report. Read more about our materiality process and material matters on [page 28](#).

We provide 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 financial year.

Quantum Foods is a public company duly incorporated in South Africa in accordance with the provisions of the Companies Act, No. 71 of 2008, as amended ("the Companies Act"), and the Companies Regulations, 2011 ("Companies Regulations"). Its shares are listed on the main board of the Johannesburg Stock Exchange ("JSE") under the share code QFH.

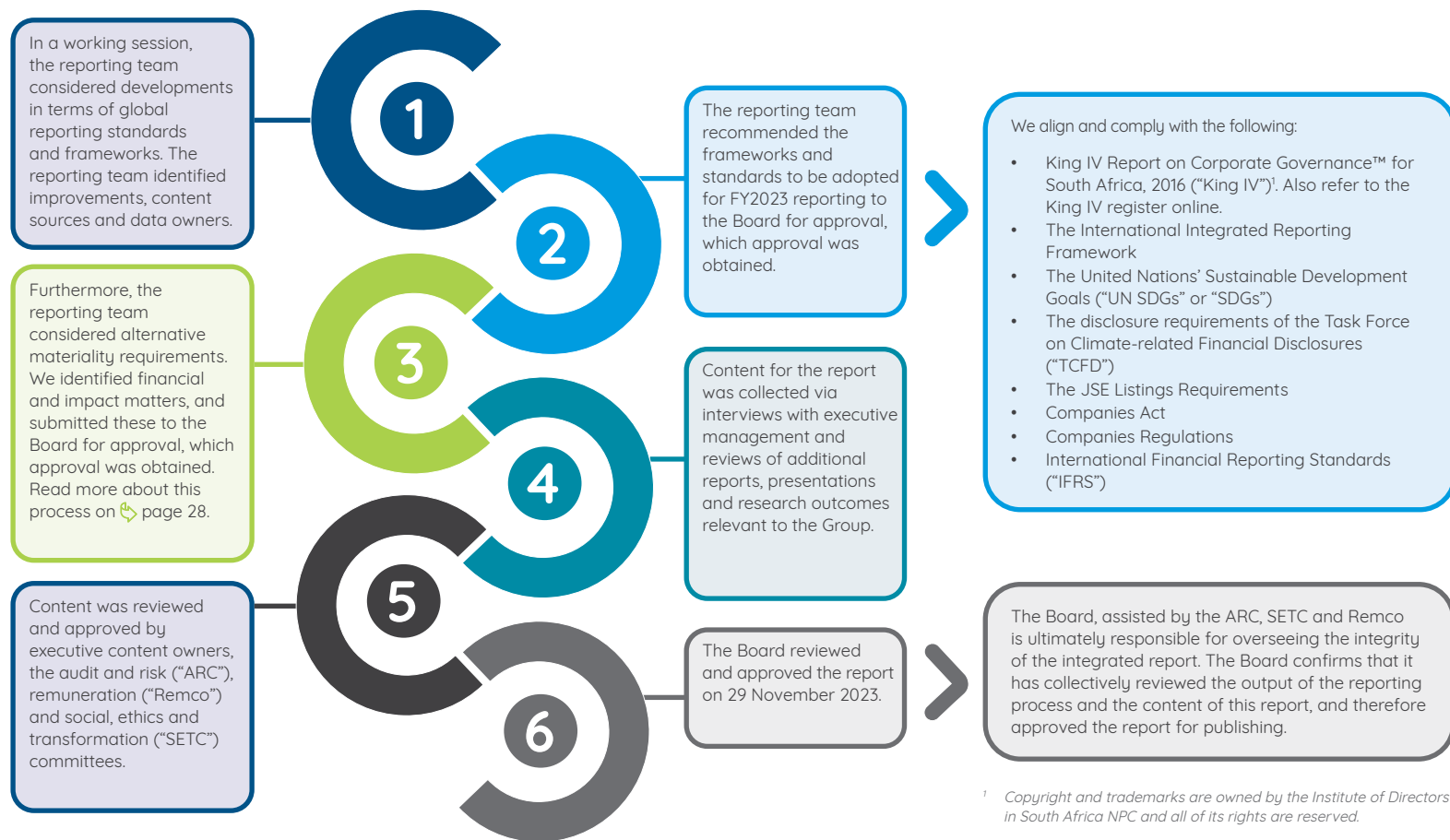
In compliance with paragraph 7.F.6 of the JSE Listings Requirements, Quantum Foods is in compliance with the provisions of the Companies Act and the relevant laws governing its establishment, specifically relating to its incorporation. Furthermore, Quantum Foods is operating in conformity with its Memorandum of Incorporation.



LP Buhr Boerdery (Pty) Ltd, previously a 100% owned subsidiary of Quantum Foods (Pty) Ltd, was deregistered on 10 March 2023.



¹ Where narrative within the report relates to a specific financial year, these years are referenced as FY2022, FY2023, etc. All years not specified as a financial period refer to the calendar year.

Content development and approval process



Assurance

Some elements of this report were subject to external assurance and include:

- The summarised consolidated financial statements provided in this report are extracted from the full statutory financial statements available on the Group's website: <https://quantumfoods.co.za/financial-reports/>. The summarised consolidated financial statements were audited by PricewaterhouseCoopers Inc. ("PwC"). The independent auditor's report on the summary consolidated financial statements is available on  page 110.
- 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 third independent ESG review of Quantum Foods' operations against the reference framework set out on  page 60.


For the rest of the report, assurance was provided through internal controls and processes.


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 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 various factors. Readers are, therefore, cautioned not to place undue reliance on such statements. The Group does not undertake any obligation to revise these statements after the date of this report.


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.

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.

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



WA Hanekom
Chairman



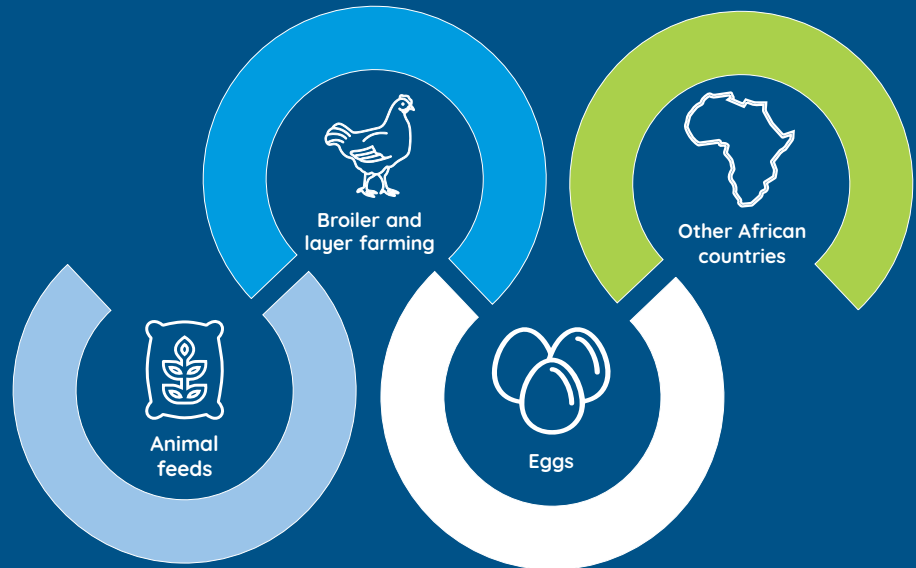
HA Lourens
Chief executive officer



Our Group profile

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 Africa and selected other African markets and is the leading producer of eggs in South Africa.



Animal feeds

737 492
tons

of feed supplied
(FY2022: 729 692 tons)



Broiler and layer farming

75
million

day-old chicks produced
(FY2022: 76 million)



Eggs

970
million

eggs and egg products sold
(FY2022: 1 097 million)



Other African countries

6.4%

of Group revenue from other
African countries
(FY2022: 6.6%)



Animal
feeds

Nova Feeds has established itself as a leading feed manufacturer in South Africa over the last 60 years. A focused approach to understanding farmers' needs as well as unique specie requirements enable us to formulate optimised feed solutions for farming success. Our customised feed solutions are supported by personalised technical service and advice.

Brand



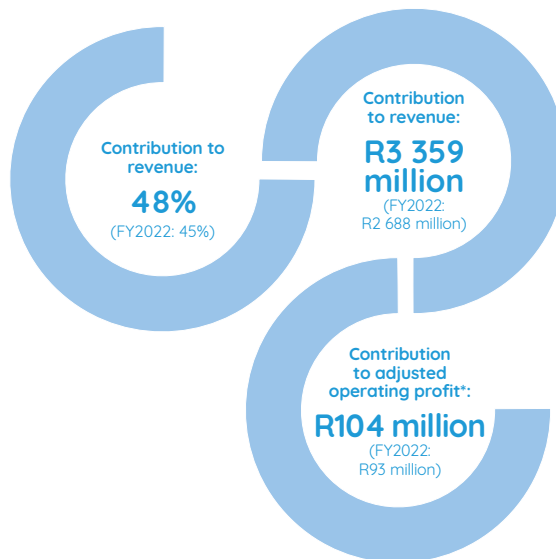
Facilities in South Africa

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 dairy cows). Main feed categories include poultry (broiler and layer), dairy, pig, ostrich and sheep feed.

Internal operations consumed 35% of feed volumes (FY2022: 39%).



* 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

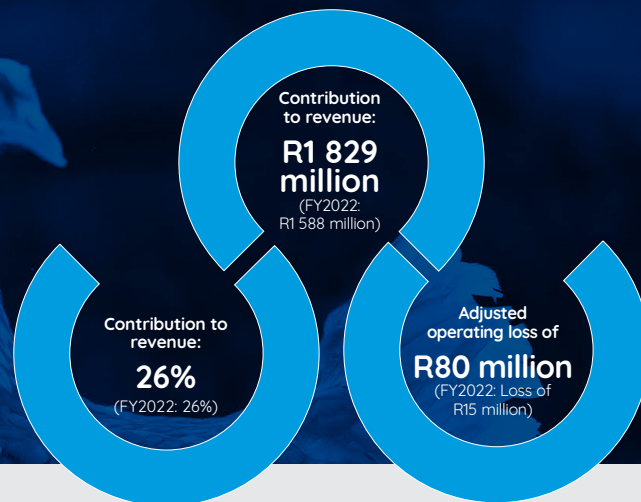
Our mills are highly automated to supply customers with feed products of consistently high quality. All mills have backup electrical generation capacity to mitigate against load shedding. We offer a wide range of products in either bulk or bags and distribute them nationally. Our technical advisors work closely with customers to develop nutritional solutions that maximise species' genetic potential and satisfy customer-specific needs. The integrated quality and safety systems at our mills ensure the manufacturing of "safe feed for safe food", high levels of biosecurity, adherence to all applicable legislation and the safety of our people. Our technology agreement with Nutreco, a leading international animal nutrition company, ensures 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.

Our focus on continuous efficiency improvement initiatives remains key to the success of the business. Stock management standards exceed world-class variance indicators despite handling huge volumes on a just-in-time basis.



**Broiler
and layer
farming**

We use the latest technology in our hatcheries, where fertile eggs are incubated to deliver day-old chicks. At our layer and broiler farms, specially designed houses ensure optimum conditions for rearing livestock. Strict biosecurity measures protect our birds and our employees.



Broiler farming brands



Facilities in South Africa

- Four parent-rearing farms owned by the Group
- 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
- Four hatcheries
- 11 broiler farms in South Africa, of which seven are owned by the Group and four are operated based on long-term contracts (the long-term contract for the Gottini Lakes broiler farm in Gauteng will terminate in FY2024)

Products

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

How we differentiate ourselves

We have access to world-leading Ross 308 genetics¹ to deliver quality broilers that meet customer specifications in terms of weight and size. We are a substantial reared broiler contract producer with access to own feed and day-old chicks and also sell day-old chicks to contracted and open-market customers. Our 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").

¹ The Ross 308 is the world's most popular broiler known for its fast growth rate and high mass-to-bone percentage.

Layer farming brand



Facilities in South Africa

- One grandparent farm owned by the Group
- Two parent layer farms owned by the Group and one rented facility, with a further farm contracted to supply the Group with fertilised hatching eggs
- One commercial hatchery
- Five commercial rearing farms owned by the Group, following the closure of the farm in Tongaat
- 11 commercial layer farms owned by the Group, following the closure of the Hekpoort farm in North West province

Products

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

How we differentiate ourselves

We are licenced to import pedigree grandparent layer stock of the Lohmann breed, which has a key advantage in feed efficiency. We distribute next-generation parent stock exclusively in South Africa and non-exclusively to some Southern African countries.

The total layer farming business includes the layer grandparent, parent breeding, hatchery, rearing farms and commercial layer farms producing day-old chicks, hatching eggs, point-of-lay hens and table eggs we sell to the market. Fertile hatching eggs are incubated, and female day-old chicks are either sold or placed at rearing farms. Layer hens are sold nationally and to customers in Southern African countries by the *Bergvlei Chicks* sales team or transferred to commercial layer farms for the Group's egg production requirements.

Following an operational review, two dedicated layer livestock rearing farms have been allocated to *Bergvlei Chicks* to produce for external customers. *Bergvlei Chicks* also includes the layer grandparent and parent breeding operations supplying internal and external farms with day-old chicks.

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.



The *Nulaid* brand was the egg category platinum winner in the Daily Sun Reader's Choice 2023.

Brands:

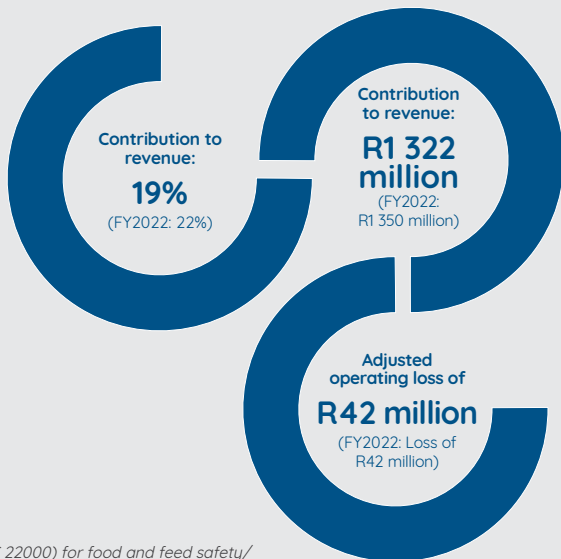


Facilities in South Africa

Five grading and packing facilities, of which one in Bloemfontein will close during FY2024

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 formal and informal markets. We sell branded eggs and supply leading South African retailers with eggs to sell under their own brands. Informal markets are served directly from farm.

The Company controls its own value chain from layer-rearing farms to pack stations and routes to market. Day-old chicks are supplied by *Bergvlei Chicks* and reared on our layer farms. We create optimum conditions for our layer hens to ensure they produce large eggs for a significant portion of their life cycle.

About 7% of eggs are 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, 15, 18, 24, 30, 48 or 60 eggs each.

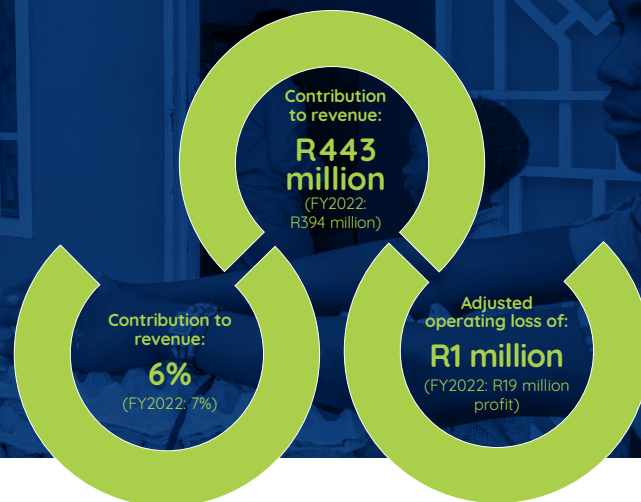
Liquid eggs are produced in egg-breaking plants, where the shells are removed from the product for sale. Fresh and pasteurised liquid eggs are predominantly sold to industrial customers. Free-range eggs are produced on two farms, while pasteurised shell eggs are produced at the grading and packing facility 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 certification¹ and regularly undergo food safety inspections and audits by our retail customers.

¹ The Food Safety System Certification (FSSC 22000) for food and feed safety/quality management is an internationally recognised scheme for food safety certification applicable to organisations in the food chain. It provides a systematic methodology to effectively identify and manage food safety risks. This is based on the International Standards Organization certification model.



Our experience running animal feed, farming and egg businesses on the African continent provides an effective diversification strategy and an attractive margin opportunity.



Zambia brand



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

Zambia products

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

How we differentiate ourselves

Quantum Foods Zambia has been in operation since 1997. We are a well-established Zambian agribusiness, providing the market with efficient, cost-effective poultry products.

We produce animal feed for our own business and supply external customers.

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. Most of our table eggs are sold through a network of more than 45 of our own small retail shops that also sell day-old chicks and feed.

Uganda brand



Facilities in Uganda

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

Uganda products

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

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 and agents.

Mozambique brand



Facilities in Mozambique

- One layer farm
- One egg-packing facility

Mozambique products

Table eggs

How we differentiate ourselves

Quantum Foods Mozambique commenced operations in 2016 and 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 produced by Quantum Foods in South Africa.

Geographic footprint

We have a range of internal and external customers across our geographic footprint.

Our production facilities in South Africa are spread over six provinces and consist of farms, hatcheries, processing and egg-packing facilities. We have production facilities in three countries in Southern and East Africa supplying regional markets. These operations are well established with a proven track record and a strong base to expand into sub-Saharan Africa. We have strong consumer brands and long-term customer relationships in these countries, especially in the formal retail sector.

BLOEMFONTEIN EGG PACKING
STATION TO BE CLOSED FY2024



Egg packing
stations



Layer
breeders



Feed
mills



Layer
hatcheries



Layer
rearing
farms



Layer
farms



Broiler
breeders



Broiler
hatcheries



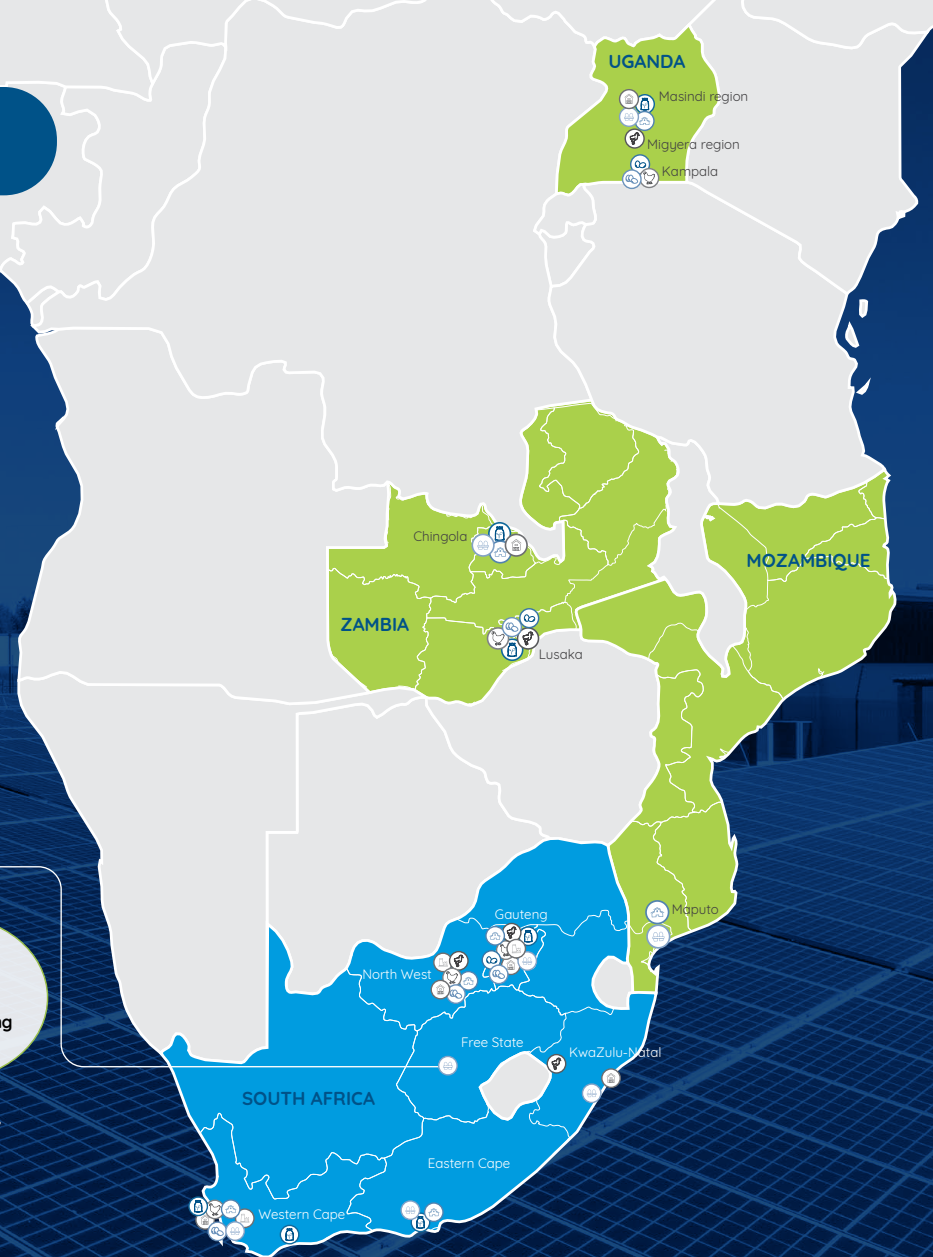
Broiler
farms



Egg packing
stations

Quantum Foods owns farms and contracts with farmers to supply broiler parent stock, layer and broiler hatching eggs, table eggs and rear day-old broiler chickens.

Quantum Foods Integrated Report 2023
Geographic footprint



Our stakeholders

Value creation relies on strong relationships with key stakeholders. Such relationships inform Group strategy and related activities. The Board sets the direction for how stakeholder relationships are approached and conducted by Quantum Foods.

The fundamental principles guiding our engagement

An inclusive approach: consultation with relevant stakeholders in developing and achieving an accountable and strategic response to sustainability.

Materiality: determining the relevance and significance of issues to both the Group and its stakeholders. The materiality of issues concerns the legitimate interests and expectations of stakeholders in the context of legal and strategic considerations.

Responding appropriately to stakeholder issues through decisions, actions, performance and communication.

Our stakeholder engagement policy sets out accountabilities, roles, and the criteria for identifying stakeholders. These include:

Stakeholders with potential legal, financial or operational claims or rights enshrined in regulations, contracts, policies or codes of conduct.

Stakeholders that are most dependent on Quantum Foods, for example, employees and their families, customers dependent on our products and services for their safety, livelihood, health or welfare, and suppliers for whom Quantum Foods is a large customer.




Stakeholders that influence, or in future may be able to influence, our ability to meet our goals.





Stakeholders that are, through regulatory structures or culture/tradition, entrusted to represent other individuals, for example, representatives of government, local communities, trade unions and membership-based organisations.

Stakeholders with whom Quantum Foods interacts most, including internal stakeholders, those with longstanding relationships, those on whom the Group depends most in its day-to-day operations, and those living in close proximity to our operating sites.

Significant changes to business strategies and/or the business environment may indicate additional stakeholders to engage.

The SETC is responsible for the governance and oversight of stakeholder relationships, whereas management is accountable for allocated relationships. Significant stakeholder engagements are appropriately recorded and reported.

Stakeholder category	Method of engagement	Stakeholder needs, expectations and concerns	Business response and outcomes
 Shareholders and investors	<ul style="list-style-type: none"> Website SENS Trading updates Results presentations (including a question-and-answer ("Q&A") session) Announcements and reports Annual general meeting ("AGM"), including a Q&A session 	<ul style="list-style-type: none"> Return on investment Responsible capital allocation Business sustainability Ethical behaviour 	<ul style="list-style-type: none"> Results presentations held in November 2022 and May 2023, and questions posed during the Q&A session answered. AGM held in February 2023, and questions posed during the Q&A session answered. The chief executive officer ("CEO") and chief financial officer ("CFO") met with potential debt funders. Additional capital was invested to mitigate load shedding risk. We take a zero-tolerance approach to unethical conduct.
 Employees	<ul style="list-style-type: none"> Internal communication Management and union meetings Confidential tip-off anonymous lines Training programmes Performance feedback discussions 	<ul style="list-style-type: none"> Job security Personal development (including training) Health and safety Fair remuneration and wages Diverse and inclusive workplace culture 	<ul style="list-style-type: none"> 40 employees were retrenched following a Labour Relations Act, section 189 process due to farm closures. Two employees were relocated or redeployed. 41 employees will be retrenched following a section 189 process due to the Bloemfontein egg packing station that will be closed during the first quarter of FY2024. Two employees will be relocated or redeployed. Wage negotiations were held with multiple trade unions and successfully and timeously settled within mandate. Several confidential tip-offs were received, and disciplinary action was taken where required. Formal health and safety audits were completed and no fatalities were recorded in FY2023. 78 safety incidents reported in South Africa (FY2022: 104). 529 employees received training in South Africa (FY2022: 416) to further their careers and improve performance.
 Customers and consumers	<ul style="list-style-type: none"> Brand websites and marketing material Regular meetings Consumer hotline Customer satisfaction surveys 	<ul style="list-style-type: none"> Nutrition benefits Products within specification Competitive pricing Reliable supply 	<ul style="list-style-type: none"> A customer complaint regarding feed allegedly supplied outside specifications resulted in an ongoing legal process. We responded to a request for information under the Promotion of Access to Information Act, No. 2 of 2000 lodged by the Animal Law Reform Society of South Africa. Formal retailer discussions about reduced supply to outlying areas in the Eastern Cape changed the mix of stores served. Food safety was ensured through effective controls and audits. We provided a reliable supply of safe products, including transport to other parts of the country to meet demand. Customer satisfaction surveys supported quality relationships.

Stakeholder category	Method of engagement	Stakeholder needs, expectations and concerns	Business response and outcomes
 <p>Suppliers and contractors</p>	<ul style="list-style-type: none"> A centralised procurement team manages communication for larger expenditure items The Group's decentralised procurement managers meet with suppliers and contractors 	<ul style="list-style-type: none"> Security of supply Commitment to B-BBEE Reasonable terms 	<ul style="list-style-type: none"> Load shedding mitigation measures now form part of supplier tender criteria. Certain countries are excluded from tenders based on perceived value chain risks and we may require disclosure of policies related to responsible business practices. A new parent stock supply agreement was entered into with a supplier of Ross 308 genetics. Extended payment terms were negotiated with one key supplier to address cash flow constraints. Quality management is in place for key procurement categories.
 <p>Communities</p>	<ul style="list-style-type: none"> Requests for assistance in the communities where we operate 	<ul style="list-style-type: none"> Economic empowerment and job creation Basic human rights requirements (food security and education) 	<ul style="list-style-type: none"> We continued with social development and enterprise development initiatives. A claim for fire damage was received from a neighbour of the Hekpoort layer farm and investigated, resulting in an amicable settlement.
 <p>Government and regulatory bodies</p>	<ul style="list-style-type: none"> Independent audits Adherence to regulatory requirements Employee training on regulatory requirements 	<ul style="list-style-type: none"> Compliance and independent assurance to measure compliance Responsible corporate citizenship 	<ul style="list-style-type: none"> Employees receive compliance training, and we take immediate action in the event of adverse findings. Several HPAI outbreaks were reported to the responsible state veterinarian. No material regulatory penalties, sanctions or fines for contraventions of or non-compliance with statutory obligations were noted.
 <p>Industry bodies</p>	<ul style="list-style-type: none"> Industry body meeting participation 	<ul style="list-style-type: none"> Active participation in industry body management Keeping abreast of new developments 	<ul style="list-style-type: none"> We provided support in the execution of South Africa's Poultry Industry Master Plan and its 2030 vision. Executive committee members are involved at senior level in industry bodies such as SAPA. We supported the Animal Feed Manufacturers Association ("AFMA") in unsuccessfully lobbying the Minister of Finance for inclusion of the animal feed industry in the list of industries involved in the manufacture of food items for human consumption and that qualify for a diesel rebate to provide some relief from elevated costs associated with load shedding.

Engaging with the NSPCA on animal welfare

The National Council of Societies for the Prevention of Cruelty to Animals (“NSPCA”) is the largest and oldest animal welfare organisation in South Africa and an important stakeholder for Quantum Foods.

As a non-profit organisation, they advocate for animal welfare and protection and conduct inspections, inter alia, at commercial farming facilities. They also play a role in investigating public complaints related to animal welfare.

Due to the nature of our business, we engage with the NSPCA on different levels and for different purposes:

- We share the results of audits done by external veterinarians on biosecurity measures at farms and internal flock welfare audits done at all layer farms, cull depots, broiler farms and hatcheries.
- The NSPCA conducts unscheduled site visits to inspect welfare compliance.
- When needed, our employees, including supervisors, receive training from the NSPCA.
- When we have an outbreak of HPAI, which leads to high bird mortalities, the NSPCA is often involved in monitoring compliance.
- With the expansion and upgrade of the Hartbeespoort hatchery, we involved the NSPCA during the design process to optimise our facilities for the best welfare outcomes.
- We have provided animal feed donations in cases where the NSPCA requested assistance.

Working with state veterinarians against HPAI

We were on high alert this year when poultry farms in the north of South Africa started reporting HPAI outbreaks from the second half of July. When we identified an outbreak at Quantum Foods farms in August, we were prepared. The farms were immediately placed under quarantine, and we started a series of meetings and discussions with the state veterinarians, who are responsible for the surveillance, control and eradication of animal diseases. What was different with this HPAI outbreak, was the fact that new strains seemed to manifest differently, calling for a more nuanced response.

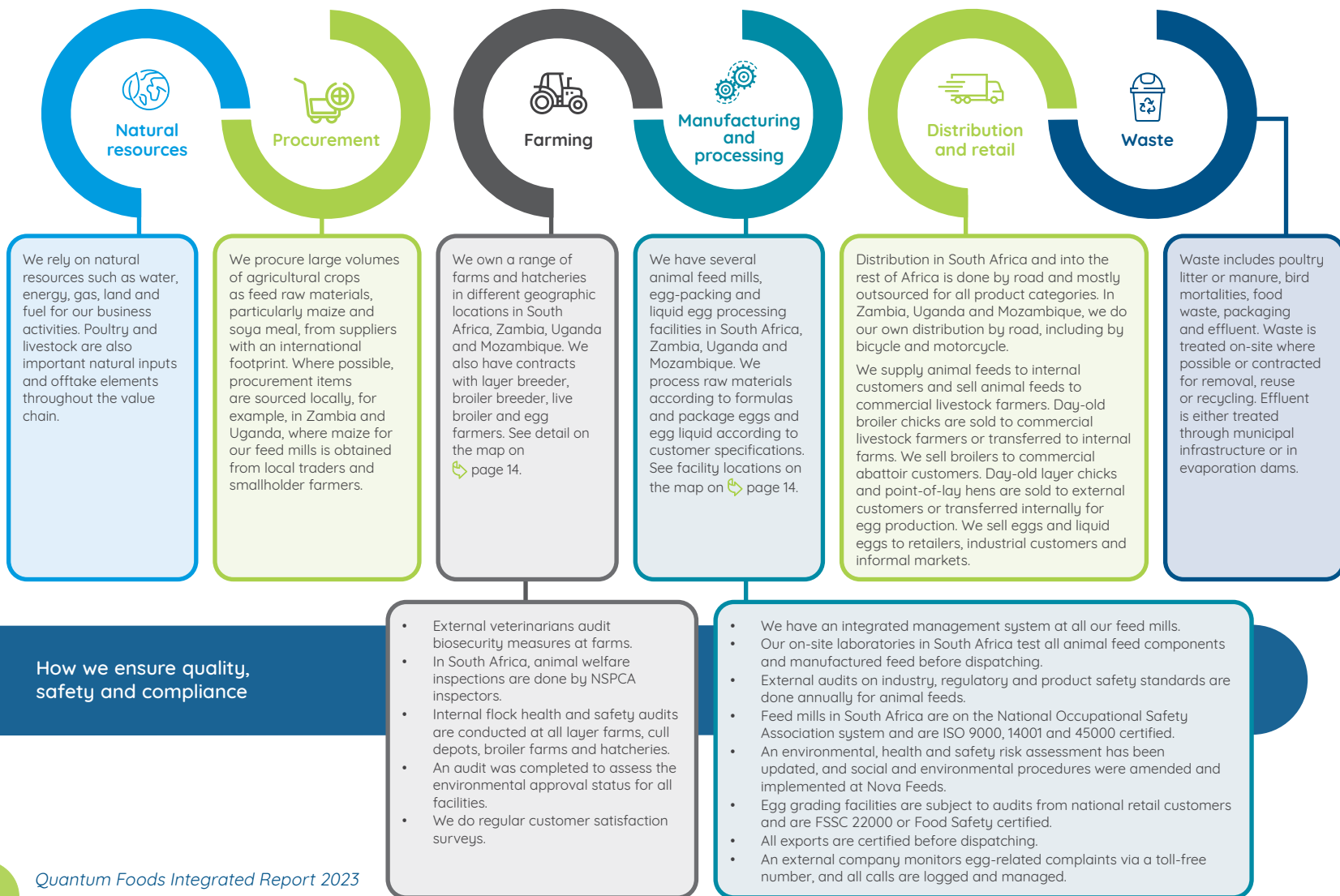
In our engagement with the state veterinarians, we discussed alternative mitigating actions on the ground, in parallel to SAPA participating on a national level to influence new policy decisions around vaccination. Quantum Foods remains committed to full compliance and reporting to the Department of Agriculture, Land Reform and Rural Development (“DALRRD”) while working with stakeholders throughout our value chain – all suffering from the devastating impacts of HPAI.



The Quantum Foods value chain

Quantum Foods has an integrated and diversified value chain. This enables us to generate and protect 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 business model

Inputs

Financial capital

- Higher cost of capital due to rising interest rates
- Sufficient debt capacity
- Constrained cash flow
- Extended payment terms from two suppliers



Manufactured capital

- Strategically located and owned feed mills, poultry farms, commercial hatcheries and egg-packing stations
- Contracted broiler breeder and live broiler farms
- Contracted layer breeder and egg farms
- Extensive outsourced and some own distribution in South Africa and other African countries
- Generator backup support for all operations
- 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/reviews on biosecurity, risks and ESG
- Understanding and experience in running businesses in African markets

Business activities

- Procurement, with feed raw materials as the largest category
- Poultry farming (breeding, livestock, eggs)
- 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 customers
- 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, spoiled packaging, hazardous waste and effluent
- Day-old layer parents sold to customers or used for breeding

Human capital

- Board and employee skills, expertise and experience
- Low management turnover
- Investment in creating a talent pipeline



Social and relationship capital

- Strong relationships with customers and suppliers
- Industry participation and lobbying
- Animal welfare commitment
- Community engagement



Natural capital

- Natural resources such as land, maize, soya, water, the sun and gas
- By-products from food and beverage producers
- Livestock and ecosystems

Quantum Foods' sustainability depends on navigating 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 sometimes have to make trade-off decisions to ensure a sustainable system where all six capitals are nurtured and protected over the long term, and stakeholders can benefit from the value we create over time. This also embeds a competitive advantage for Quantum Foods and creates new opportunities to explore.

Outcomes

Financial capital

- No dividends paid to shareholders
- Capital retained for investment and growth
- Cash flow secured and debt facilities increased



Manufactured capital




- Optimised portfolio of farms and processing facilities following closures and flock shrinkage due to HPAI
- Maintenance and upgrades to ensure compliance and efficiency
- Degrading national infrastructure with less rail and more road transport used
- Created increased backup generator capacity









Intellectual capital

- Improved customer contracting
- Operational risks well managed
- Adjusted broiler livestock farming practices accommodating breed requirements
- Customer livestock performance increased due to continuous improvement in animal feeds

Looking back

-  Read more about external challenges on page 25.
-  Read more about the risks that we faced on page 38.
-  Read more about topical stakeholder engagement this year on page 18.

Looking forward

-  Read more about future opportunities on page 3.
-  Read more about capital investment plans on page 46.
-  Read more about our purpose and strategy on page 34.
-  Read more about key relationships to create future value on page 15.
-  Read more about our contributions to ensure a sustainable future society and resources from page 58.
-  Read more about potential long-term climate-related risks and opportunities from page 75.

Human capital

- Skills pool for the agriculture sector expanded
- Job losses due to farm/egg packing station closures and operational resizing, partly due to HPAI outbreaks
- No fatalities, very few serious injuries
- Wage negotiations concluded without industrial action



Social and relationship capital

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



Natural capital

- Waste recycling optimised by using the BiobIN[®] system
- Additional solar energy projects implemented
- Biodiversity supported through Zouterivier farm conservancy
- HPAI outbreak affected poultry health and mortality
- Increased fuel consumption due to load shedding
- Increased emissions due to increased road transport and increased backup generator usage

¹ BiobIN[®] is an in-vessel composting system that helps reduce the volume of waste going to landfill sites.

Future availability based on strategy impacts

Financial capital

- Increasing based on animal feeds gaining market share, broiler and layer farm efficiencies improving, and the egg business becoming profitable.
- Increasing risk due to recent and potential further HPAI outbreaks, infrastructure challenges and input cost risk in African countries.
- Preserved through retained dividends, working capital and debt capacity management.

Manufactured capital

- Increasing through investment in strategic capacity expansion, for example in feed mills.
- Decreasing risk in areas where we close or resize operations due to market demand and long-term climate risks.
- Preserved through optimised maintenance plans.

Intellectual capital

- Increasing as we apply new technology and data insights, for example, to improve feed formulas or adjust to genetic requirements.
- Decreasing if we lose specialist skills or people in key positions.
- Preserved through succession planning, incentives and mentoring.

Human capital


- Increasing through our investment in training and supporting employees' wellbeing.
- Job losses will be contained as far as possible but might result from operational requirements in response to HPAI outbreaks and restructuring.

Social and relationship capital

- Increasing based on improved nutrition options and costings, an improvement in our B-BBEE rating and positive impacts through our corporate social investments.
- Potential erosion can be caused by food safety incidents, community conflict based on urbanisation and loss of customers.

Natural capital

- Increasing based on input requirements to support our growth aspirations.
- Preservation through investment in alternative energy, water-saving measures, carbon emission reduction and treatment of effluent and waste.

Quantum Foods operates according to seasonal cycles for grain harvests and the lifecycles for the different generations of poultry. As such, strategic decisions can take time, and sometimes years, before delivering any meaningful impact. It is key for management to be proactive and to accurately predict or respond to the impact of market movements, trade conditions and exchange rate fluctuations. We expect some decisions around resizing, closures and investments to start delivering positive financial results in the next financial year. Read more in the Leadership report from  page 41.

Examples of trade-offs

- The South African harbour, rail and transport infrastructure is not functioning optimally, which means that the delivery of imported raw materials or regional distribution of locally produced raw materials can be delayed and quality affected. To ensure availability, we have increased our inventory capacity, especially for certain feed ingredients. This has an impact on cash flow but lessens the availability risk.
- Increased periods of load shedding led to a decision to invest in immediate backup electricity generation capacity for all operations. Our spend had to be reallocated towards backup generators, and resources destined for solar installations were therefore delayed. As a consequence of this risk mitigation decision, emissions and fuel costs increased, but operations experienced no interruptions or quality issues related to energy supply.
- Widespread outbreaks of HPAI in the Gauteng and North West provinces in the fourth quarter of FY2023 caused an almost immediate shortage of eggs as birds were culled and eggs destroyed. Quantum Foods was able to supply Gauteng customers by transporting eggs from the Western and Eastern Cape. Existing customers were prioritised, albeit at lower levels than what they ordered, despite numerous requests from potential new customers.
- The Bergvlei layer livestock business was repositioned with fewer, more reliable contracted customers of point-of-lay hens, following the closure of the Tongaat layer rearing farm early in FY2023. This resulted in improved earnings previously impacted by customers changing orders for livestock reared at short notice.

Our operating context

Introduction

Global agricultural commodity markets operate within a context of continued economic risks, uncertainty, and high energy prices. This is according to the OECD-FAO Agricultural Outlook 2023-2032, which highlights that the surge in agricultural input prices experienced over the last two years has raised concerns about global food security.

The report highlights a rapid expansion and intensification of livestock farming, which is expected to lead to a fast-growing demand for feed in low to middle-income countries over the next decade. Poultry is projected to account for about half of the global growth in meat production due to sustained profitability and favourable meat-to-feed price ratios.

The report further demonstrates the potential impact of fertilizer prices, estimating that for each 1% increase in fertilizer prices, agricultural commodity prices would increase by 0.2%. The increase is more significant for crops that use fertilizers as direct input and poultry production, which relies heavily on compound feed.

The Russia-Ukraine war continued to add uncertainty regarding food, energy, and input prices. At the onset of the war, reduced availability of grains and fertilizers was a major concern for global markets. A year later, supply issues have improved.

Avian influenza and vaccination

In 2022, 67 countries in five continents reported highly pathogenic avian influenza outbreaks in poultry and wild birds to the World Organisation for Animal Health, with more than 131 million domestic poultry lost due to death or culling in affected farms and villages. In 2023, another 14 countries reported outbreaks, mainly in the Americas, with several mass death events reported in wild birds¹.

HPAI outbreaks were reported in South Africa in both 2022 and 2023, with new strains emerging. DALRRD reported that by 21 September 2023, 50 HPAI H7 outbreaks and 10 HPAI H5 outbreaks were reported². A vaccine protocol is in development to determine the criteria under which vaccination of poultry against HPAI will be permitted in South Africa.

HPAI is a controlled animal disease in terms of local legislation. All cases must be reported to the state veterinarian, with DALRRD directing passive and active surveillance. Once infection has been detected, all birds and, in the case of layer livestock, eggs from the infected biosecurity area must be contained under supervision of the state veterinarian.

The disease, which affects mainly poultry, is trade sensitive and can result in trade bans on the importation of poultry and poultry products.

Some European countries have started vaccination trials as the financial impact of culling, as a measure to contain the spread of the disease, is not sustainable. Many producers in other countries, in contrast to South Africa, receive governmental assistance in managing and controlling outbreaks, including financial compensation for their losses.

Quantum Foods' response

Avian influenza 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 aiming to ensure flock health and productivity. Due to the integrated nature of our business, higher mortalities resulting from outbreaks also directly impact the performance of our animal feeds segment.

The domestic poultry industry, via SAPA, has engaged DALRRD on the possible use of vaccines in addition to biosecurity programmes.

➤ Read more about the impact and mitigation against HPAI in the leadership report on page 42.

¹ <https://www.who.int/news/item/12-07-2023-ongoing-avian-influenza-outbreaks-in-animals-pose-risk-to-humans>

² <https://www.gov.za/speeches/update-highly-pathogenic-avian-influenza-outbreaks-25-sep-2023-0000>

Commodity prices and El Niño

El Niño is a climate pattern that describes the unusual warming of surface waters in the central and eastern Pacific Ocean.

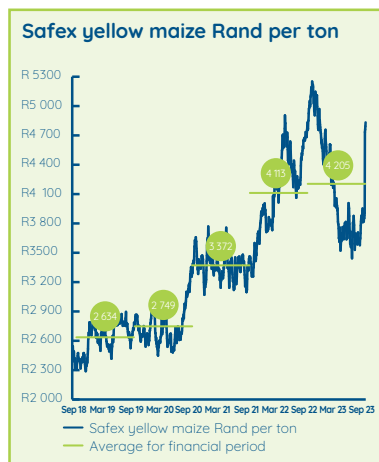
Following three consecutive years of La Niña, the El Niño-Southern Oscillation is currently in the El Niño phase, which is the opposite of the La Niña phase in the cycle. According to Global Agriculture Monitoring, the ongoing El Niño is forecast to be a strong event, reaching its maximum intensity in late 2023 and persisting through early 2024.

While crop yield impacts vary from one El Niño event to another, average global-mean soybean yields generally improve during an El Niño event. On a global scale, adverse impact on maize yields is expected to be partially mitigated as the areas where El Niño improves yields may offset the areas where it reduces yields.

In Southern Africa, below-normal rainfall and above-average daytime temperatures are expected during the key months of the next growing season. While rainfall is the more limiting factor for maize production, high temperatures can worsen the impacts of dry spells and negatively affect maize development¹.

International market prices for maize and soybean meal started declining in the first months of the reporting period, with the South African market following suit.

Raw material import costs are highly susceptible to exchange rate volatility. The Rand weakened this year due to various factors including the effects of intensified electricity load shedding on domestic economic growth, the greylisting of South Africa by the Financial Action Task Force and the strengthening of the US dollar.



Quantum Foods' response

- To be competitive in local animal feed manufacturing, we are sourcing raw materials at optimal prices to produce animal feeds at the lowest possible cost.
- We track and monitor commodity and foreign exchange markets on a daily basis and execute within mandates decided on by the central procurement committee.
- Following a higher South African soybean crop, we could source local soybean meal during the past year at a discount to the imported price.

Economic and operating challenges

South African agriculture is remarkably resilient, showing up as the strongest performing sector in the economy in the past two years. This is despite a wave of domestic challenges, including deteriorating infrastructure, load shedding, and riots around major trading routes. It reflects a combination of strong output and high prices while reaping the benefits of investments into expansion over the past decade and favourable weather conditions across most of the country since 2020².

Although food inflation slowed towards the end of the financial year, load shedding and the associated cost of alternative energy sources remain major cost drivers across the value chain. Retail prices for our products increased, offsetting some of the declining sales volumes at retail level. Consumers remained under significant pressure as interest rates reached a 14-year high at 8.25% following an upward cycle of 10 consecutive hikes by the South African Reserve Bank.

Quantum Foods' response

Economic hardship continues affecting our customer base in all markets. Margins remained under pressure as consumers were unable to absorb price increases. Read more about our performance under these circumstances in the leadership report from page 41.

¹ https://cropmonitor.org/documents/SPECIAL/reports/Special_Report_20230824_El_Nino.pdf

² <https://baseline.bfap.co.za/wp-content/uploads/2022/08/BFAP-BASELINE-2022-ONLINE-Final.pdf>

Regulatory changes

Major changes this year included:

The Employment Equity Amendment Act, No. 4 of 2022 was signed into law in April 2023. The amendments introduce sector-specific employment equity targets and compliance criteria. Sectoral targets and the commencement date of the amendments are still to be determined.

Impact on Quantum Foods

We will be required to set numerical targets in line with the applicable sectoral targets and include these in the employment equity plan (setting out how to achieve these targets) and the annual reports on progress to the Department of Employment and Labour.

The Compensation for Occupational Injuries and Diseases Amendment Act, No. 20 of 2022 was signed into law on 6 April 2023. The amendments extend the applicability of the Compensation for Occupational Injuries and Diseases Act, No. 130 of 1993 ("COIDA") to previously excluded vulnerable workers and improving employee compensation benefits and introduce a multi-disciplinary employee-based process for rehabilitating and reintegrating injured employees or employees who contracted occupational diseases.

Furthermore, employees involved in an accident on a public road will have to claim from the Road Accident Fund instead of the compensation fund. Employers who fail to comply with COIDA will be fined. The commencement date of the amendments is yet to be determined.

Impact on Quantum Foods

Quantum Foods will review and amend policies and procedures to ensure compliance.

The Department of Water and Sanitation published the **Revision of the Regulations Regarding the Procedural Requirements** for water use licence applications on 19 May 2023. The proposed amendments require applicants for new water use licenses (to take or store water) to have onerous minimum B-BBEE shareholding. The proposed amendments only apply to applications for new water use licenses, not renewals or water use applications.

Impact on Quantum Foods

When the regulations are finalised, Quantum Foods will assess the compliance requirements for new water use licences and plan accordingly.



Material matters

Quantum Foods has a mature financial materiality process and focus. Since reporting on material matters for the first time in 2015, our material matters remained similar year-on-year and consistently included a range of ESG factors.

We started incorporating impact materiality in our annual integrated report following developments in global sustainability standards and to align with the JSE sustainability standards, which recommend a double materiality approach. Building on the 2022 material matters, we considered a long list of material topics to determine those most applicable to Quantum Foods. We workshopped a short list, and the Board approved the financial and impact material matters for inclusion in this report.

We recognise that some matters might have both a financial and impact materiality aspect. In our split between a financial and impact perspective, we sorted matters according to the most important perspective but holistically took the other perspective into consideration as well.

Material matters from a financial perspective (outside in factors):

- Lack of economic growth in South Africa
- Growth opportunities
- Cost and availability of raw materials
- Manage industry profitability cycles
- Poultry disease
- Electricity supply
- Infrastructure
- Customer and supplier engagement



Growth



Efficiency



Cost management and savings

Financial materiality

Lack of economic growth in South Africa

Stagnation or a decline in economic growth in South Africa could lead to reduced consumer spending, negatively affecting sales and profitability. Energy supply remains unreliable, and stronger El Niño conditions threaten the agricultural outlook. Although the South African Reserve Bank expects South Africa's economic conditions to improve, economic growth prospects remain severely constrained.

Read more in the operating context on page 25.

Business response and opportunities

Locally produced eggs and chicken remain the most affordable animal protein products for human consumption. Although we continue to invest in additional production capacity, we also exit or scale down where necessary based on market demand and pricing. Our markets in Africa are more stable, but investment decisions are carefully assessed against consumer trends and growth drivers.

Read more in the leadership report from page 41.

Without economic growth in South Africa, organic business growth will remain limited. Alternative growth opportunities will likely be in acquisitions, niche markets, exports and our African markets. Lack of economic growth also puts pressure on customers and consumers and increases the likelihood of delayed payments.

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

Growth opportunities

Volume growth is important for the sustainability of Quantum Foods' low-margin commodity-type product portfolio. New markets or growth in existing markets, also through product innovation, can drive revenue growth and expand the business in the poultry, egg and animal feed value chains. The consumer shift away from red and processed meat towards more affordable, healthy or environmentally friendly alternatives will also create growth opportunities.

Business response and opportunities

Quantum Foods takes advantage of genetic improvements that enable faster growth, higher egg production, lower feed consumption and better disease resistance. This positions the business to efficiently meet the growing demand for affordable animal protein. The Group's financial capital, animal feeds and farming capabilities, experienced management teams, and footprint in South Africa and the rest of Africa enable us to identify and realise growth opportunities across the continent. However, given the cyclical nature of agriculture and the pressure on margins, we need to balance growth ambitions with profitability.

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



Growth



Efficiency



Cost management and savings

Cost and availability of key raw materials

Fluctuations in the cost or availability of essential raw materials can significantly impact production costs and quality, particularly in animal feeds. Market intelligence and supply chain knowledge are essential to manage and mitigate this risk. Advances in feed formulas require more specialist ingredients to drive better conversion for internal and external customers.

Feed is the largest cost element in poultry production and, therefore, significantly impacts profitability. 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 an inability to recover fluctuating raw material costs in final product prices.

Business response and opportunities

Quantum Foods has a centralised procurement team that is able to anticipate and respond to raw material supply challenges.

We have long-standing supply agreements with dependable local and international suppliers. We are engaging with local suppliers about alternative solutions, such as additional storage facilities, where load shedding risk at higher levels cannot be mitigated. We are also increasing our supplier base to improve the reliability of supply.

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.

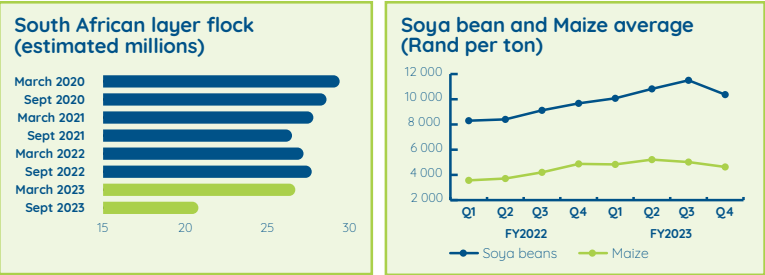
We optimise our internal requirement for animal feeds by ensuring feed formulas achieve ideal conversion while unlocking genetic potential. We also continuously improve the operating environment for our poultry livestock.

[Read more in the leadership report from page 41.](#)

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

Manage industry profitability cycles

Retailer pricing is not always input-cost driven, especially for eggs. Retailers set prices that can have a significant impact on supplier margins. Outbreaks of HPAI and consumer shifts due to affordability challenges further disrupt market supply and demand fluctuations. This year, the decline in layer flocks continued, with many small commercial farmers stopping production. Fortunately, input costs have started lowering from April 2023.



Business response and opportunities

The diversified nature of Quantum Foods' business portfolio and range of customers create resilience. We are well integrated into the value chain, and all business segments have internal and external customers. This mitigates against different cycles for each segment.

We monitor industry trends and adjust our flocks and production plan accordingly. Our animal feed business has 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 restructuring the operating model and reducing capacity (fixed costs) and volumes sold in less profitable sales channels (variable costs).

[Read more in the leadership report from page 41.](#)

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



Growth



Efficiency



Cost management and savings

Poultry disease

Outbreaks of poultry disease can significantly impact our farming operations' productivity, efficiency and financial performance. According to SAPA, more than 80% of HPAI outbreaks are spread by wild birds and their droppings. The virus also mutates readily and rapidly.

🔗 Read more about HPAI in the operating context on page 25.

Business response and opportunities

With the assistance of veterinary consultants, Quantum Foods continuously reviews the biosecurity, vaccination and flock health monitoring programmes at all sites with operational disease risk. 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.

The current spread of HPAI in South Africa poses a considerable threat to job security for the sector, food security and has a significant impact on all financial indicators.

🔗 Read more about the HPAI outbreaks in the leadership report on page 42 and risk management on page 40.

Impact time frame	Strategic theme	Capitals impacted
Short and medium term		

Electricity supply

Quantum Foods' operations depend on consistent and stable electricity supply to maintain optimal production and environmental conditions for poultry, egg and animal feed products. According to research by the South African Reserve Bank, South Africa has experienced sporadic incidents of electricity supply interruption (load shedding) since 2007, with 157 days recorded in 2022. Total load shedding for 2023 has already reached even higher levels. At a minimum, load shedding affects production capacity and utilisation, thus leading to inefficiencies and increased costs.

The latter includes a substantial increase in the investment required for generators, costs incurred for generator fuel and maintenance and costs incurred due to planned production capacity being unavailable at third-party facilities not equipped with generators. Load shedding has indirect impacts, such as an interrupted supply of some feed raw material items, especially those produced by maize and wheat mills which were not equipped with generators. Such raw materials had to be replaced with other, more expensive ingredients.

Prolonged load shedding is likely to continue as Eskom is expected to remain an unreliable supplier in the short to medium term with major repair and maintenance and new capital investment projects required to improve the Eskom supply capacity.

Business response and opportunities

Quantum Foods operations, including all environmentally controlled farms and hatcheries, have backup generator facilities. However, generators are designed to provide occasional backup electricity and not to run at the level required over the reporting period. To manage this risk, we acquired additional standby generators to avoid extended power interruptions that may be caused by generator maintenance or replacement requirements. Some sites have solar energy generation capabilities, but these are grid tied, which means they do not function if the grid is down. We continue to invest in solar energy, albeit at a slower pace, due to the need to acquire generators in the short term.

Load shedding drives higher energy costs mainly through fuel expenses, which impact earnings and cash flow.

🔗 Read more about the impact of load shedding in the leadership report on page 42 and about our solar energy pipeline in the chapter on responsible business on page 73.

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



Growth



Efficiency



Cost management and savings

Infrastructure

Ageing and deteriorating infrastructure, including roads, rail and ports, increase costs and risks associated with imports, transport and deliveries. Failing and poorly maintained public assets are also more vulnerable to natural disasters.

Roads now move more than 70% of South Africa’s industrial cargo because of the deterioration of the rail system.

The suboptimal functioning of municipalities puts the availability of electricity, water, waste and sanitation services at risk. Inner city disasters, such as the Johannesburg gas explosion and building fires, are examples of the economic and social loss that people and businesses suffered this year.

Economic growth is virtually impossible without a functioning integrated public logistics infrastructure.

Business response and opportunities

Quantum Foods relies on national infrastructure for supplies and to deliver our products to customers. As with most South African businesses, we had to use less rail transport and contract more loads via road transport operators, resulting in higher costs and emissions. In rural areas, we work with other stakeholders to maintain some common infrastructure, such as farm roads.

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

Customer and supplier engagement

Strong relationships built on trust and transparency are essential for ensuring smooth operations and meeting market demands. Losing a major customer or developing an acrimonious relationship due to mismatched expectations is detrimental to growth, efficiency and reputation. Local supplier development is a transformation imperative and a way to mitigate supply chain risk, exchange rate impacts and import-driven inflation.

Read more about our customers and suppliers in the stakeholder section on page 16.

Business response and opportunities

Quantum Foods has long-standing relationships with key customers and aims to exceed their expectations where it makes business sense. We are committed to developing new suppliers and continuing to invest in promising small ventures. Internal controls and audits ensure that suppliers supply us as per our agreements with them and that we provide customers with safe and quality products.

Leading expertise and dedicated points of contact support a strong focus on responsive and customised service and technical solutions, particularly in feeds. Good relationships enable us to negotiate better terms or make alternative arrangements, for example, when cash flow came under pressure this year.

Read more about customer satisfaction surveys in the chapter on responsible business on page 71.

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

Impact materiality

Our business activities impact society, communities, the environment, and other stakeholders. We engage with our stakeholders to understand our impact and to mitigate adverse consequences. Read more about impact materiality in the responsible business chapter from [👉 page 58](#).

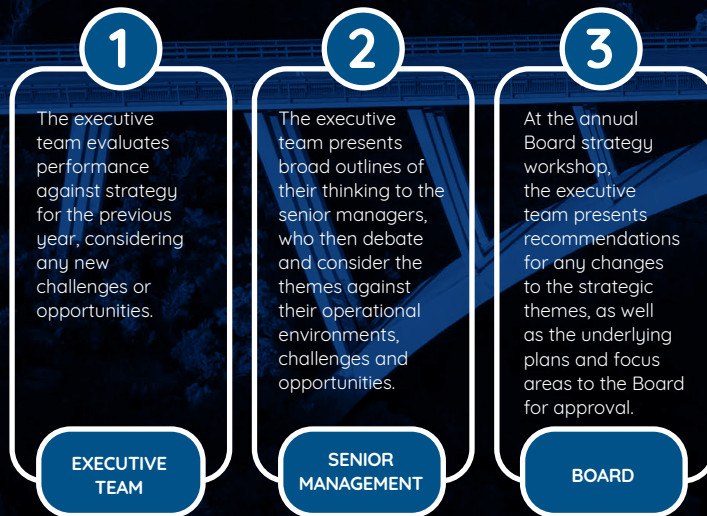
Material matters from an impact perspective (inside-out factors)	Read more
Nutrition: Our ability to provide high-quality protein at affordable prices contributes to ending hunger and associated perils, such as stunted development of young children.	👉 Page 61
Animal welfare: Adhering to acceptable and required practices reflects our ethical responsibility, while biosecurity measures protect our birds.	👉 Page 71
Responsible sourcing: Developing local small suppliers and ensuring responsible practices in our value chain will create value for all stakeholders and assist in the protection of human rights.	👉 Page 62
Protecting the environment (emissions, water, and waste): Implementing practices to minimise emissions, water use and waste is crucial for environmental stewardship, compliance with regulations and reducing our carbon footprint and taxes.	👉 Page 69
Skills development: As one of the few corporate players in the poultry and egg sector in South Africa, Quantum Foods contributes to creating a pool of skills for the industry and high-performing employees for our own operations.	👉 Page 66
Health, safety, and human disease: By providing a safe working environment and protective equipment, including biosecurity measures, Quantum Foods takes care of employees and complies with legislation.	👉 Page 66
Transformation: Our commitment to empowerment, development and employment equity will lead to improved socio-economic status for previously disadvantaged individuals and communities.	👉 Page 68
Product safety and quality: We aim to provide products that are safe and nutritious for their target market – be it human or animal – to consume.	👉 Page 71

The Quantum Foods strategy

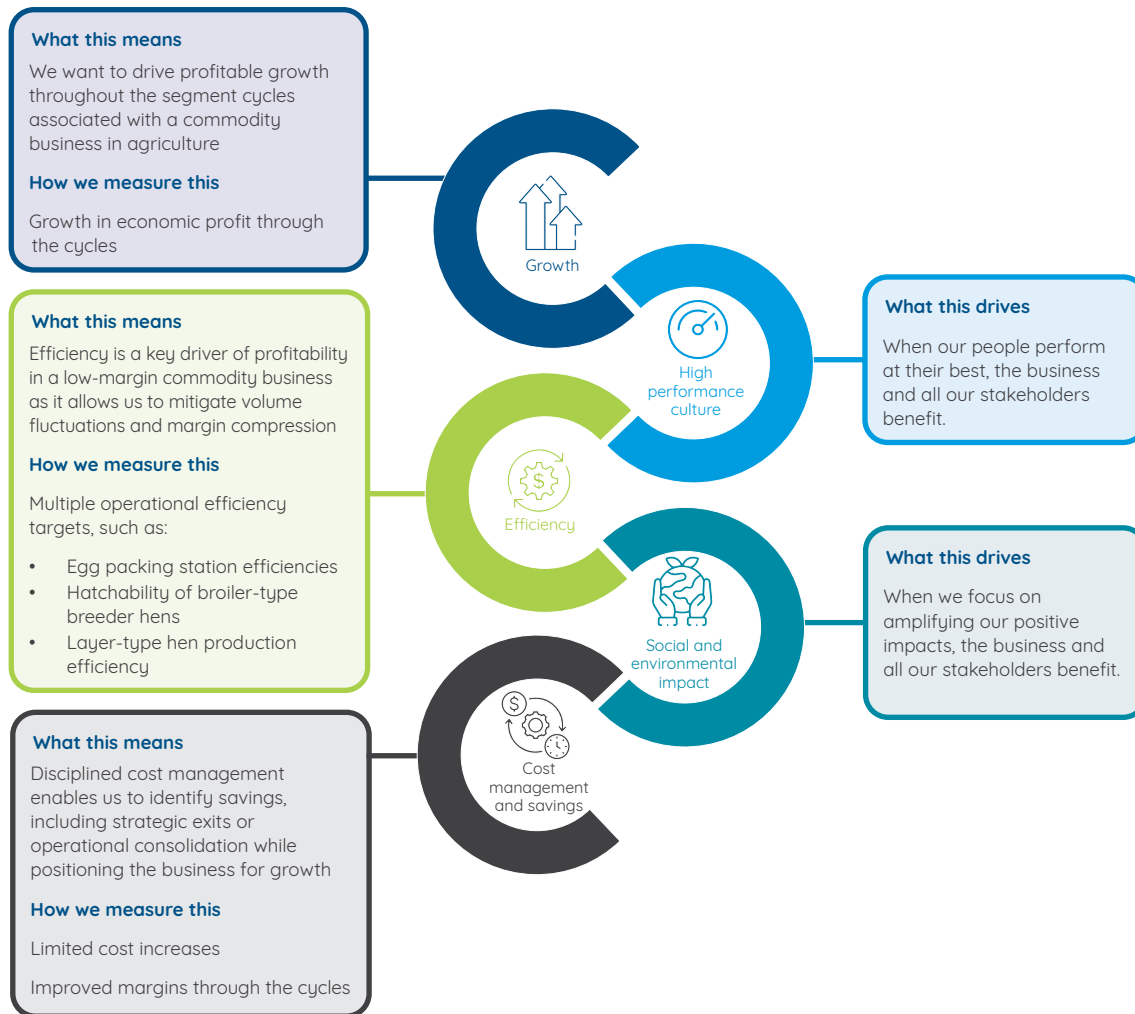
Refining our strategy

Quantum Foods' strategy is shaped by three strategic themes and two enablers that support the successful execution of our vision and purpose to build the best feed, poultry and egg business. Our strategic themes are reviewed and approved by the Board annually. The Board ensures that the themes remain relevant and respond appropriately to a dynamic context and our material matters. During the FY2023 strategy review, a slight repackaging of the strategy was approved, with the essence remaining intact.

Our strategy review process



Understanding our strategic themes and enablers



Strategy implementation and monitoring

Progress with implementing our strategy is measured via a range of monthly operational indicators, which are reported to the executive team. We have short-term targets captured in the annual budget and longer-term targets towards 2025.

As per the Quantum Foods remuneration policy, operational targets form the basis for management employees' performance contracts and are reviewed annually. The Board approved operational targets for 2024 in September 2023.

[Read about these performance conditions and operational targets in the remuneration committee report from page 94.](#)

Our risk register is updated annually and considers any challenges or opportunities arising from our performance against strategy and changes in the external environment.

Strategic themes performance summaries



Growth

Progress in 2023

- Maintained cost competitiveness of key inputs for animal feeds despite supply interruptions.
- Achieved targeted earnings from the available animal feed capacity with Malmesbury mill at full capacity.
- Ensured availability of animal feed capacity through further investment in generators to mitigate load shedding.
- Successfully completed the migration from importing grandparent stock to acquiring broiler parents that can be purchased within South Africa.
- Successfully completed the production capacity expansion at the Hartbeespoort broiler hatchery, which is now set to increase the sales of day-old chicks significantly.
- Ensured 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.
- Optimised sales volumes to customers following the closure of the Tongaat layer-rearing facility early in FY2023.
- Considered egg supply and market opportunities in additional South African areas to optimise earnings from the egg business.
- Business outside of South Africa did not achieve the target operating margin that is traditionally higher than in South Africa following higher raw material costs resulting in much lower demand, especially for day-old chicks and feed.
- Maintained optimal product performance and ensured satisfied customers and consumers.
- Growth in Uganda disappointed with poor commercial egg production efficiencies and challenging market conditions with record high feed prices in the first half of FY2023.

Growing niche markets and alleviating hunger

We are exploring new growth areas, where we are targeting livestock customers in remote areas. Our intent is to make affordable protein available to rural areas through small-scale farmers. Starting from scratch, the business is now selling more than 15 000 day-old chicks per week to people who grow and consume poultry.

Future priorities

Short to medium term

- Zambia feed mill and silo complex expansion to be completed, creating additional capacity and higher sales volumes.

Quantum Foods Integrated Report 2023

The Quantum Foods strategy

- Multi-year Malmesbury mill expansion project in the planning stage to increase our national feed production capacity by approximately 13%.
- Utilise increased production capacity at the Hartbeespoort broiler hatchery.
- Replace day-old chicks and egg production capacity lost due to the outbreak of HPAI.
- Increase the sale of layer day-old chicks in South African and other African markets.

Long term

- Maintain unique position as broiler contract grower with own chicks and feed.
- Continue organic growth in animal feeds, layer day-old chicks and broiler day-old chicks.
- Improve sales of livestock and feed in remote areas.
- Adjust egg production by anticipating industry cycles to reduce earnings volatility.
- Expand market share and footprint in other African countries.



Efficiency

Progress 2023

- Ensured increases in operating costs were limited. Read more in the remuneration report on [page 101](#).
- Completed the broiler breed change with some challenges experienced at broiler level. Operational efficiencies in the breeder business improved, including hatchability, but the performance of the broilers compared to our benchmark was disappointing.
- Started to realise genetic potential of the Ross 308 breed to increase the number of day-old chicks available for sale, thus optimising production capacity.
- Recovery in layer farming efficiencies included improved feed conversion rates, improved hen day production and lower mortalities.
- Ensured an optimal sales mix for eggs by reducing second-grade eggs and addressing seasonal issues with shorter shelf life of eggs in summer.
- Successful transition and early benefits from a modern enterprise resource planning system configured to optimally support the Group's business operations.
- Despite improvement in some areas, breeder efficiencies in Uganda and Zambia remained below target.
- Feed conversion efficiencies on layer farms improved in two African countries.

Future priorities

Short to medium term

- Maintain feed performance.
- Achieve targeted efficiencies for the full layer and broiler farming value chains in all operations.

- Maintain high level of efficiencies for egg packing stations
- Extract further benefits from the SageX3 enterprise resource planning system
- Eggs to continue focus on automation projects to support efficiency
- Mitigate supply chain challenges by increasing supplier base for key raw materials

Long term

- Assess opportunities where suppliers offer innovative new products or feed components based on value, suitability for our equipment and processing efficiency
- Stay updated and evaluate developments in poultry genetics to ensure access to optimal efficiencies
- Invest in farming facilities to maintain efficiency

A new breed: benefits and learnings

We took a strategic decision to transition from Cobb500 genetics to Ross 308 in the broiler farming business to create scale and improve efficiencies. We completed the transition in FY2023, with some practical challenges experienced. However, the business is already reaping the benefits from a range of strategic shifts:

- We procure parent stock of the new breed from a local supplier with multiple grandparent operations, thus reducing our supply concentration risk in case of e.g. an HPAI outbreak at our previous single grandparent farm.
- We repurposed our original Cobb500 grandparent farm in the North West province to be a Ross 308 breeding farm and hatchery thus producing higher volumes of hatching eggs closer to where the market is growing.
- We now farm with a breed that is less resource intensive, thus consuming less feed while delivering significantly more eggs.
- We adapted our farming practices to suit the specific requirements of the new breed which caused complexities through the transition, especially for broilers, but gained a deep understanding of the optimal environments and management of the new breed in the process.



Cost management and savings

Progress in 2023

- Optimised earnings from the egg segment by continuously evaluating the geographic distribution of egg sales.
- Continuously considered routes-to-market for egg sales to optimise profitability.
- Lower Eskom electricity use due to load shedding did not translate into any savings as the South African businesses experienced a R52 million increase in generator fuel costs.

- Energy costs decreased as we implemented improved gas solutions to heat broiler chicken houses, combined with different insulation materials on some farms.
- Employee costs were lower due to redundancies and layoffs implemented due to farm closures and HPAI-related operational interruptions.
- The closure of the Tongaat layer rearing farm and closure of the Hekpoort layer farm, as well as the decommissioning of some poor-performing layer houses at other farms, were all successfully completed.
- Egg packaging innovation delivered cost savings by reducing carton tray sizes while retaining strength and volumes.
- *Bergvlei Chicks* delivered cost savings through the reduced use of casual labour, less overtime, fleet optimisation and a contract with a new hatching egg supplier.
- At the Hartbeespoort hatchery, we found a local supplier specialising in chicken waste handling, cutting waste disposal costs.

Future priorities

Short to medium term

- Continued focus on cost management and cost-saving opportunities to limit cost increases
- Engage with suppliers of raw materials for improved supply chain solutions
- Expand on items procured centrally

Long term

- Continue to invest in and procure energy generated from renewable sources

Strategic enablers



High performance culture

We took strong action against underperformance and fraud this year, with 16 dismissals following internal disciplinary procedures, grievance and hotline reports. We also continued supporting employees through training and rewarded high performers.

[Read more about our high performance culture in the responsible business section on SDG 8 from page 63.](#)



Social and environmental impact

We identified the areas where the business has the most material impact and linked these to our priority SDGs. This will amplify positive impacts and help minimise negative environmental and societal consequences.

[Read more about progress with social and environmental impact in the chapter on responsible business from page 58.](#)

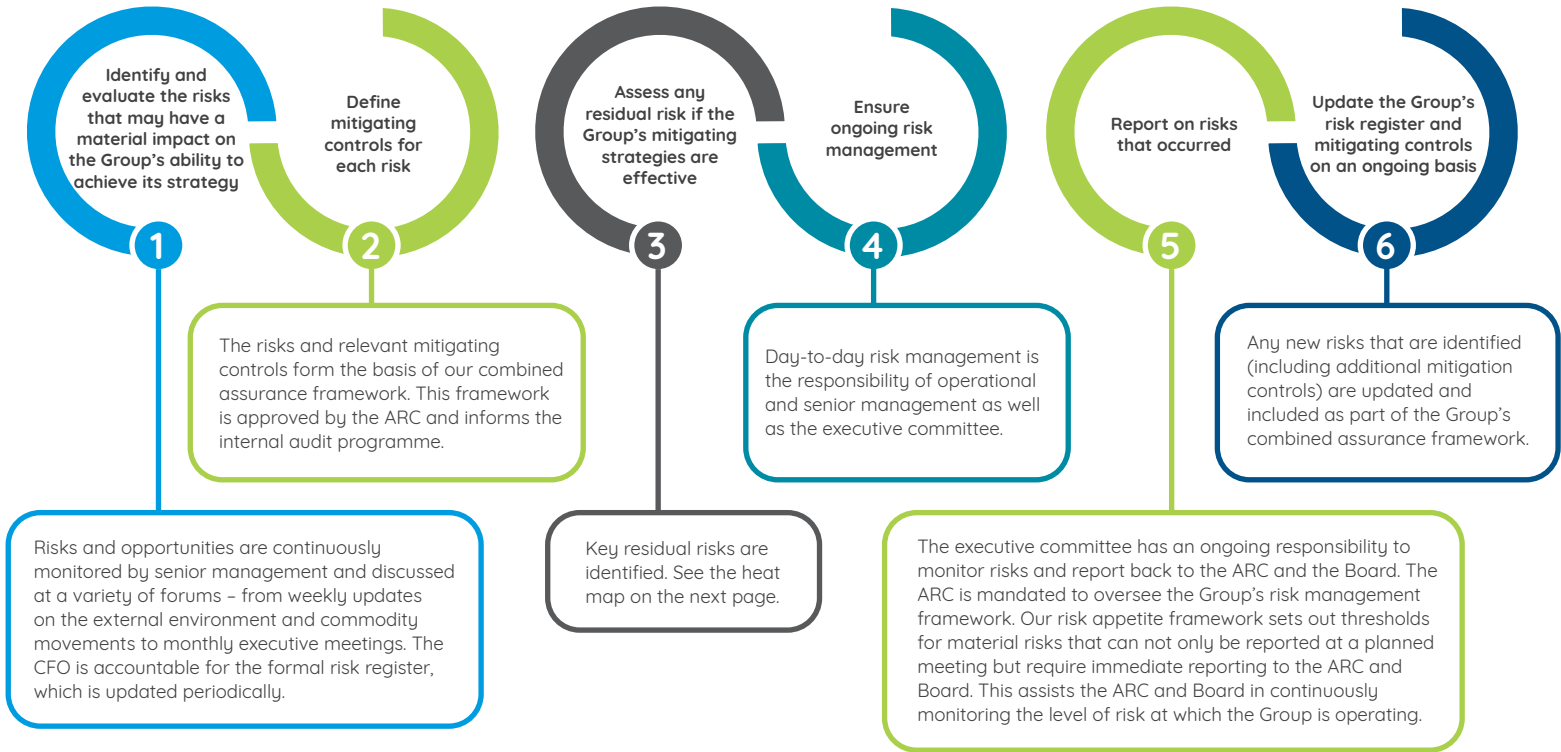
Strategic risks

Proactive risk management is essential for effectively implementing our strategy and ensuring Quantum Foods remains a competitive and sustainable business. Risk management improves operational effectiveness, and higher value creation becomes possible if challenges are turned into opportunities.

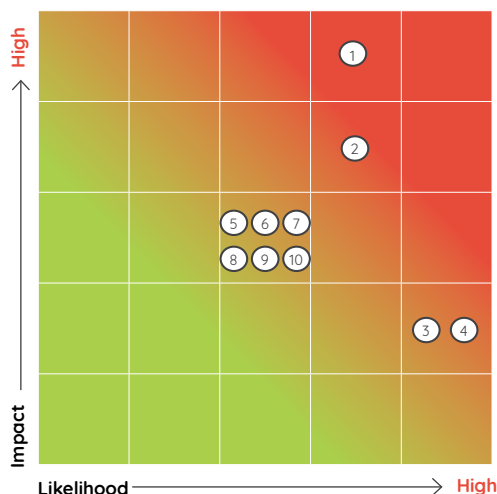
Risks are inherent in doing business and relate to our strategic themes, ESG priorities, business performance and compliance with laws and regulations. Risks also present opportunities as industry and market factors shift over time.



Our risk management process



Quantum Foods' top 10 residual risks



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

Trend column	Mitigation to create opportunities
<p>⬆ Poultry diseases impacting the productivity of poultry</p>	<p>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 and 2023. The geographical spread and number of farming operations provide us with some protection from the impact and scale of poultry disease outbreaks.</p>
<p>➤ Inability to cope commercially with raw material price increases – particularly maize and soybean meal</p>	<p>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 is done. The centralised raw material procurement team observes market trends daily.</p>
<p>⬆ Inconsistent power supply causing business disruption</p>	<p>Following the installation of backup generators at three of our four feed mill sites in 2023, all sites have access to backup power. This is especially important where livestock is held in facilities with automated temperature control and ventilation and to ensure uninterrupted feed production. 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. A grid loss plan was developed in FY2023 and includes access to satellite technology at key sites to support continued communication.</p>
<p>⬆ Declining consumer spend impacting sales</p>	<p>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.</p>
<p>✓ Egg supply and demand imbalances with oversupply resulting in pricing challenges</p>	<p>Our focus on operational efficiencies enables us to mitigate some price pressure while demand planning informs adjustments to production planning and capacity. We are able to move volumes between market segments and regions to smooth some demand and supply imbalances.</p>
<p>➤ Cyber breach resulting in loss of information</p>	<p>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. Limited cyber risk insurance cover is in place.</p>
<p>➤ New market entrants increasing competition</p>	<p>We continuously monitor our competitive environment. Strong and long-lasting customer relationships are key to retention and a competitive strength.</p>
<p>➤ Suboptimal corporate culture negatively impacting the execution of corporate strategy</p>	<p>Employees are sensitised to our values during their induction programme and receive and give feedback through the performance management programme. We also have a tip-off line where employees may anonymously report any issues.</p>
<p>➤ Non-compliance with animal welfare regulations and requirements</p>	<p>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 NSPCA to discuss relevant matters.</p>
<p>➤ Key management exposure (leadership team)</p>	<p>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.</p>

Leadership reports

Joint report of the Chairman and CEO

The animal feeds business did very well. The layer farms recovered well and were on track for much improved performance prior to the HPAI outbreaks of April 2023 in the Western Cape and August and September 2023 in the Gauteng and North West provinces. Zambia delivered a strong operational performance and *Bergvlei Chicks* started coming into its own. The egg business has entered an upward pricing cycle but volumes were affected by the outbreak of HPAI.

Performance at a glance

The animal feeds business has been able to grow volumes while managing costs tightly through a long and continued upward feed price cycle (compound annual growth rate ("CAGR") of raw material cost increases c. 14.8% since 2018). The Malmesbury feed mill is running at full capacity.

The eggs business returned to profitability in the last few months and benefitted from a focused approach following the operational restructure that expanded value chain control.

The Hartbeespoort broiler hatchery expansion was completed, but broiler performance was under pressure.

Layer farming showed significant performance improvements with promising cross-border opportunities but was severely affected by HPAI outbreaks.

The African businesses came under pressure with much higher feed costs impacting demand for day-old livestock and feed.

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

A perspective on load shedding impacts and mitigation

Interrupted electricity supply has direct and indirect impacts on Quantum Foods' operations. We delayed further investment in renewable energy this year to address urgent energy requirements during longer load shedding periods. Although we used less electricity from the grid due to less availability, the cost to the business is evident. These include R52 million in additional diesel cost to run generators and R35 million investment in additional generators.

Quantum Foods has a fleet of more than 115 generators, enabling all operations to continue during load shedding. However, the lifespan of the equipment is impacted by the substantial increase in required hours of operation and as generators require more frequent maintenance and replacement, lead times increased. We had to invest in additional generator capacity to be deployed in case of emergency.

The birds on our farms require electricity to regulate ambient temperature and to ensure airflow, water and feed. In environmentally controlled closed poultry houses, birds cannot survive for more than a few hours if there is no electricity available. We are committed to protecting our flock's welfare and have invested in additional protection measures this year.

We have plans in place to mitigate against the risk of total grid failure. This includes securing diesel with enough storage capacity, planning to continue farming manually and using satellite connectivity for communication.

Another year of devastating disease

HPAI has had a severe impact on Quantum Foods and is currently regarded as our most severe risk for poultry farming, eggs and indirectly for animal feeds. Following outbreaks in 2017, 2018, 2021 and 2022, HPAI was again identified at the

Lemoenkloof farm in the second half of April 2023, which is the third time this farm has been affected. Lemoenkloof supplies about 13% of Quantum Foods' eggs and was repopulated in July 2022 after culling c. 400 000 hens during the previous outbreak.

Towards the end of the financial year, multiple further outbreaks at Quantum Foods farms in Gauteng and the North-West province were detected. The value of biological assets (layer hens and breeding stock) written off during FY2023 amounted to R155 million. This excludes the further cost of feed and eggs that had to be destroyed as well as the direct cost of destroying birds and disinfecting facilities. Additional costs to move eggs to areas impacted by HPAI had to be incurred and we lost the potential income from selling birds and eggs.

HPAI outbreaks have become endemic in South Africa. It can result in operations shutting down between six and nine months and impacts the entire value chain.

Layer farms and breeders are more at risk than commercial broilers, as layer and breeder flocks remain on farms much longer. HPAI causes sudden drops in demand for animal feed and necessitates layoff agreements with employees. Although this will enable employees to return to work once the farms are operational again, it has a negative financial impact on them and their families.

The South African Government has in principle approved the use of vaccination to mitigate against the risk of HPAI infection. Approving a feasible protocol for vaccination is an important and urgent next step in ensuring the sustainability of the poultry industry in South Africa

Segmental performance summaries

Animal feeds



Revenue

R3 359 million

+24.9% from FY2022



Adjusted operating profit

R104 million

(FY2022: R93 million)



Total volumes

0.9% up

from FY2022

Highlights

- Load shedding risk mitigated by installing generators at all plants
- Efficiency improvements
- Good price-volume-management
- External volume growth achieved

Areas of concern/improvement

- Load shedding had a negative financial impact
- Product mix shifts impacted efficiencies
- Customers relying more on external feed consultants
- Increased supply chain challenges impacted costs, resources and efficiencies

The animal feeds business performed very well in a difficult environment, increasing revenue by 25% to R3 359 million. External volumes increased by 6.7%, but the segment experienced lower internal demand for layer feed due to shrinking the layer bird flock and the impact of HPAI.

Generators were installed at all our mills between December 2022 and June 2023. While we still had to deal with load shedding during the period, we continued serving customers by transporting feed between the mills. This added cost pressure but demonstrated our commitment to keep customers satisfied.

Whereas c. 70% of maize was delivered to the Malmesbury mill by rail seven years ago, we now deliver more than 80% via road due to the failing rail infrastructure in the country. This had a significant impact on transport costs over time.

We maintained margins through careful price/volume management.

Volumes increased through a combination of new customers and additional volumes taken up by a few bigger customers. This was despite also losing customers that closed down due to HPAI outbreaks. Volumes remained well balanced between different species.

A major challenge this year was the supply of hominy chop and wheat bran, which are by-products from wheat and maize processing. Irregular supply caused by load shedding and market disruptions resulted in higher-cost alternatives being included in feed products. This brought further complexity, such as formula adaptations and operational adjustments, due to a change in the physical composition of feeds.

Both the Malmesbury and Paterson feed mills were running at full capacity.

Farming



Revenue

R1 829 million

+15.2% from FY2022



Adjusted operating loss

R80 million

that includes a HPAI biological
asset write-off of R155 million
(FY2022: R15 million)



Day-old pullet volumes

down 6.1%

Day-old broiler chick volumes

up 1.1%

Highlights

Broiler farming

- Opening of expanded and upgraded Hartbeespoort hatchery
- Genetic conversion from Cobb500 to Ross 308
- Significant improvement in chicks per hen housed
- Hatchability improvements
- Gas use management and improvement in efficiency

Layer farming

- Repositioned *Bergvlei Chicks*
- Significant cost savings achieved
- Good selection of point-of-lay customers
- Reduced breeder flocks' size to be in line with hatching egg supply requirement
- Implementation of a proactive pricing model
- Volume targets for day-old pullets and point-of-lay hens achieved
- Improvement of layer feed conversion ratio

Areas of concern/improvement

Broiler farming

- Broiler performance below target with a negative impact on profitability
- Outbreak of HPAI at North West province breeder operation in September 2023

Layer farming

- Lack of opportunities for parent exports following border closures
- Targeted margins for day-old pullets and point-of-lay hens not achieved
- Decline in domestic market share
- HPAI outbreaks in the Western Cape in April and in Gauteng/North West provinces in August and September
- Higher level of 2nd grade eggs at some farms

Broiler farming

Broiler farming revenue increased by 19.3% to R1 641 million in a year of significant change for the segment. We expanded and upgraded the hatchery at Hartbeespoort and transitioned from Cobb500 to the Ross 308 breed. Previously, the broiler farming business imported grandparent stock of the Cobb500 breed. From September 2022, we purchased day-old parent chicks of the world-leading Ross 308 breed locally.

At the breeder level, we transitioned 100% of chicks and will have fully phased in the new breed by October 2023. The last Cobb500 chicks will exit the broiler farms in January 2024. We developed standard operating procedures for the transition and trained employees to assist in managing the breed transition.

We are seeing early benefits with breeder egg numbers ahead of forecast, with good fertility and feed conversion rates. The licence for distributing the Ross 308 breed in South Africa is held by Astral Foods.

Top technology for Hartbeespoort hatchery

We opened the new state-of-the-art *Bellevue Chix* hatchery at Hartbeespoort on 25 May 2023. The hatchery was expanded at a cost of R72 million to double its floor size and now has the capacity to handle 690 000 eggs per week. It applies the latest incubation technology, including automated egg turning. Strict hygiene and biosecurity controls are enforced, and the hatchery is regularly fumigated against pathogens, viruses and moulds. It also has spray vaccination capabilities. The chick holding room features low-level dark blue lighting that has a calming influence on the birds, preserving their energy. The chicks are placed on farms on the day of hatching, allowing them early access to feed and water.

We faced challenges with the transition at the commercial broiler level as we had different breeds at the same facilities, with different environmental and feeding requirements. This affected the quality and performance of the broiler business, which, despite improving from FY2022, performed below expectation. We did not meet benchmark performance indicators. Interventions started delivering the desired results by September 2023.

Overall hatchability improved compared to the previous year and day-old chick volumes increased by 1.1%, with higher volumes sold from the Hartbeespoort and Bulhoek hatcheries. The total weight of live broilers sold increased by 1.8%, due to a slight increase in the average weight of broilers produced.

Layer farming

Layer farming revenue decreased by 11.7% to R187 million in a difficult year. Producers faced significant cash flow challenges due to rising input costs. The strategic decisions to change our operational structure and reduce production worked to our advantage.

Bergvlei Chicks now includes the layer grandparent operation, layer parent breeding operation and layer point-of-lay farms dedicated to producing layer hens for the external market.

Farm closures and decommissioning of some poor-performing layer houses at other farms were successfully completed. This reduced the cost burden.

With a smaller layer livestock business, we targeted key customers based on the efficiency and soundness of their businesses, which reduced fluctuations in demand. Planning and forecasting were more accurate, and production was based on firm orders.

The layer segment improved margins by introducing a proactive pricing model based on feed price movements. Market demand declined during the year but still exceeded supply, which supported the pricing strategy.

Although demand is expected to increase going forward, HPAI impacts will likely limit layer flock availability. We plan to capitalise on the market opportunities that will open for egg producers who can increase their supply in the future.

Day-old chick exports have done exceptionally well this year. Growth in volumes to three countries was based on the quality of the birds and an agent well-versed in local languages. Export volumes assist in diluting our cost base.

However, exports are at risk of border closures due to HPAI outbreaks. Zambia, Uganda and Namibian borders closed for imports from South Africa during the year, whereas the Botswana border remained open for exports.

Eggs



Revenue

R1 322 million

-2.1% from FY2022



Adjusted operating loss

R42 million

(FY2022: R42 million)



Total volumes

14.4% down

from FY2022

Highlights	Areas of concern/improvement
<ul style="list-style-type: none"> Packing station efficiencies at high level Improvement in farm and packing station interaction Informal market sales target reached 	<ul style="list-style-type: none"> Financial performance at some pack stations disappointed

Following the implementation of a new operating model that allows the egg business better control of its value chain, efficiencies and quality focus improved markedly. Operational focus are, *inter alia*, determined by returns in the egg business and drive increasing volumes of first-grade eggs to the market.

Revenue for eggs decreased by 2.1% to R1 322 million. Egg prices increased by 13.8% on average, and volumes decreased by 14.4% due to lower availability.

In the past year, there was a deliberate reduction in our layer flock to adjust to lower demand, secure efficiencies, and improve margins before entering the next growth cycle. Profitability has been under pressure for a number of years. As the flock in South Africa declines, and with the correction in supply, margins for egg producers like Quantum Foods, who endured through the bottom curve of the cycle, should improve.

Formal retail egg prices increased substantially from April 2023, and feed prices started to decline. With these benefits, the egg business returned to profitability on a monthly basis from May 2023.

Egg supply was negatively impacted by HPAI, which usually results in a supply interruption of between six and nine months.

Volumes handled by our pack stations decreased, but volumes sold in informal markets increased. We serve the informal market by delivering directly to wholesalers from the farms. This is a cash market where prices are negotiated almost daily. By serving both the formal and informal markets, we build on a more responsive model that captures opportunities and enables us to manage margin risk better.

Packing station efficiencies remained high, and cost management was well executed. The engineering team automated the process to label and scan boxes and designed an automated egg carry pack machine in collaboration with a supplier. These innovations improved efficiency.

Other African countries



Revenue

R443 million

+12.3% from
FY2022



Adjusted operating
profit/loss

R1 million loss

(FY2022: profit
of R19 million)



Egg volumes

up 5.1%

Day-old chick
volumes

down 18.3%

Highlights	Areas of concern/improvement
<ul style="list-style-type: none"> Commercial egg production and sales in Zambia improved High-quality senior appointments Improvement in layer breeder production in Uganda 	<ul style="list-style-type: none"> Record-high feed costs in all three countries Disease challenges in Copperbelt and Kampala breeder farm Significant cost increases in energy and workforce Very low demand for day-old chicks in Zambia and Uganda Weak commercial egg production in Uganda

Performance in Zambia and Mozambique was strong this year, but Uganda disappointed. Overall revenue increased by 12.3% to R443 million.

Mega Eggs continued to be the backbone of the Zambian business. Trade is cash-based of which a large component is US Dollar-priced, with almost half of the sales in the Copperbelt area at the Democratic Republic of Congo border. Although the business performed well, the Kwacha/Dollar exchange rate impacted costs as some salaries are pegged to the Dollar and constitute a significant cost element.

Maize costs increased by 43% compared to FY2022 despite a record maize harvest and remain speculative in nature. Day-old chick sales dropped significantly as the market contracted due to high maize costs.

In Uganda, the landscape changed following the substantial increase in maize cost last year. We had to shrink the business significantly over this period. Demand for day-old chicks picked up towards the end of the current financial year, but we made a strategic decision not to grow. We need to improve efficiency and address disease challenges first. The farm in Kampala, which is at risk due to urban sprawl, continued to be impacted by disease challenges and a decision was made to terminate broiler breeder production at the farm.

The operational performance of the Mozambique egg business improved from last year but remained subject to the same input cost and pricing challenges as eggs in South Africa.

Looking after our employees

We take care to make sure that employees understand the drivers for business performance, and are aware of the impact of external challenges, such as HPAI outbreaks. This created an environment for constructive wage negotiations this year, concluded within the desired time frame and mandate.

Finding and developing talent fit for large-scale farming operations remains challenging and requires long-term commitments from both sides. We continued to invest in growing our internal and external pipelines. At the same time, we know the value of strong leadership and have put our next generation of leaders on personalised development paths.

In the safe hands of the Board

The Board is stable, well-functioning and adds significant value to the business in difficult times. Where necessary, the Board takes additional steps to enhance controls or support management decisions, for example, by establishing the investment committee.

The Board approved several new policies this year to help clarify and reinforce the standards expected from employees in our operations and when dealing with stakeholders, risks and the environment. These included new sustainability, non-audit services and compliance policies.

Outlook

Prior to the HPAI outbreak in August and September 2023, the outlook for Quantum Foods improved compared to the preceding year and even the preceding six months. The upward curve in egg prices is expected to positively impact profitability, complemented by a decline in raw material input prices, which reduces the pressure on margins. Unfortunately, the further HPAI outbreaks towards the end of the financial year clouded performance prospects for the next year.

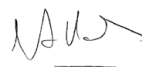
Strategic investment decisions in the next year include the following opportunities:

- The animal feeds business is at a point where it needs to increase capacity, with opportunities in more specialised feeds. The Board approved an expansion project at the Malmesbury feed mill that will increase our national production capacity by 13%.
- In the broiler business, we anticipate the benefits from the hatchery investment to start yielding better efficiencies and margins in the next year.
- Layer livestock farming is well positioned to increase cross-border sales activities and prospects will be determined by the availability of fertile hatching eggs and export restrictions.
- In the layer farming business, our key focus will be on recovering our layer flock, which was impacted by the outbreak of HPAI, and increase egg supply to the egg business to benefit from recovered margins.
- In Zambia, we invested in expanding the feed mill this year and look forward to the benefits from the automation and added silo capacity. We are also increasing pelleting capacity.

The HPAI outbreak continued to affect Company farms at the start of FY2024 with further flocks testing positive for the disease. This will delay the planned recovery of poultry flocks and continue to impact financial performance with further biological asset write-offs, lost production and costs to clean and prepare the farms for repopulation being incurred.

Appreciation

The Board has remained supportive during a difficult cycle for Quantum Foods. Its ability to take a long-term view and ensure resilient decisions have stood us in good stead. We are also grateful for the commitment and tenacity of our employees and the continued support from our suppliers and customers.



WA Hanekom
Chairman



HA Lourens
Chief Executive Officer

CFO Report

Financial performance picked up towards the end of the financial year as raw material costs decelerated and egg prices started increasing. All this changed in the last two months of the year when farms in the Gauteng and North West provinces experienced HPAI outbreaks.

Salient features

- Revenue increased by 15.5% to R6 953 million
- Cost of sales increased by 17.5% to R5 770 million
- Biological assets of R155 million written off due to HPAI
- Cash operating cost increase of R73 million includes higher expenditure on generator fuel of R52 million in the South African operations
- Operating loss of R36 million (2022 profit of R33 million)
- Headline earnings per share decreased to a loss of 17.4 cents
- Animal feeds increased revenue by 24.9% while adjusted operating profit increased by 11.6%
- Broiler and layer farming increased revenue by 15.2% but recorded an adjusted operating loss of R80 million
- The eggs business decreased revenue by 2.1% and recorded an adjusted operating loss of R42 million
- Other African countries increased revenue by 12.3% but recorded an adjusted operating loss of R1 million
- HPAI endemic in South Africa with outbreaks at Quantum Foods farms in April, August and September 2023 leading to large write-offs
- Grain prices continued its multi-year upward trend, peaked in April 2023 and started to decline since then
- Profitability and cash flows were under pressure for the first seven months but improved from May. Non-cash flow write-offs of biological assets infected by HPAI resulted in a loss reported for the financial year
- The defensive broiler model remained effective within the Quantum Foods portfolio
- Load shedding had a significant financial impact
- Good recovery in layer farming efficiencies
- Decline in the South African layer flock impacted feed volumes but positioned the egg business for profitability
- The livestock economy in Zambia and Uganda under severe stress due to high feed costs

AH Muller
Chief Financial Officer

Summary statement of income

	2023 R'000	2022 R'000
External revenue	6 952 575	6 020 558
Eggs	1 322 275	1 350 127
Farming	1 828 625	1 587 880
Animal feeds	3 358 828	2 688 142
Other African countries	4 42 847	394 409
Cost of sales	(5 769 663)	(4 910 916)
Gross profit	1 182 912	1 109 642
Other income	18 853	20 120
Other gains/(losses) – net	(66 389)	(5 870)
Net impairment losses on trade and other receivables	(5 941)	(1 739)
Cash operating expenses	(1 055 475)	(982 690)
Depreciation and amortisation	(109 883)	(106 958)
Segment results (loss)/profit	(35 923)	32 505
Eggs	(42 367)	(42 185)
Farming	(81 365)	(14 007)
Animal feeds	103 510	87 832
Other African countries	(863)	18 476
Head office costs	(14 838)	(17 611)
Net finance costs	(18 108)	(12 057)
Share of profit/(loss) of associate company	1 070	(180)
(Loss)/profit before income tax	(52 961)	20 268
Income tax credit	17 387	3 554
(Loss)/profit for the year	(35 574)	23 822
Headline earnings per share (cents)	(17.4)	14.1
Dividend per share (cents)	–	8

Good momentum in revenue growth

Group revenue increased by 15.5% to R7.0 billion (FY2022: R6.0 billion) in a year characterised by:

- Continued increases in raw material pricing up until April 2023 when a slow decline commenced.
- Lower consumer demand due to disposable income pressure resulting from increased load shedding, higher food inflation, rising interest rates and fuel costs and failing infrastructure.
- Strategic decisions to close facilities, terminate farm rental contracts and reduce our layer flock size.
- Severe outbreaks of HPAI that affected operations in the Western Cape in April and Gauteng and North West provinces in August and September.

Revenue for South African operations increased by 15.7% to R6 510 million (FY2022: R5 626 million).

Revenue from other African operations increased by 12.3% to R443 million (FY2022: R394 million). Revenue from other African operations contributed 6.4% to total revenue, marginally down from 6.6% in 2022.

Costs were well managed, but generator fuel cost was much higher

Cost of sales increased by 17.5% to R5.8 billion (FY2022: R4.9 billion) and included:

- Persistent higher feed raw material costs, which include an increase in maize and soybean meal costs when compared to FY2022.
- Higher costs resulting from HPAI outbreaks, which include R155 million for biological assets written off.

🔗 Read more about cost management initiatives in the strategy section on page 37.

Input price shifts

Compared to the previous financial year, average prices of:

- Yellow maize on Safex increased by 2.2%
- Landed (Cape Town harbour) soya meal increased by 26.1%
- Bran increased by 27.7%
- Sunflower increased by 33.4%

Accordingly, the weighted average comparative cost of layer and broiler feed increased by 15% and 20%, respectively.

Gross profit, excluding the fair value adjustments, decreased by R3 million to R1 119 million (FY2022: R1 116 million) at a margin of 16.1% (FY2022: 18.5%).

Aggregate cash operating expenses increased by 7.4% from the previous year, driven primarily by:

- An increased number of load shedding hours and R52 million increase in generator fuel expenses for the South African operations coupled with substantial increase in generator maintenance costs.
- Above inflation increases in the cost of fuel.
- Higher costs associated with monitoring flock health, HPAI preventative measures and cleaning of farms where HPAI infected birds had to be destroyed.

Operating loss reported

Operating profit before items of a capital nature decreased to a loss of R35 million (FY2022: profit of R37 million).

South African operations recorded an operating loss of R19 million (FY2022: profit of R36 million) at a margin of (0.3)% (FY2022: 0.6%). Other African countries recorded an operating loss of R1 million (FY2022: profit of R19 million) at a margin of (0.3)% (FY2022: 4.7%). Shared services costs decreased from R18 million in FY2022 to R15 million in FY2023.

Operating loss includes the value of biological assets written off of R155 million.

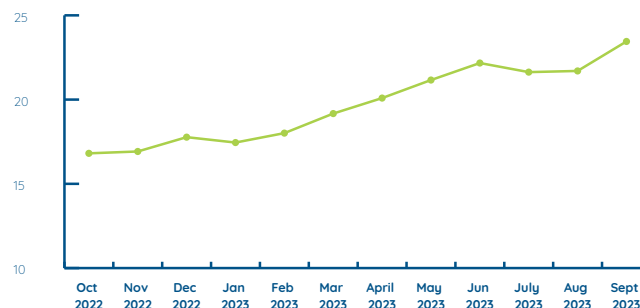
Summary cash flow statement	2023 R'000	2022 R'000
Cash flow from operating activities	276 410	77 792
Cash flow from investing activities	(135 888)	(118 214)
Cash flow from financing activities (excluding dividend)	(49 606)	(39 212)
Dividend paid	(56)	(15 962)
Effects of exchange rate changes	(8 432)	11 222
Movement in cash for the year	82 428	(84 374)

Eggs entering an upward cycle

Egg selling prices increased towards the end of the financial year, supported by lower egg supply from a reduced flock as some producers either exited the market or placed fewer birds as a result of the severe financial pressure in the egg industry. Further outbreaks of HPAI also impacted the market.

Although the upward price curve signals a turnaround for the eggs business, the recovery has not yet been sufficient for the business to be profitable.

Average egg prices (Rand per dozen)



A loss for the year but cash flow turned around

Headline earnings per share decreased to a loss of 17.4 cents from the profit of 14.1 cents in FY2022.

Cash flow from operating activities amounted to R276 million (FY2022: R78 million) and includes a decreased investment in working capital of R53 million (FY2022: increase of R87 million). The decrease in the investment in working capital for FY2023 includes the benefit of lower raw material costs, adjusted vendor payment terms for a key maize supplier and effective credit control. The write-off of biological assets was a non-cash flow item. Future cash flow will be affected by the investment required to restock poultry farms with birds.

Total inventory on hand decreased to R416 million (FY2022: R464 million). Total trade and other receivables decreased by R63 million to R691 million, and total trade and other payables increased by R24 million to R628 million.

Cash flow from investing activities includes capital expenditure on property, plant and equipment and intangible assets amounting to R143 million (FY2022: R125 million). In addition to maintenance capital, the main projects included the broiler hatchery expansion in the North-West province, the investment in additional generator backup capacity, and the upgrade of the feed mill in Lusaka. Capital expenditure on intangible assets amounted to R4 million (FY2022: R11 million) incurred on the project to implement SageX3 as the Group's new enterprise resource planning system.

Summary statement of financial position	2023 R'000	2022 R'000
Non-current assets	1 420 267	1 416 940
Current assets (excluding cash)	1 441 996	1 650 008
Net cash	71 365	(11 063)
Current liabilities (excluding lease liabilities)	(630 783)	(607 334)
Non-current liabilities (excluding lease liabilities)	(243 703)	(266 144)
Lease liabilities	(43 206)	(81 619)
Equity	2 015 936	2 100 788

Cash and cash equivalents increased from a net overdraft of R11 million as at 30 September 2022 to a positive balance of R71 million as at 30 September 2023.

The Rand value of the Group's investment in the other African countries segment decreased by R50 million from 30 September 2022. The Rand appreciated against the Zambian Kwacha when measured at the reporting date. This decrease 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 2023 comprised mainly lease liabilities as accounted for in terms of IFRS 16 – Leases.

Dividend declaration

The Board resolved not to declare a final dividend for FY2023.



A Muller
Chief Financial Officer

Five-year financial performance review

		2019	2020	2021	2022	2023
Earnings						
Revenue	R million	4 418	5 095	5 401	6 021	6 953
Operating profit/(loss) (excluding items of a capital nature)	R million	245	220	144	37	(35)
Operating profit/(loss) margin (excluding items of a capital nature)	%	5.5	4.3	2.7	0.6	(0.5)
Earnings	R million	189	155	106	24	(36)
Headline Earnings	R million	189	156	102	28	(35)
Segment operating profit/(loss) (excluding items of a capital nature)						
Eggs	R million	38	6	(5)	(42)	(42)
Farming	R million	112	122	34	(15)	(80)
Animal Feeds	R million	89	99	101	93	104
Other African countries	R million	14	6	31	19	(1)
Head office costs	R million	(9)	(13)	(17)	(18)	(15)
Financial position						
Total assets	R million	2 514	2 645	2 785	3 131	2 934
Total liabilities	R million	(677)	(759)	(785)	(1 030)	(918)
Total equity	R million	1 837	1 886	2 000	2 101	2 016
Net assets*	R million	1 859	1 939	2 303	2 450	2 218
Returns						
Return on net assets	%	14	12	7	2	(1)
Shareholder returns						
Earnings per share	cents	92.6	80.1	53.9	12.0	(17.8)
HEPS	cents	92.3	80.5	52.2	14.1	(17.4)
Dividend per share (declared)	cents	23	16	-	8	-
Special dividend per share (declared)	cents	10	-	-	-	-
Dividend cover	cents	4.0	5.0	-	1.8	-
Total dividends declared for the year	R million	64	31	-	16	-
Share repurchases	R million	63	4	-	-	-
Dividends plus share repurchases as % of headline earnings	%	67	23	-	57	-
Share statistics (JSE)						
Market value per share at year end	cents	365	618	540	483	500
Closing earnings yield – (headline earnings)	%	25	13	10	3	n/a
Closing dividend yield	%	9	3	-	2	-
Closings price/earnings ratio	times	4.0	7.7	10.3	34.3	n/a
Number of shares in issue	'000	200 025	200 025	200 025	200 025	200 025
Number of shares issued excluding treasury shares held	'000	192 917	194 263	197 547	199 611	199 933
Number of shares traded	'000	55 253	187 014	67 111	4 931	3 274
Number of shares traded as a percentage of shares in issue	%	28	93	34	2	2



Board of directors and executive committee



1. Lesego Amos Seleledi
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 Justine Annalene Golden
11. Heather Elizabeth Pether
12. Ziyanda Patience Wakashe

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



Chairman

WOUTER ANDRÉ HANEKOM
(64)

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, independent non-executive director, 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



Lead independent director

GEOFFREY GEORGE FORTUIN
(56)

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

Qualifications
BCom (Acc), BCom (Acc) (Hons), 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



Independent non-executive director

**TANYA JUSTINE
ANNALENE GOLDEN**
(50)

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



Independent non-executive director

LARRY WILSON RIDDLE
(64)

Larry was appointed to the Board on 28 September 2020.

Qualifications
BCom, BAccSc(Hons), CA(SA)

Quantum Foods Board and committee membership

Non-executive director, audit and risk, remuneration, nomination and investment (chairman).

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 C

R Remuneration SET Social, ethics and transformation AR Audit and risk N Nomination I Investment C Committee chairperson



Non-executive director
GARY VAUGHAN-SMITH
(60)

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. 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
(60)

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 general manager for the Sasko Grain Business. He has been in the fast-moving consumer goods ("FMCG") industry for over 25 years.



Chief financial officer
ANDRÉ HUGO MULLER
(53)

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
(38)

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.



Chief executive officer
HENDRIK ALBERTUS LOURENS
(60)

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 general manager for the Sasko Grain Business. He has been in the FMCG industry for over 25 years.



Chief financial officer
ANDRÉ HUGO MULLER
(53)

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
(57)

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 over 24 years' experience in the food industry, of which 16 years were spent in the poultry industry. Roelof was appointed in his current role in 2016.



Executive: Feeds
MARTHINUS PETRUS VAN LILL
(53)

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 over 25 years' experience in the animal feeds and poultry industry. He is also closely involved in the supply chain, specifically in the raw material procurement strategy. On an industry level he has been a longstanding director on the board of AFMA.

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.



Executive: Layer Farming and Eggs

**ADEL DEIDRÉ
VAN DER MERWE**
(52)

Adel has been with Quantum Foods since 2008.

Qualifications

BCom Management Accounting

Adel started 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 in 2016. She has more than 15 years' experience in the animal feeds and food industry. Adel is a member of the SAPA Executive Committee.



Executive: Broiler farming

**SELLO LACTON
MAILULA**
(45)

Lacton has been with Quantum Foods since 2020.

Qualifications

NDip Poultry, BTech Agriculture, PGDip, MBA

Lacton rejoined Quantum Foods on 1 January 2020 after five years of working internationally. He has over 23 years' experience in the poultry industry, the bulk of which was gained at Astral Foods and Quantum Foods in various roles in the broiler poultry value chain.

He spent three years as National Operations Manager Broilers for Dakhalia Poultry in Egypt, followed by two years as Poultry Director of Biyinzika Poultry International Ltd in Uganda.



Executive: Human Resources

**HEATHER ELIZABETH
PETHER**
(55)

Heather has been with Quantum Foods since 2005.

Qualifications

National Diploma in Human Resources, BA (HSSS)

Heather has over 27 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**
(58)

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: Bergvlei Chicks

**LESEGO AMOS
SELALEDI**
(46)

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 as a technical specialist at *Nova Feeds* 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. From October 2022, Amos is responsible for Bergvlei Chicks (layer livestock). He has over 24 years' experience in the poultry industry.

Ensuring a responsible business

Our sustainability commitments

The Board approved a new sustainability policy in 2023, incorporating the responsible investment code. In combination with the stakeholder policy, approved in 2022, we have a strong framework for responsible business that safeguards our resources and relationships.

The policy identifies the value of sustainability to be realised through:

- An improved ability to attract capital from socially responsible investors.
- Attracting and retaining a diverse pool of talent.
- The ability to provide shareholders with positive returns on their investment.
- The ability to recognise, and, as far as possible, provide environmentally friendly business solutions.

Quantum Foods' commitment to ESG is fundamental to delivering on our Group strategy, realising commercial advantage and maintaining good corporate governance. In this regard, Quantum Foods will:

- Conduct business in an ethical and socially responsible manner, considering our Board charter and code of ethics.
- Proactively and responsibly engage and partner with relevant stakeholders to achieve our sustainability goals.
- Implement management systems that align with international best practice but are adapted to the nature and scale of our operations.
- Integrate sustainability into our product development, existing business model, accounting and reporting activities.
- Monitor performance of non-financial matters through the SETC.

Our impact material matters

We identified Quantum Foods' most material impacts on society and the planet in line with global reporting developments and to better understand our sustainability risks and opportunities. Our material impacts are considered parallel to our financial materiality, as these are interconnected and interdependent. In this chapter, we indicate where we discuss our material impacts according to the table on  page 33.

ESG timeline

Quantum Foods has been integrating ESG aspects into strategic and investment decisions since listing on the JSE in October 2014. The timeline demonstrates our commitment to a sustainable and responsible business.

2015

A set of environmental performance indicators was identified and a baseline was set to track performance and identify improvement initiatives.

We continued with the perpetual biodiversity agreement with the Western Cape Nature Conservation Board entered into by our predecessor company in 2010.

We launched an energy-saving programme with the assistance of an external service provider.

We embarked on a pilot project with our learnership service provider to appoint disabled learners.

2016

The first solar power unit at the Sova packing station.

We developed an employee engagement model that was rolled out across the Group's South African operations.

2017

We initiated our collaboration with Food Forward South Africa to redistribute surplus food to address hunger.

2021

The first independent ESG review of Quantum Foods' operations based on the standards referred to on the next page.

2020

The Board approved further investment in solar projects.

We appointed a new learnership service provider for disabled learners.

2019

We did a baseline assessment to evaluate our carbon emissions and report on performance to the social, ethics and transformation committee, with emissions becoming a key consideration when evaluating new capital projects.

Further solar panel systems were installed at egg packing stations.

2018

We installed a solar panel system on a layer farm near Port Elizabeth.

We invested in improved biosecurity at farms to reduce HPAI risk.

2022

The Board adopted a new Quantum Foods responsible investment code and stakeholder engagement policy.

We prioritised and started reporting according to the UN SDGs.

We made our first TCFD disclosures in the integrated report.

The second independent ESG review of Quantum Foods' operations based on the standards referred to on the next page.

We implemented the Biobin® system to optimise waste recycling.

2023

The Board approved a new sustainability policy.

A new effluent treatment facility was built at the Hartbeespoort hatchery.

Formal animal welfare procedures were developed and implemented at the Ugandan operations.

The third independent ESG review of Quantum Foods' operations based on the standards referred to on the next page.

ESG review in 2023

Quantum Foods does an annual independent, external review of its ESG performance. For the 2023 review, a new ESG scorecard was developed and used based on the following:

- The International Finance Corporation’s performance standards on environmental and social sustainability
- Core International Labour Organization (“ILO”) standards and basic terms of employment
- United Nations Global Compact
- UK Bribery Act

The independent assessment included visits to selected sites in South Africa and Uganda in June and July 2023 and interviews with Quantum Foods executives and senior management.

The was the third independent review of performance against the standards referred to above.

The review report highlighted the following:

Key successes	Key challenges
<ul style="list-style-type: none">• An employee wellbeing app has been developed to support mental health and resilience.• Wage negotiations were settled on time and within mandate.• Representational occupational surveys were undertaken across the sites, and annual medicals have been initiated.• Incentives are aligned with ESG KPIs for all management employees.• Quantum Foods commenced with a process to ensure that all operations hold the required environmental permits.• Tip-offs received via the Quantum Foods whistleblowing hotline resulted in disciplinary action and dismissals.	<ul style="list-style-type: none">• The HPAI outbreak in April 2023 led to the culling of all flocks on the Lemoenkloof layer farm in the Western Cape.• A significant increase in load shedding resulted in additional overtime costs, increased fuel use, more transport over longer distances and an interruption in some raw material supplies.• Due to reduced market demand and site closures, some retrenchments and short-time measures had to be implemented on farms and hatcheries.

The review scores Quantum Foods’ performance according to themes and includes an environmental and social plan stipulating priority actions to address improvement areas.

Our contribution to the Sustainable Development Goals (“SDGs”)

We use the SDGs as a framework to provide focus and track progress against universal challenges and global priorities. We support the ideal of collective action through the 17 goals.

Quantum Foods identified three core SDGs where the business can have the most impact given our context, business activities, products and services.



Material Matter: Nutrition

Our ability to provide high-quality protein at affordable prices contributes to ending hunger and associated perils, such as stunted development of young children.

Material Matter: Responsible sourcing

Developing local small suppliers and ensuring responsible practices in our value chain will create value for all stakeholders and assist in the protection of human rights.

Agrifood systems remain highly vulnerable to shocks and disruptions arising from conflict, climate variability and extremes, and economic contraction. These factors, combined with growing inequities, keep challenging the capacity of agrifood systems to deliver nutritious, safe and affordable diets for all¹.

Malnutrition is a serious problem in South Africa and one of the biggest contributors to childhood illness and death. According to Food Forward South Africa, 15% of infants are born with low birth weight. Their research also indicates that 27% of children under five years of age are stunted because of a lack of adequate nutrition in the early years of their lives. This leads to 33% of children under five not reaching basic cognitive or social-emotional development milestones. High food inflation also means less choice for poor households, buying what is affordable rather than healthy.

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. Eggs can play a key role in fighting hunger and malnutrition and preventing stunting in children.

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

Quantum Foods plays an important role in the fight against hunger and food insecurity through our products, services and corporate social investment initiatives. We are committed to promoting local food production and supporting small producers through enterprise and supplier development programmes.

We sell 970 million eggs across four countries on the African continent. We produced 66 million day old chicks that are reared for human consumption across three countries on the African continent.

¹ FAO, IFAD, UNICEF, WFP and WHO. 2023. *The State of Food Security and Nutrition in the World 2023. Urbanization, agrifood systems transformation and healthy diets across the rural-urban continuum*. Rome, FAO. <https://doi.org/10.4060/cc3017en>

UN SDG 2 targets	Measuring progress in 2023
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	<ul style="list-style-type: none"> Families facing hunger receive support through our long-standing donor relationship with Food Forward South Africa. We donate 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	<ul style="list-style-type: none"> We continued supporting small black enterprise suppliers such as NNT Women Poultry in Tsitsikamma.

Combating malnutrition and stunting

Quantum Foods is a long-time supporter of Food Forward South Africa. This non-profit organisation collects edible surplus food from manufacturers, wholesalers and retailers, which it distributes to verified organisations that feed thousands of hungry people daily.

This year, Quantum Foods supported the Mother and Child Nutrition Programme launched in May 2023. Food Forward has a network of more than 300 mentor mothers covering community clinics in the Western and Eastern Cape. Working with social partners and government, they help with nutrition education, intervention programmes and early identification of malnutrition at the household level.

Quantum Foods contributes eggs, which are distributed as part of food parcels to households experiencing food scarcity. These families are monitored and receive support from a social worker or dietician. We contributed 1 125 dozen eggs to the project for the financial year.

Developing small enterprises in our supply chain

We have a range of initiatives where we support small businesses in different parts of our operations:

- We support black farmers with discounted point-of-lay hens and feed.
- We provide feed and farm management assistance to historically disadvantaged South African ("HDSA") farmers for improved egg production.
- We rented a broiler farm in Bronkhorstspuit from an HDSA.
- We procure eggs from HDSA egg producers in the Western Cape, Eastern Cape and Free State.

We continue to explore opportunities to support HDSA suppliers further.

Family farming for food security

Small-scale farmers contribute to economic growth in their communities and are key in creating access to food while supporting household dietary diversity. These entrepreneurial farmers need support to grow and scale their businesses.

Quantum Foods is committed to local sourcing and enterprise development. As such, we supported Chamomile Farming since 2018. The family business operates from the Philippi horticultural area on the outskirts of Cape Town. We purchase eggs from them and provide support through technical visits and advice. As part of their growth journey, we provided them with an interest-free loan of R6.7 million in 2019. The loan was used to fund the construction of an additional layer house with a capacity of 25 000 birds.



UN SDG 8: Decent work and economic growth

Context and commitment

Material Matter: Skills development

As one of the few corporate players in the poultry and egg sector in South Africa, Quantum Foods contributes to creating a pool of skills for the industry and high-performing employees for our own operations.

Material Matter: Health, safety, and human disease

By providing a safe working environment and protective equipment, including biosecurity measures, Quantum Foods takes care of employees and complies with legislation.

Material Matter: Transformation

Our commitment to empowerment, development and employment equity will lead to improved socio-economic status for previously disadvantaged individuals and communities.

According to Statistics South Africa, the number of employed people in the country has been on a slow increase since COVID-19, reaching 16.3 million in the second quarter of 2023 compared to 16.4 million pre-COVID. However, over the past 10 years, the number of unemployed people in South Africa increased from 5.0 million to 7.9 million, and the proportion of those in long-term unemployment increased from 66.7% to 77.3%.

The unemployment rate for women remains higher than for men. The female unemployment rate increased from 27.5% to 35.7% over the past 10 years. Youth aged 15-24 and 25-34 recorded the highest unemployment rates of 60.7% and 39.8% respectively¹.

As a corporate entity listed on the JSE, Quantum Foods is well positioned to contribute to employment in the agriculture sector. This includes employing people in more rural areas where our farming operations are located.

In our sustainability policy, we state Quantum Foods' objectives to:

- Treat all employees and contractors fairly and respect their dignity, well-being and diversity.
- Work towards full compliance with the International Labour Organization Fundamental Conventions and with the UN Universal Declaration of Human Rights.

Quantum Foods aims to comply with applicable local and national laws. We also commit to:

- Not employ or make use of forced labour of any kind.
- Not employ or make use of child labour.
- Pay wages that (as a minimum) meet or exceed the industry or legal national minimum.
- Treat employees fairly in terms of recruitment, progression, terms and conditions of work and representation, irrespective of gender, race, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, or HIV status.
- Allow consultative workplace structures and associations that allow employees to present their views to management.
- Ensure that for remote operations involving the relocation of employees for extended periods, such employees have access to adequate housing and basic service.
- Work to increase the percentage of management deemed HDSA as a direct focus area in terms of the Group's employment equity strategy.
- Support our employees' rights to collective bargaining.

¹ Statement of the Monetary Policy Committee of the South African Reserve Bank, 20 July 2023.

UN SDG 8 targets	Measuring progress in 2023
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	<ul style="list-style-type: none"> • Quantum Foods provides employment for 2 584 people (FY2022: 2 625) • 36.2% female employees in South Africa (FY2022: 37.2%)
8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training	<ul style="list-style-type: none"> • 43 internships, apprenticeships, learnerships and adult basic education and training ("ABET") opportunities in South Africa (FY2022: 56) • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Successfully concluded wage agreements as evidence of healthy employee relationships • No fatalities • Read more about occupational injuries on page 66

Supporting female entrepreneurs in Tsitsikamma

NNT Women Poultry is a small, black female-owned entrepreneurial venture that started in 2019 at the Tsitsikamma Community Wind Farm. In 2022, Quantum Foods partnered with NNT Women Poultry, which was supplying eggs within and around the Tsitsikamma area.

The Quantum Foods layer farming business regarded this as an opportunity to encourage the development of small farmers currently not in our value chain. We donated point-of-lay hens and animal feed and assisted with technical advice.

Through *Nulaid*, we also became a customer, with NNT Women Poultry supplying us with 31 140 dozen eggs during the year. The project will be expanding to accommodate more birds as demand increases. In 2022, four new jobs were created at NNT.

Our employee profile

We employ people in South Africa, Zambia, Uganda and Mozambique and adhere to employment legislation in all territories.

Headcount	2023	2022
Salaried	505	499
Salaried contractors	48	36
Wages	1 316	1 310
Wages contractors	6	3
Total South Africa	1 875	1 848
Total Mozambique	84	80
Total Uganda	165	166
Total Zambia	460	531
Total Quantum Foods Group	2 584	2 625

The number of South African employees increased in 2023 following the filling of positions that were vacant as at 30 September 2022. Zambian headcount fluctuates around the appointment of contract workers required during the period of maize procurement.

Employee turnover for South African operations

	2023	2022
Total turnover	16.3%	13.4%
Management turnover	2.1%	1.1%
Not-in-management turnover	14.2%	12.3%

We follow prescribed legal processes when implementing operational resizing measures and, where possible, explore alternatives to people losing jobs.

Diversity, transformation and employment equity

Quantum Foods is committed to addressing inequalities with regard to race, gender and disability.



1 821

employees were permanently employed by the South African operations at 30 September 2023

(FY2022: 1 809)



93.3%

of permanent employees in South Africa are HDSA

(FY2022: 93.3%)



41.7%

of management in South Africa are HDSA (grade 12+ employees)

(FY2022: 41.0%)



36.2%

of permanent employees in South Africa are women

(FY2022: 37.2%)



2.9%

of South African employees are on fixed-term contracts

(FY2022 2.1%)

👉 Read about diversity in our Board composition on page 82.

Employment equity statistics for South Africa as at 30 September 2023

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	22	5	14	0	2	16	38	0	0	97
Skilled technical and qualified employees, junior management, supervisors, foremen and superintendents	39	106	57	54	3	4	15	25	0	0	303
Semi-skilled and discretionary decision-making employees	194	451	81	130	0	0	2	3	0	0	861
Unskilled and defined decision-making employees	214	253	26	32	0	0	0	0	0	0	525
Total permanent employees	449	838	172	231	3	6	36	86	0	0	1 821
Non-permanent employees	19	18	2	5	0	0	0	10	0	0	54
Total	468	856	174	236	3	6	36	96	0	0	1 875

Making a lasting impact for better futures

We believe that education is a sound investment in future employment. We also believe in partnerships that stand the test of time and deliver lasting impact.

Our partners in driving social and economic impact are:

Hilltop Legacy

This non-profit company raises leaders and strives for quality education.

Khula Development

This organisation supports at-risk children in Paarl, Klapmuts and Stellenbosch to get them back into the school system.

Wamakersvallei Training Centre

This is a community-based facility in Wellington that provides training to unemployed individuals. Short courses include frail care, childcare, home management, cooking, and hairdressing.

House Andrew Murray Child and Youth Care Centre

This registered non-profit organisation has a child and youth care centre, which provides residential care to 155 children.

We funded these and other socio-economic projects to the value of R700 000 (FY2022: R560 000).

Training and development

Quantum Foods is a key employer and contributes to creating a pool of skills in the agriculture, farming and poultry industries. 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.

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

Key initiatives included:

- We provided second-round support for six unemployed disabled learnerships, which included stipends.
- 89% of bursaries were awarded to HDSA candidates.
- Bursaries were awarded to employees and students attending various institutions, including Tshwane University of Technology, Regent Business School, North-West University, GIBS, Stellenbosch University Business School and Elsenburg Agricultural Training Institute. Courses included diplomas in Animal Science, Supply Chain Management, Accounting, Business Management and Compliance Management.
- 15 students from Tshwane University of Technology and Elsenburg Agricultural Training Institute were appointed as interns on various farms as part of their work-integrated learning to graduate at the end of 2023.

Skills pipeline in South Africa

	2023	2022
Internships	15	14
Apprenticeships	10	6
Learnerships	15	30
Bursaries	32	29
ABET	3	6
Total	75	85

Learnerships are considered for qualifying employees that apply. A lower number of applications were received in 2023.

Training spend in South Africa

	2023	2022
Total number of employees trained	429	416
Employee training spend	R3.8 million	R4.6 million
Employee training spend as a percentage of payroll	0.8%	1.0%

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Ensuring a responsible business

A graduate pipeline for farm management

We are committed to creating a pipeline of farm managers for Quantum Foods and the industry, as the skills pool for experienced layer farm managers is very small. In 2022, we started a pilot graduate training programme with an honours student in Animal Science at the University of Pretoria. The student participated in a programme comprising eight modules over 12 months with periodic assessment presentations.

Designed to be a fast-track trainee programme, it included 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 farming value chain later.

Based on the pilot programme's success, two additional graduates were selected for the next 12-month programme starting in March 2024.

Developing future leaders

We launched the second Quantum Foods leadership academy programme this year. The executive team identified 10 employees who all completed a competency assessment indicating their performance potential and suitability to eventually take on senior or executive positions. The assessment identified training focus areas to increase bench strength over the next year.

Occupational health and safety

The Quantum Foods sustainability policy sets out specific health and safety objectives:

- To attain safe and healthy working conditions for employees and contractors.
- To safeguard the health and safety of all those affected by the businesses.

Quantum Foods is committed to:

- Complying with applicable local and national laws and addressing any gaps identified.
- Assessing and, where applicable, take appropriate actions to eliminate or reduce health and safety risks arising from work activities.
- As appropriate, working over time to comply with international best practice standards for health and safety and the substitution of hazardous materials.

Employees working in animal feed and poultry production can 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.

Our farming operations have a qualified Occupational Health, Safety and Environmental (“OHSE”) manager who supports the farms in developing their management systems and conducts periodic inspections. Farm managers are primarily responsible for implementing the management system at each farm. Each farm has a health and safety committee that meets monthly or quarterly and comprises farm management, supervisors and labourers.

Occupational health and safety training is conducted annually to provide a safe working environment.

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.

Hazardous chemical assessors are appointed and trained for sites with significant quantities of hazardous chemicals. When handling or being exposed to hazardous chemicals, employees are provided with suitable protective wear, including respirators.

Where relevant, we have occupational hygiene surveillance programmes, including two yearly surveys for occupational noise, illumination, general workplace ventilation, asbestos, grain dust and ergonomics. We also do detailed ergonomics assessments at times.

The Quantum Foods medical surveillance programme requires entry, periodic and exit medicals for permanent employees in certain positions. It includes assessments for lung function, vision, audiometry, diabetes, hypertension, epilepsy and testing for illicit drugs.

We experienced one major unsafe incident at a feed mill where an employee did not adhere to safety protocols. The employee had to undergo major surgery but recovered fully and returned to work. Operations in Zambia, Uganda and Mozambique collectively reported seven recordable injuries with seven lost days.

We monitor all safety incidents and lost time to ensure the necessary training or additional personal protective equipment is provided.

Employee wellbeing

Improved employee wellbeing contributes to higher productivity, increases performance, reduces absenteeism and alleviates stress.

This year, we engaged with employees on their requirements for medical aid benefits and support. Due to inflationary pressures, employees favoured options for medical insurance provided by their unions. Following the engagement, Quantum Foods now allows alternative medical product vendors.

We also prepared to launch a wellness app for employees in 2024. With over 95% of employees having access to smartphones, this was the most effective channel to reach employees. The app features four modules: financial wellbeing, wellness, community and corporate. It further provides employees with toll-free numbers to access mental health support. We plan to track usage to determine areas where our employees require additional support.

Protecting labour rights

The Quantum Foods sustainability policy highlights our commitment to good labour relationships through consultative workplace structures and associations that allow employees to present their views to management. As such, we engage with different labour unions and have open communication channels, which delivered constructive outcomes in a year where financial performance was under pressure.

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.

Employees in South Africa are represented by 16 trade unions. The Food and Allied Workers Union (“FAWU”) has the highest overall representation among Quantum Foods’ employees. On 30 September 2023, 22% of the Group’s wage employees in its South African operations were members of FAWU (FY2022: 22%), and 40.9% of employees belonged to a trade union (FY2022: 40.6%). Union membership remained steady.



We engaged with the unions regularly this year, including during the collective bargaining process. All annual wage negotiations were settled by July 2023 within mandate and on time. This contrasts with the previous year when we faced labour unrest at the Kaalfontein layer farm, which significantly impacted operations.

In Zambia, 93.7% of full-time employees belong to the National Union of Plantation, Agricultural and Allied Workers (“NUPAAW”) (FY2022: 95.7%).

In Mozambique, 48% of employees belong to the Sindicato Nacional dos Trabalhadores Agro-Pecuários Indústria de Caju e Florestas union (“SINTAICAF”) (FY2022: 53%).

None of our employees in Uganda belong to a union.

Broad-based black economic empowerment

We are committed to contributing to improving the socio-economic status of HDSAs. Quantum Foods achieved a level 7 score in 2023 but was discounted to level 8 as we did not achieve the subminimum scores for the ownership, training and development and preferential procurement elements. The ownership element relates to shareholder structures, while the sub minimums for training and development and preferential procurement could not be achieved due to financial constraints and the fact that feed raw materials were mostly supplied by international companies.

We achieved the maximum scores in elements such as enterprise, supplier, and socio-economic development. Our full scorecard is available on our website at <https://quantumfoods.co.za/company-documents>.

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

 Read more about our enterprise and supplier development initiatives on page 62.

Quantum Foods recognises its obligation to contribute towards improving the socio-economic status of HDSAs. Improving the Company’s B-BBEE status is a key management focus area.



UN SDG 12: Responsible consumption and production

Context and commitment

Material Matter: Protecting the environment (emissions, water, and waste)

Implementing practices to minimise emissions, water use and waste is crucial for environmental stewardship, compliance with regulations and reducing our carbon footprint and taxes.

Material Matter: Product safety and quality

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

Material Matter: Animal welfare

Adhering to acceptable and required practices reflects our ethical responsibility, while biosecurity measures protect our birds.

Food production relies on various natural resources threatened by climate change factors such as increasing temperatures, weather events and water scarcity or floods. To ensure these resources’ regeneration and preservation, users must collaborate to understand and minimise any negative social and environmental impacts throughout the value chain.

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 also expect 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, which can further improve disease prevention and animal welfare standards.

The Quantum Foods sustainability policy states our objectives to:

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

Quantum Foods aims to:

- Comply with applicable local and national laws and address any gaps identified.
- Assess the environmental impact of our operations as follows:
 - By identifying potential risks and appropriate mitigating measures through an environmental impact assessment, especially when business operations change.
 - By considering the potential for positive environmental impacts from business activities.
 - By taking appropriate actions to mitigate environmental risks.
- Ensure the fair treatment of animals according to local and international guidelines, as appropriate.
- Consider the impact of our operations on the environment, particularly in terms of carbon emissions, as an important consideration when evaluating new capital projects.

UN SDG 12 targets	Measuring progress in 2023
12.2 By 2030, achieve the sustainable management and efficient use of natural resources	<ul style="list-style-type: none"> • We measure progress in minimising our resource use. • We continue to invest in solar systems.
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	<ul style="list-style-type: none"> • We improve efficiency and reduce waste to avoid losses in the production process. • Read more about our support of Food Forward on page 62.
12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	<ul style="list-style-type: none"> • We use BiobiN® to recycle waste. Read more on page 74.
12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	<ul style="list-style-type: none"> • We require top suppliers to share their policies and declare compliance with regard to sustainable practices, for example, on human rights, child or forced labour.

Promoting resource efficiency

Quantum Foods businesses have environmental management systems (“EMS”), 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, such as electricity and water usage, to reduce consumption and impact further.

We use new technologies to drive improvements, for example, in the expanded and upgraded Hartbeespoort hatchery. Read more on [page 44](#). Innovative new egg packaging also contributed to resource efficiency. New carton trays are smaller in size, using less packaging, but carry the same volume and retain the required strength.

Environmental performance indicators South Africa	2023	2022	2021	2020	2019
Coal (tons) ¹	3 718	3 547	2 963	3 082	2 520
Gas (Kg) ²	1 666 519	1 691 353	1 601 939	1 372 395	1 427 225
Diesel/petrol/paraffin (litres) ³	3 627 010	1 722 523	1 282 974	1 110 670	1 022 507
Heavy fuel oil/poly fuel (litres) ⁴	1 264 519	1 063 457	1 112 546	1 061 436	1 042 513
Packaging (tons) ⁵	10 095	11 264	11 600	13 616	12 390
Waste: litter/manure produced (tons) ⁶	125 002	144 331	138 604	163 163	144 078
Mortalities to landfill/waste pits (tons) ⁷	2 370	1 409	949	824	743
Water (kl) ⁸	1 608 368	1 539 176	1 473 424	1 435 349	1 413 077
Effluent water (kl) ⁹	306 957	264 694	285 490	297 823	204 993
Electricity (kWh'000) ¹⁰	37 513	45 209	46 813	49 170	44 450
Electricity from renewable sources (kWh'000) ¹¹	2 686	2 797	2 353	1 776	1 446

¹ 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 usage in 2023 includes weaker quality of coal available and additional pre-heating of poultry houses to increase efficiencies.

² 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. The closure of the Tongaat layer rearing farm reduced consumption in FY2023.

³ Fuel use increased due to additional generator capacity to combat higher levels of load shedding in 2022 and 2023 and the increased requirement for birds and eggs to be transported between regions due to HPAI and market demands.

⁴ 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.

⁵ Although we continuously improve packaging, it is mostly determined by the volume of eggs sold, which is affected by HPAI and market demands.

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

⁷ Mortalities increased over time in line with volumes, and outbreaks of HPAI.

⁸ Water usage is mostly determined by bird numbers and the requirement for cooling. Water consumption also increased due to increased feed production.

⁹ Effluent water usage depends on volumes produced, the number of rearing and laying cycles completed within a year, and increased cleaning requirements following an HPAI outbreak.

¹⁰ The use of purchased electricity decreased in the last three years due to additional solar panel projects implemented and increased load shedding.

¹¹ The use of electricity from renewable sources has increased over time as new solar panel projects were implemented. The decrease in 2023 relates to increased grid loss due to increased load shedding and downtime during periods of Eskom maintenance.

Environmental performance indicators other African operations

	2023	2022
Coal (tons) ¹	20	52
Gas (Kg) ²	43 004	38 588
Diesel/petrol/paraffin (litres) ³	502 668	485 521
Packaging (tons) ⁴	634	–
Waste: litter/manure produced (tons) ⁵	21 171	20 641
Mortalities to landfill/waste pits (tons) ⁶	195	193
Water (kl) ⁷	243 954	175 040
Effluent water (kl) ⁸	1 525	–
Electricity (kWh'000) ⁹	3 163	3 027

Measurement of environmental performance indicators was introduced during FY2022 for the other African operations. For some indicators in the table comparative numbers are not available for the full FY2022.

¹ Coal heating is only used on one Quantum Foods farm in Zambia. FY2022 included usage on Ugandan farms. Usage is determined by the number of rearing cycles, the quality of coal available and the efficiency with which the coal is utilised.

² Gas usage increased in 2023 due to Ugandan farms converting from coal to gas heating.

³ The increase in diesel/petrol/paraffin relates to petrol not included for the full FY2022.

⁴ Packaging usage is mainly determined by the volume of eggs sold, which is affected by egg production efficiency and market demands. Packaging was not measured in FY2022.

⁵ Litter or manure is determined by the volume of birds on farms.

⁶ Mortalities remained consistent over the last two years.

⁷ Water usage is mostly determined by bird numbers and the requirement for cooling. Usage of water from boreholes was only measured from May 2022, which is reflected in the increase from FY2022.

⁸ Effluent water usage depends on volumes produced and the number of rearing and laying cycles completed within a year. Effluent water was not measured in FY2022.

⁹ Electricity usage remained consistent over the last two years.

Ensuring food safety

We aim to provide products that are safe and nutritious for their target market – be it human or animal – to consume. Our risk process includes the consideration of food safety risks such as product recalls.

We produce safe animal feeds according to good manufacturing practices. All feed mills have integrated management systems (“IMS”) subject to annual external audits and reviews to ensure adherence to industry, regulatory and product safety standards. Internationally accredited certification bodies conduct certain audits. 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 FSSC 22000 requirements has been awarded for each site.

The annual independent ESG review 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.

Customer satisfaction measures

The integrated nature of our business means that we supply internal and external customers for whom we deliver the same high quality products and service levels.

We have a formal customer complaint system in place and an independent customer satisfaction survey is conducted annually for animal feeds 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 focus.

Quantum Foods experienced zero product recalls during 2023 (FY2022: 0).

Protecting animal welfare

The Quantum Foods sustainability policy sets out our commitment to ensure the fair treatment of animals. We subscribe to the SAPA welfare standards and code of practice. We have a zero-tolerance approach to non-compliance with animal welfare regulations and requirements.

We have ongoing employee training to ensure compliance with standards and to ensure optimal livestock husbandry practices and facilities create an environment for improved farming production efficiencies.

The SETC assists the Board in formally monitoring animal welfare matters at least once per reporting period.

Regular internal audits are conducted on all farms to ensure adherence to and compliance with biosecurity and animal welfare protocols. Ongoing animal welfare and biosecurity training is provided to farming employees.

We also receive unscheduled and unplanned visits from the NSPCA. Read more about our engagement with the NSPCA in the stakeholder section on [page 18](#).

Strict biosecurity measures are in place at all farms to mitigate the risk of diseases and illness. Supplier and contract production facilities must comply with the same standards that apply to the Group's farms regarding animal welfare.

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

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

HPAI is a serious threat to the welfare of poultry. We continue to explore solutions to protect birds from infection, including using only enclosed houses, cutting down trees to reduce wild bird populations in the surroundings and improve water treatment.

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.

Formal animal welfare procedures were developed and implemented at the Uganda operations this year. Mozambique also has formal procedures for biosecurity and animal welfare.

We contract with veterinarians to visit farms and conduct audits based on standard operating procedures related to flock health. They also provide input on operational improvements that will benefit our flocks.

Water availability

Water availability and quality is an increasing risk to the business as we require water in all our operations for consumption as part of poultry sustenance, packing, processing and cleaning. Poultry farming constitutes a large component of our water consumption, with limited opportunities for reduction beyond ensuring that water is not wasted.

South Africa is amongst the 30 driest countries in the world with limited water resources, and in the majority of catchment areas, water requirements exceed yields. In South Africa, water for operations 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.

During the year, we upgraded the water purification plant at our Egglund farm, enabling us to use dam water. Water challenges at a broiler farm and hatchery in the Western Cape required water to be trucked to these units for a short period. In some instances, load shedding also impacted water availability due to reduced capacity for water purification plants.

In Zambia, the water situation is becoming more precarious with increasing floods, droughts and unpredictable rainfall. In Zambia, Quantum Foods invested in water purification plants.

January 2023 floods in Uganda significantly affected water facilities. We source most of our water from boreholes in Uganda. Access to water is becoming increasingly regulated, with higher barriers to entry and compliance requirements.

This year, Mozambique's water infrastructure has been severely impacted by tropical storms and floods.

Water supply and quality are continuously monitored at all Quantum Foods' operations with backup supply in place.

Wastewater and effluent management

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

- For domestic wastewater, we use septic tank systems, soak ways, 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 were 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.

No environmental or pollution incidents have been reported in South Africa, Zambia, Uganda or Mozambique this year. We started a process to confirm environmental approval compliance following a discovery that a farm, acquired in 2010, had some poultry houses that were constructed without the required environmental approvals being obtained by the previous owner. This process encompasses all units owned by the Group in South Africa.

Renewable energy use

According to the World Economic Forum, the share of renewable energy in South Africa increased over the past 10 years. However, the country still derives about 70% of its electricity from coal.

Quantum Foods is committed to expanding its use of renewable energy and considers reducing carbon emissions an important factor when evaluating new capital projects.

We have been investing 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.

In the past year, solar investment was put on hold in favour of generator capacity due to load shedding risks. However, we are committed to continuing with our solar pipeline, which includes recent installations at the Bellevue and Hartbeespoort hatcheries.

We are considering future solar installations at our feed mills and some farms to continue increasing the contribution of electricity from renewable sources to total consumption.

We continue investigating solar systems that are not grid tied to be able to supply energy during load shedding.

We have installed solar PV systems at seven of our sites, where they delivered a combined output equal to 6.2% of our total electricity usage.



	2023	2022	2021	2020	2019
Electricity purchased (kWh'000)	37 513	45 209	46 813	49 170	44 450
Electricity from renewable sources (kWh'000)	2 686	2 797	2 353	1 776	1 446

This table includes the electricity purchased and electricity from renewable sources from our South African business.

With the higher levels of load shedding experienced in South Africa in FY2023, the electricity that could be used from our grid tied solar PV systems decreased along with purchased electricity.

Organic waste management opportunities

Poultry waste can take the form of litter and manure, feathers, mortality, egg and hatchery waste. These elements can be a threat to environmental safety. In addition to traditional waste management through landfill and burning, there are increasingly value-adding circular economy opportunities for organic waste.

Quantum Foods has a waste management system and plan, with operations and farms handling waste in different ways. In the past year, we focused on standardising and formalising contracts for removing manure waste, including consolidating service agreements. Manure waste as a byproduct is a valuable input for fertilizer products and can generate additional income streams.

The organic waste generated at poultry farms and egg packing stations is biodegradable and can be turned into compost. Quantum Foods installed its first BiobiN® pilot system in 2021 and has three units in place – at our Brackenfell egg packing station, Fransrug layer rearing farm and Bellevue broiler hatchery in the Western Cape.

BiobiN® is an in-vessel composting system that helps reduce the volume of waste going to landfill sites. Full bins are collected by 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. We plan to use BiobiN® at more sites with the necessary volumes.

Biodiversity

The Quantum Foods Atlantis Sand Fynbos Conservation Area of 34 ha is adjacent to our *Fynbos* broiler farm on South Africa's West Coast. It was established in 2010 in collaboration with the City of Cape Town under the auspices of the Western Cape Nature Conservation Board.

The area is part of the broader Cape Flats Sand Fynbos ecosystem, known for its unique biodiversity and conservation significance. The conservation efforts in this region are vital for preserving native flora and fauna.

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 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.

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 to keep it in its natural state.

Climate-related risks, opportunities and disclosures

Quantum Foods is exposed to changing weather patterns, droughts and floods, as these affect the agriculture industry and our primary inputs and operations. We make a conscious effort to manage and minimise our environmental impact and support the effective consumption of resources, focusing on water and energy.

We report voluntarily according to the recommendations of the TCFD to provide our stakeholders with consistent and useful information on our most material climate risks. We build on our first disclosures in FY2022.

Governance

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

As required by King IV, the Board is responsible for ethical leadership, which includes anticipating, preventing or ameliorating any negative consequences of our operations on, inter alia, the environment.

The Board mandated the SETC to provide oversight of five main focus areas, including the environment. The SETC monitors the sustainable development and non-financial performance of the Group, including 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 Board approved a new sustainability policy, which incorporates the responsible investment code, in September 2023. The SETC is responsible for monitoring the implementation of the policy as the framework for sustainability activities and responsible investing criteria, serving as a guideline for integrating ESG considerations into everyday practices.

The third annual independent ESG review report was submitted to the Board and included elements related to climate risks and opportunities. When allocating resources to capital expenditure projects, the Board considers climate-related risks and opportunities. Investments in renewable energy and efficiency projects are prioritised. Read more about these in the leadership report from [page 41](#).

The Board included ESG targets as performance criteria for the remuneration policy. Read more in the remuneration report commencing on [page 88](#).

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

Management implements the sustainability policy, which has set environmental objectives:

- 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.

Management is committed to ensuring compliance with applicable local and national environmental laws and swiftly addressing any identified gaps. We assess environmental impacts by:

- Identifying potential risks and appropriate mitigating measures through an environmental impact assessment, specifically when business operations change.
- Considering the potential for positive environmental impacts from business activities.
- Taking appropriate actions to mitigate environmental risks.
- Considering the impact of operations on the environment, particularly in terms of carbon emissions, is an important consideration when evaluating new capital projects.

The monthly management reports submitted 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.

Management tracks climate-related legislative and regulatory requirements.

Strategy

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

We defined our most material impacts, including protecting the environment (emissions, water, and waste). This highlighted the need for the business to implement practices to minimise emissions, water use and waste as crucial for environmental stewardship, compliance with regulations and reducing our carbon footprint and taxes.

Our strategic themes on [page 34](#) include efficiency as the most impactful way to address climate-related risks and opportunities.

Although not formally or explicitly identified as such, climate-related risks are integrated into the risk management process, which is set out on [page 39](#). Due to the direct and indirect 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.

Progress with strategy implementation is reported to the Board quarterly.

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

The load shedding crises necessitated several strategic investment and trade-off decisions this year. Read more about the financial impact on [page 42](#).

We remain committed to investing in alternative energy to reduce reliance on Eskom and to reduce emissions. This included improvement efficiencies gained in broiler farming due to enhanced gas use.

There was no change to products or services. However, we implemented a genetic conversion from Cobb500 to Ross 308 as higher feed efficiency in the latter leads to lower resource consumption.

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. Climate-related risks will also inform future decisions to close or relocate operations.

Access to capital is likely to become subject to climate-related information, and financing institutions are starting to introduce requirements into debt covenants.

As we increase our investment in solar energy, we expect a more reliable supply, lower cost over the long term and lower carbon emissions.

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

We initiated a process to identify physical and transition risks likely to occur by 2050 under different climate scenarios at five of our most significant operational sites. This process will support future investment and disposal decisions and enable the Group to identify the most appropriate adaptation and mitigation measures.

Risks

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

We describe our risk management process on [page 39](#) and list our strategic risks on [page 40](#). Several of the strategic risks are directly or indirectly related to the impacts of climate change. As part of the risk identification process, we consider existing and emerging regulatory requirements related to climate change, such as carbon tax.

We classify risks according to likelihood and impact, which is an executive judgment and not based on scientific data. Climate risks can include, for example, the availability and cost of raw materials and can affect volumes of animal feeds sold due to high or low rainfall in pasture grazing areas.

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 other African operations are now also reporting internally on environmental performance indicators and carbon emissions. No targets have yet been set for climate-related metrics.

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

	2023*	2022	2021
Scope 1 (direct GHG emissions) (tCO ₂ e)	27 122	20 309	17 784
Scope 2 (indirect GHG emissions) (tCO ₂ e)	39 764	47 922	49 622

* 2023 data includes Scope 1 emissions of 1 369 tCO₂e of our other African operations. No emissions from the other African operations are included in Scope 2 emissions and comparative figures presented.

Scope 1 emissions increased due to increased coal and diesel and petrol consumption. Read more on [page 70](#).

Scope 2 emissions decreased due to the increased use of electricity from renewable sources and the impact of continued periods of load shedding. Scope 2 emissions were calculated using the electricity grid emission factor for South Africa of 1.06 kg CO₂e /kWh, Eskom (2021).

Quantum Foods paid R830 255 in carbon tax (FY2022: R623 049), relating to the emissions generated in the 2022 calendar year.

The carbon tax rate per ton of carbon emissions equivalent increased by 10.4% in 2023.

A general rebate of 60% of the carbon tax is included in the R830 255 tax payable for all fuel types except diesel and petrol. Diesel and petrol attract a rebate of 100% for carbon tax since it is effectively taxed through the fuel levy. Emissions from poultry manure management also attract a rebate of 100%.

Due to participation in the Voluntary Carbon Budget Project, Quantum Foods is allowed a carbon budget rebate of 5%, effective until the carbon budget process becomes mandatory. We are further entitled to a 7.37% trade allowance rebate on all emissions from the animal feed business segment.

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.

We are dedicated to good governance, which is founded on the principles of transparency, responsibility, fairness and accountability to stakeholders. It is essential that strategic and governance procedures stay current and aligned with ethical business practices to preserve a legacy of responsible corporate governance, 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:

1. Setting the direction and determining the Group's strategic themes and objectives
2. Determining and setting the tone for the Group's values
3. Satisfying itself that the Group is governed effectively based on corporate governance best practices
4. Monitoring the implementation of the Board's decisions and policies
5. Ensuring that the Group has an effective and independent ARC, Remco and SETC
6. Providing oversight on the work performed by the investment and nominations committees
7. Appointing and evaluating the performance of the CEO and the company secretary

Our King IV disclosure register provides information on how we implement King IV and is accessible at <https://quantumfoods.co.za/downloads/company-documents/>.

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

Topic	Progress and actions arising
Group strategy	The Group's strategy, as presented by management during the annual Board strategy meeting, was evaluated and subsequently adopted by the Board. The Board resolved to slightly amend the strategic themes (read more on page 34) and approved the operational targets for FY2024.
Approval of capital projects of more than R6 million and consideration of funding options	The Board evaluated and approved capital expenditure projects based on their affordability, anticipated return, contribution to the Group's strategy and environmental impact. Projects approved in 2023 include special maintenance at the Kaalfontein layer farm in Bronkhorstspuit and the procurement and installation of generators at the Pretoria feed mill. The Board monitored the process of obtaining a R100 million term loan facility from Rand Merchant Bank.
Approval of an expansion to the Malmesbury feed mill	The Board oversaw the work done by the investment committee in evaluating an opportunity to expand the Malmesbury feed mill at a capital cost of R193.5 million. The Board approved this multi-year project in September 2023.
Approval of new policies	The Board considered and approved a number of policies in 2023, which include new sustainability and compliance policies.
Outbreaks of HPAI	The Board oversaw management's actions in responding to the outbreaks of HPAI in the Western Cape in April 2023 and in the Gauteng and North West provinces in August 2023 and September 2023.
New long-term incentive ("LTI") scheme for executives and senior management	The Board oversaw the work of the Remco in developing a new LTI scheme for executives and senior management. The salient terms of the new LTI scheme are included in the remuneration policy set out in Part 2 of the remuneration report, which policy will be presented to shareholders for a non-binding advisory vote at the February 2024 AGM (read more on page 89).
Endorsement of external auditors for appointment at the 2024 AGM	Although the audit firm rotation process is no longer mandatory, the Company continued with the process to appoint new external auditors to strengthen auditor independence, enhance assurance and thereby the credibility of the Company's financial reporting. The Board approved the selection of Ernst & Young ("EY") as the Company's external auditors for FY2024. The appointment of EY will be presented to shareholders for approval at the upcoming AGM scheduled for February 2024.

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

1. Reviewed, discussed and approved the Group's interim and full-year financial results and results announcements.
2. Reviewed and approved the Group's budget for FY2024.
3. Evaluated the outcomes of an independent external assessment of its and its sub-committees' performances and determined appropriate improvement mechanisms in line with the recommendations of King IV.
4. Monitored progress on the project to expand the Hartbeespoort broiler hatchery which was completed during the year.
5. Provided oversight on management actions, which included increasing the working capital facility and extending payment terms from a key supplier to satisfy the cash requirements resulting from extremely high raw material prices, and subdued egg selling prices in the first half of 2023.

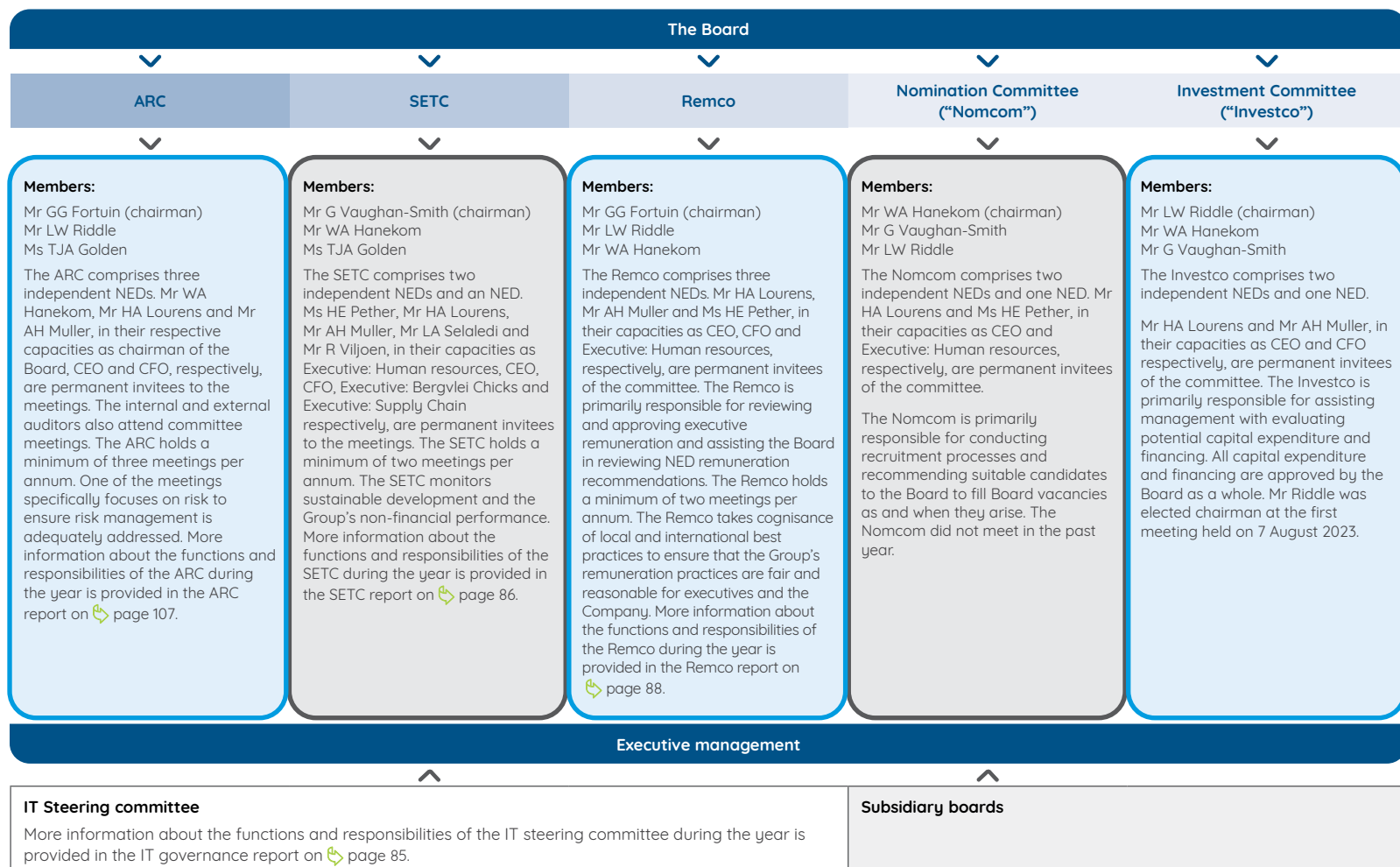
Members of the Board are regularly updated on industry matters and applicable laws and regulations.

Members of the Board are provided with opportunities to ensure their continuous 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.

To enable the Board to properly discharge its responsibilities and duties, certain responsibilities have been delegated to Board committees. Each committee of the Board is led by a non-executive or independent non-executive director ("NED"). All committees' charters are reviewed annually to ensure that the committees' duties and responsibilities are in line with good corporate governance requirements and that the committees keep abreast of any developments.

The Board assumes ultimate responsibility for strategy, performance and reporting of the Company. 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 of director meetings.



The 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 is committed to the effective management of the Company and has maintained its dedication to high governance standards. This promotes sound business practices and effective strategy execution.

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

Meeting attendance

In fulfilling its obligation as embodied in the fourth principle of King IV, the Board held five scheduled meetings during the year. The Board members also attended a full-day session during which the FY2024 strategy was approved. The SETC held two scheduled meetings during the year while the ARC convened three planned meetings and an additional two meetings that were arranged on an ad hoc basis to consider the appointment of new external auditors. The Remco held a total of three meetings, consisting of two regular meetings and one ad hoc meeting. No meetings were held by the Nomcom in FY2023. The Investco met twice to consider and ultimately recommend a project to expand the production capacity of the Malmesbury feed mill, which was its key area of focus for FY2023.

The Board is satisfied with the attendance and contribution of its members at its Board and committee meetings.

The Board composition and director attendance at Board and committee meetings during the reporting period are set out below:

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

* Attended as invitee.

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

Composition and functions of the Board

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

The responsibilities and functions fulfilled by Mr Hanekom in his capacity as chairman and independent non-executive director are distinct from those carried out by Mr Lourens, who serves as the CEO and holds the position of executive director. The CEO functions within a service agreement that requires a three-month termination notice period and is not bound by any restraint of trade agreement.

The Board has a charter that sets out clear division of responsibilities at Board level. The charter also ensures that there is a balance of power and authority at Board level to ensure that no one director has unfettered powers of decision-making.

The CEO assumes the primary responsibility of guiding the development and execution of the organisation's strategic initiatives. Additionally, the CEO is accountable for formulating policies and operational plans, while also serving as the primary liaison between management and the Board.

The Remco oversees the CEO and executive succession planning. The Remco is confident that adequate measures are in place to ensure continuity. The CEO is not a member of any other governing body outside of the Group.

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

The Investco aids management in evaluating and financing business-enhancing capital projects but has no decision-making authority. The Board considers and approves capital expenditure and funding (if deemed appropriate).

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 a diversity policy, which promotes 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 for 2023. Areas for improved diversity are considered when the performance of the Board and committees is evaluated or when vacancies arise.

The skills, experience and qualifications of each director are appropriate to ensure that the Board has the necessary skills and experience to discharge the Board's governance role and responsibilities in line with the Board Charter, the JSE Listings Requirements and the King IV principles.

At each AGM, one-third of the NEDs retire by rotation but are eligible for re-election, provided that any NED who has already held office for a period of three years since his/her last election 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 the director reaches the age of 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 Company's notice of the 2024 AGM ("AGM Notice").

Board evaluation

Consistent with its commitment to organisational improvement, the Board performs annual effectiveness evaluations. An externally facilitated evaluation process was followed in 2023, which involved the completion of a Board evaluation questionnaire, as well as separate questionnaires for each of the Board committees which was followed up with individual interviews to further enhance the process.

- The evaluations were aimed at improving the dynamics of the Board, enhancing oversight methods, and fostering stakeholder engagement by identifying successful aspects and indicating areas for potential improvement.
- The questionnaires were disseminated, and responses collated by an external service provider. The outcomes were considered by the Board culminating in confirmation that the Board and its committees are operating efficiently.

Company secretary

All Board members have access to the advice and services of the company secretary, Ms Wakashe, who is responsible for ensuring the effective administration of the Board and the implementation of robust corporate governance procedures and compliance. This includes Company announcements, investor communications and unrestricted access to information pertaining to matters that could potentially impact the Company and its activities. Following a Board-approved procedure, Board members may also seek independent advice to aid them in fulfilling their responsibilities at the cost of the Group.

The company secretary may access external legal advice.

The Board has assessed Ms Wakashe's competence and expertise and is satisfied that she has the appropriate qualifications, experience, and competence to perform her duties in a professional and responsible manner.

It is acknowledged that she has maintained an arms-length relationship with the Board and its directors and raised matters that may warrant the Board's attention, when appropriate. It was noted that she continues to provide the directors, collectively and individually, with guidance as to their duties, responsibilities, and powers, including updates to laws that impact the Company and its operations.

The company secretary reports directly to the Board on statutory matters and to the CFO 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 applicable laws and monitors adherence to relevant regulatory rules, codes and standards. Board members have experience in and knowledge of, the agricultural industry and are aware of the potential impact of changes to the law.

The responsibility for the implementation and execution of effective compliance management is delegated to management. Management continually monitors the regulatory environment and identifies appropriate responses to changes and developments.

In order to effectively adapt to the dynamic nature of legislation and regulations, the Company has implemented enhanced measures to promote ongoing adherence to relevant laws and regulations. This strategy is supported by a compliance policy and manual. The implementation of clear responsibilities, accountabilities, and reporting procedures for compliance matters enables the Company to actively recognise compliance risks and address them in a responsible manner. Read more about changes in the legislative environment in the operating context chapter on [page 27](#).

The compliance function ensures that processes are in place and are continuously improved to mitigate the risk of non-compliance with the law and to ensure appropriate responses to changes and developments in the regulatory environment. The company secretary reports to the Board and the Board reviews and monitors updates to the law on a regular basis.

No material regulatory penalties, sanctions or fines for contraventions or non-compliance with legal obligations were imposed on the Company or any of its directors or officers, in their capacities as directors or officers of the Company, during FY2023.

In FY2024, the Group will continue to monitor applicable laws for any changes and developments.

Technology improvements to drive efficiency

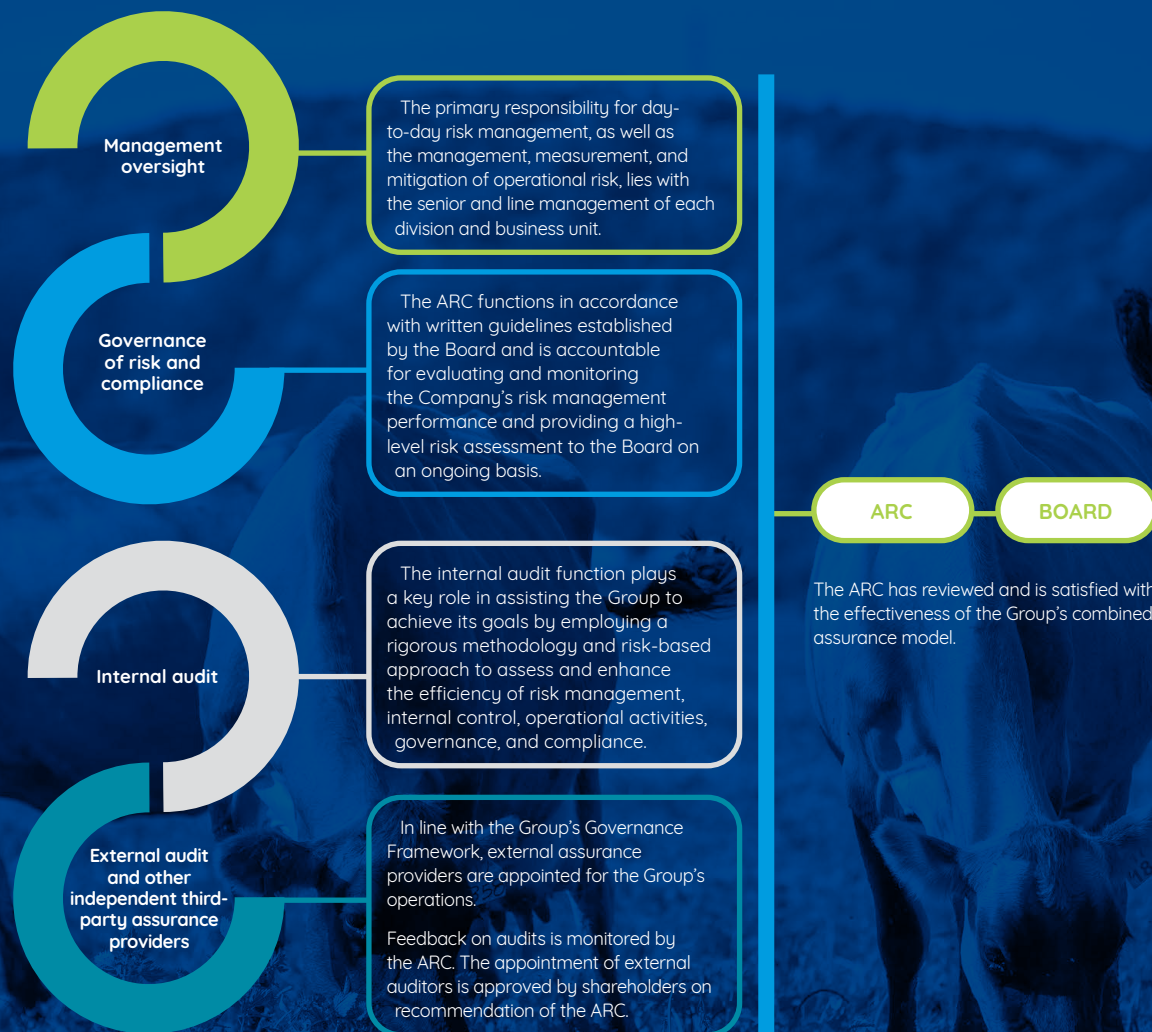
An external compliance function maturity assessment indicated that Quantum Foods does not require a comprehensive compliance management system but could benefit from a tool that will centralise compliance information, simplify the management of the compliance portfolio and assist with automating various processes, compliance training and compilation of audit reports. Implementation of the suggested improvements will be considered in FY2024.

Combined assurance

The Company implemented a comprehensive assurance framework in line with King IV to coordinate the efforts of management, internal assurance providers, and external assurance providers in a way that promotes collaboration and facilitates a holistic view of the organisation's risk profile and assurance activities.

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 FY2023 external audit services for the Group and the South African, Mozambican, Ugandan and Zambian operations were provided by PwC. The approval of the appointment of EY as the auditor for the Group and South African operations for FY2024 will be proposed to shareholders at the February 2024 AGM. Feedback on the audits provided to the subsidiary boards is monitored by the ARC. Read more about the Group external audit in the ARC report on [page 107](#).

Group internal audit

The Group's internal audit services for FY2023 were provided by Deloitte and Touche. The internal audit service agreement was renewed in 2023 to expire on 30 September 2025. The internal audit function is governed by an approved charter, which is reviewed on an annual basis. The ARC has been charged with supervising the execution of assurance services in accordance with the charter.

Risk findings and management actions to mitigate these 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 annual audit plan is based on an assessment of risk areas identified by internal audit and management. Risks with a high probability and impact were prioritised and included in the annual plan. The plan is endorsed by the ARC and updated as appropriate to ensure it is responsive to change.

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.

The report of the ARC is provided from [page 107](#). Read more about the Group's strategic risks on [page 40](#).

Stakeholder relations

Quantum Foods adopts a stakeholder-inclusive approach and has an established stakeholder engagement process in place. Our proactive stakeholder engagement activities assist the Company in navigating the complex regulatory and legislative environment in which we operate, provide ongoing insights, hold us accountable for our commitments, and ensure our sustainability. Read more about stakeholder engagement on [page 15](#).

IT governance

Recognising that IT is essential to operations and adhering to the principles of King IV, the Group has established an IT steering committee.

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. The primary function of the IT steering committee is to optimise the total investment in technology and information systems and provide guidance to management regarding the appropriate utilisation of technology and information services.

There are established measures in place to ensure adherence to all pertinent legislation, information security and safeguard personal data.

The IT steering committee assesses the efficiency of the Group's IT infrastructure, including information security and cybercrime threats, and any significant security incidents are reported to the ARC. Internal management and external assurance providers conduct periodic evaluations of the suitability of the Group's IT landscape.

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 regards to its duties and is accountable to the Board, the ARC and

the executive committee across the following areas of responsibility:

1. Strategy
2. Investment
3. Sourcing
4. Risk management
5. Information security
6. Disaster recovery

Quantum Foods' IT charter is based on the principles of the Control Objectives for Information and Related Technologies ("COBIT") framework for IT governance. COBIT is an internationally recognised IT framework that guides the Board in discharging its IT responsibilities. COBIT is published by the Information Systems Audit and Control Association.

An IT governance framework and reporting system provides the Board with assurance that the IT strategy, procedures and controls within the business reduce IT risk, including risks related to information security, to an acceptable level. External advisors assist with ensuring that measures are put in place to ensure the security of IT.

The main focus during FY2023 was to monitor post-go-live progress and further system enhancements following the implementation of Sage X3 as the new enterprise resource planning ("ERP") system for the Group on 1 October 2022. The objective was to ensure the new system promptly achieves a stable state and that further enhancements were prioritised where necessary.

The Board is satisfied, based on reports received from the ARC, that IT governance and risk management requirements including the suitability of the IT strategy and policies, systems and network architecture, applications, disaster recovery and cyber security management are adequately addressed by an appropriate IT governance framework.

Social, ethics and transformation committee report

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

1. Social and economic development
2. Good corporate citizenship
3. Environment, health and public safety
4. Consumer relationships
5. Labour and employment

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

1. Performance against the Group's environmental, social and governance standards
2. Stakeholder management, engagement and reporting
3. Health and public safety, including occupational health and safety and the quality of the Group's products and services
4. B-BBEE
5. Diversity management
6. Labour relations and working conditions
7. Human capital management, including training and skills development

8. Management and monitoring of the Group's environmental impact
9. Ethics management
10. Corporate social investment

Focusing on the aforementioned ensures that the SETC has the knowledge and insight necessary to monitor Quantum Foods' role as a responsible corporate citizen. In addition, it ensures that the SETC is able to measure this commitment and, if necessary, assist the Board in implementing appropriate steps and procedures to enhance Quantum Foods' non-financial performance.

It is important that the Group operates in a manner that is not only profitable but also sustainable. In support, the Group implements measures that prioritise the conservation of water, appropriate waste management, and clean energy, not only to meet the expectations of stakeholders but also to ensure long-term sustainability.

The Group endorses the UN SDGs as a worldwide appeal to take action in creating a better and more sustainable future for people and the planet. The SETC monitored the Group's contribution to the selected UN SDGs. More details can be found on [page 61](#).

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 with a view to improving the Company's B-BBEE score achieved in FY2022. More detail is available on page 68 .
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 page 65 .
Water, energy and waste disposal management	The committee monitors water, energy and waste management and a report containing usage details is reviewed biannually. The aim is to reduce wastage of the usage elements across the Group's operations by monitoring performance year on year. Read more on page 70 . A specific area of focus is projects to supplement electricity produced from non-renewable sources with solar technology. Read more on page 73 .
Occupational health and safety compliance	The SETC noted progress in obtaining occupational certificates for various business premises. This is an ongoing expense with the pace of progress impacted by third parties. In FY2023 R0.1 million (FY2022: R4.9 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.

Topic	Progress and actions arising
Employment equity and training	The SETC monitored employment equity and training. Read more on page 64 and page 66
Human capital	The SETC monitored organisational development initiatives, workforce design and planning. Read more on page 66 .
Animal welfare	The SETC monitored engagements with the NSPCA and other stakeholders to ensure that animal welfare remains a priority. Read more on page 18 .
ESG compliance	The SETC received findings and monitored management actions from an external ESG review against standards including the International Finance Corporation Performance Standards. Read more on page 60 .
Ethics management	<p>The SETC monitors ethics management and adherence to the Group's code of conduct, which is reviewed annually. Local tip-off anonymous lines are available to stakeholders in Quantum Foods' operating jurisdictions (South Africa, Mozambique, Uganda and Zambia). For further information regarding the reports received through the anonymous tip-off hotline, including the investigations conducted and outcomes, read more on page 60.</p> <p>Read more on the Group's measures to ensure proper ethics management in the King IV register available on the Company's website.</p>

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 it has fulfilled its responsibilities in accordance with its charter, its statutory responsibilities and workplan for the reporting period.

The SETC has determined the following to be its primary focal areas for FY2024. 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 supervise the Group's action plan to enhance its B-BBEE score. The Group will continue to invest in its current business operations that promote transformation and empowerment.
Improved ESG performance	The SETC will oversee the further progress made in improving ESG performance.



Mr. G Vaughan-Smith
Chairman

Wellington
24 November 2023

Remuneration committee report

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

Introduction

Dear shareholders

This report highlights the activities of the Remco and addresses the outcomes of the 2023 remuneration policy implementation.

Our performance and remuneration outcomes

FY2023 presented considerable challenges including raw material costs increasing to record high levels, a significant increase in the number of load shedding hours, above inflation increases in the cost of electricity and fuel and margin compression due to escalating costs not recoverable from customers and consumers. In addition to these factors, FY2023 was characterised by large-scale outbreaks of HPAI in South Africa, which impacted company farms in the Western Cape, Gauteng and North West provinces. On the positive side, production efficiencies in the animal feeds, broiler breeder, layer farming and egg businesses improved and operating costs were well managed.

Despite these positives, the challenges encountered and the outbreak of HPAI in particular, exceeded the benefits of enhanced efficiencies and well-executed cost management and led to a loss reported for the 2023 financial year. This result is reflected in the short-term incentive and long-term incentive outcomes for the executive team.

Short-term incentive (“STI”)

STI component	%	Outcome for FY2023	Impact on variable remuneration
Target for headline earnings before tax per share	50	Actual earnings below threshold target	R Nil
Growth in economic profit over a three-year period	25	Decline in economic profit for the measurement period	R Nil
Operational efficiency targets for: <ul style="list-style-type: none"> Layer farming efficiency Egg packing station efficiency Broiler breeder efficiency Operating cost management ESG performance 	25	<ul style="list-style-type: none"> Layer-type hen production efficiency for completed flocks improved, but threshold target was not achieved Egg packing station efficiencies improved and exceeded the threshold target Hatchability of broiler-type breeder hens improved and exceeded the threshold target Operating cost management stretch target was achieved ESG performance targets were achieved 	R4.6 million*

* The STI pay-out for this component is not conditional on the achievement of earning targets.

Long-term incentive (“LTI”)

The LTI for FY2023, which is an equity-settled share appreciation rights (“SAR”) scheme, consists of two components. 50% has a performance component and 50% is dependent on continued employment.

A new LTI system, which will be a cash-settled value appreciation rights (“VARs”) scheme will be implemented from FY2024. Read more on [page 98](#).

Performance component (50%)

The first tranche of the SARs awarded in FY2021, the second tranche of the SARs awarded in FY2020, and the third tranche of the SARs awarded in FY2019, will each vest in February 2024. The hurdle for any vesting is a compounded annual growth rate (“CAGR”) in HEPS of higher than consumer price index (“CPI”) plus 1% growth with full (100%) vesting at CPI plus 5% growth and linear vesting in-between, measured from the award date to the vesting date of the SARs. The HEPS loss achieved in FY2023 resulted in zero vesting of the performance component of any of these tranches. The 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 the SARs awarded in FY2021, the second tranche of the SARs awarded in FY2020 and the third tranche of the SARs awarded in FY2019, will expire in February 2024. 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 commencing on [page 41](#).

Remco activities during FY2023

The Remco made various key decisions during the reporting period, including:

Topic	Progress and actions arising
Total guaranteed pay adjustments	The Remco determined the mandates to adjust total guaranteed pay for salaried employees by 6.0% and for wage-earning employees by 6.5%, having regard to inflation, benchmarking outcomes and affordability.
National minimum wage and farming sectoral and non-sectoral employee salary	During the 2019 reporting period, employees at one of the Group's operating sites 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 appeal hearing was held in September 2023 and judgement was delivered in favour of the Company on 18 October 2023 bringing this long-standing matter to a favourable close.
STIs, outcomes and targets	<p>The Remco reviewed the STI performance outcomes for FY2023 and considered new targets for FY2024. The outbreak of HPAI and the impact on the Company's operations, was specifically considered in setting the financial and operational targets for FY2024.</p> <p>Read more about this on page 96.</p>
New LTI	<p>The Remco reviewed the SAR scheme. The first SAR allocations were made in February 2015. The Remco determined that inclusive of the SAR allocations made in February 2023 the overall limit of 14.5 million shares available for the SAR scheme will probably be reached once historical SAR allocations vest. The number of shares required to settle SAR allocations is dependent on future factors, including the achievement of HEPS targets and share price movements. The final measurement of SAR allocations until February 2023 against vesting conditions will be made in February 2028 and the number of shares required to settle SAR obligations for awards made until February 2023 will only be determined after the 2028 vesting.</p> <p>Following benchmarking, the Remco developed a new LTI scheme for implementation in FY2024. The new LTI scheme will be a cash-settled VAR scheme and the achievement of LTI targets will be 100% based on the achievement of growth in HEPS targets over a rolling four-year period. Vesting conditions for the previous LTI were 50% HEPS target-based and 50% based on continued service. In terms of the VAR scheme an annual award will be made to participants with vesting measured over a four-year period. Targets for threshold (20% achievement), target (100% achievement) and stretch (150% achievement) will be set. Vested amounts will be adjusted based on changes in the Group enterprise value over a rolling four-year measurement period, subject to a cap on the maximum payout to any employee.</p> <p>The four-year rolling average headline earnings baseline to determine achievement of VAR plan vesting conditions in 2028, will be 54.5 cents per share. This includes 65.3 cents per share for FY2023, which is higher than the actual HEPS achieved for FY2023, which was a loss of 17.4 cents per share. The decision on allocations to participants will be made in February 2024.</p> <p>Read more about the new LTI scheme in Part 2 of this report on page 98.</p> <p>Salient terms of the new LTI scheme are included in the remuneration policy set out in Part 2 of this report. The remuneration policy will be presented to shareholders for a non-binding advisory vote at the AGM in February 2024.</p>

Topic	Progress and actions arising
NED fees	The Remco considered the NED fees approved at the 2023 AGM and will propose a 6.0% increase to the NED fees at the 2024 AGM. In determining the proposed increase, the Remco considered inflation, benchmarking and the mandate for the adjustment in guaranteed pay for employees. Payment of fees for members of the investment committee is proposed to shareholders for the first time.
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 and developing the new LTI scheme, the Remco considered the advice of remuneration consultants. These consultants satisfied the Remco's requirements for independence and objectivity.

Shareholder engagement and voting

The votes of shareholders at the 2023 AGM held on 24 February 2023 were as follows:



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 at the 2024 AGM. In the event that 25% or more of the shareholders vote against either or both of the remuneration policy and implementation report, the Company will engage with shareholders in order to ascertain and appropriately address shareholder concerns.

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 2023. Group profitability for the South African business, Zambia, Uganda and Mozambique were, despite improvement in certain areas, well below target. Operational efficiency, cost management and ESG performance improved in key areas of the business and is reflected in the variable pay outcomes for FY2023.

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 AGM, to be held on Friday, 23 February 2024.



Mr. GG Fortuin
Chairman

Wellington
29 November 2023



Part 2: FY2024 remuneration policy

Introduction

Part 2 of this report sets out the forward-looking remuneration policy, which will be applied in FY2024. A new LTI scheme will be implemented in FY2024 following review of the previous LTI scheme that was introduced with the listing of the Company on the JSE in October 2014. Changes were also made to the STI component of the remuneration policy, where the weighting of the operational performance targets increased and the weighting of the economic value-added component decreased. A new broiler breeder efficiency measurement was introduced, and specific STI performance targets were set for FY2024.

The remuneration policy applied in FY2023 is set out in the 2022 remuneration report, which is available at www.quantumfoods.co.za/company-documents.

The implementation of this remuneration policy in FY2023 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
- Considering the LTI scheme and providing the Board with its recommendations
- Determining the awards to be made to participants under the LTI scheme
- Determining the outcome of LTI performance conditions
- Ensuring that all remuneration packages are fair, market-related and responsible
- Ensuring that directors' remuneration is accurately, completely and transparently disclosed and reported on
- Establishing the criteria to evaluate the performance of the executive committee and directors
- Evaluating and approving the Group's remuneration philosophy, strategy and policy

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

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

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

The membership and meeting attendance records of the Remco are disclosed in the corporate governance report on [page 81](#).

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, performance recognition, 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 Company-employed students studying towards tertiary qualifications in the areas of agriculture, science and other general management and business qualifications. In addition, the Company offers bursaries to external students in their final years of Agriculture and Agri Sciences studies. 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
<p>TGP (fixed: applicable to all sectoral and non-sectoral employees)</p> <p>Social – ensuring the necessary skills for a high-performance culture.</p>	<p>Aimed at attracting and retaining talent and ensuring competitiveness.</p> <p>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.</p> <p>Collective bargaining agreements for unionised employees are negotiated annually.</p> <p>The average salary for each job category is reviewed annually, bearing in mind the Company's affordability constraints.</p> <p>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.</p>
<p>Benefits (fixed: applicable to all employees)</p> <p>Social – allowing employees the flexibility of structuring benefits according to individual requirements.</p>	<p>Benefits form part of TGP and include medical aid, retirement fund contributions, disability and life insurance, and travel allowances. Additional benefits such as cellphone allowances are given to qualifying employees. Retirement 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.</p>

Component	Policy and link to business strategy																				
<p>STIs (variable: applicable to senior management)</p> <p>Economic – drives sound operational efficiency and ESG performance that supports the Group’s ability to improve margins and 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>Headline earnings before tax per share (“HEBTPS”) target – the calculation for the achievement of the target is based on an audited and agreed comparative base for the previous financial year. HEBTPS has a 50% weighting. The HEBTPS measure has been retained for FY2024.</p> <p>Growth in Economic Profit (“EP”) – the growth calculation is based on the weighted average cost of capital over a rolling three-year period, applied to the average net asset base of the Group. EP has a 20% weighting. The EP measure has been retained for the 2024 financial year, but the weighting has been lowered from the 25% weighting of FY2023.</p> <p>Operational efficiency – the efficiency calculation is based on targets set for the percentage of second-grade eggs sold at egg packing stations, broiler-type breeder production efficiency, layer-type hen production efficiency, operating cost management and ESG performance. Each of the five operational efficiency measures contributes one-fifth to the overall operational efficiency performance measure.</p> <p>For FY2024 the operational efficiency measures have been amended as follows:</p> <ul style="list-style-type: none">• The weighting for the operational efficiency performance measure was adjusted from the 25% weighting in FY2023 to 30%.• The measurement target for broiler-type breeder production efficiency has been amended.• New targets were set for the percentage of second-grade eggs sold at egg packing stations, layer-type hen production efficiency, operating cost management and ESG performance. <p>Details are set out in the STI section below and are also available in annexure 5 of the AGM Notice.</p> <p>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 Zambia, Uganda and Mozambique.</p> <p>The table below provides more detail on the measurement of STI across the Group:</p> <table><tr><th></th><th>HEBTPS</th><th>EP</th><th>Operational efficiency</th></tr><tr><td>CEO, CFO and executives</td><td>Group target</td><td>Group target</td><td>RSA target</td></tr><tr><td>Other RSA participants</td><td>Group target</td><td>Group target</td><td>RSA target</td></tr><tr><td>African country manager</td><td>Group target</td><td>Group target</td><td>Country target</td></tr><tr><td>Other African participants</td><td>Country target</td><td>Country target</td><td>Country target</td></tr></table>		HEBTPS	EP	Operational efficiency	CEO, CFO and executives	Group target	Group target	RSA target	Other RSA participants	Group target	Group target	RSA target	African country manager	Group target	Group target	Country target	Other African participants	Country target	Country target	Country target
	HEBTPS	EP	Operational efficiency																		
CEO, CFO and executives	Group target	Group target	RSA target																		
Other RSA participants	Group target	Group target	RSA target																		
African country manager	Group target	Group target	Country target																		
Other African participants	Country target	Country target	Country target																		

Component	Policy and link to business strategy																																										
<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 a cash-settled VAR 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. A new VAR plan will be implemented from FY2024. In terms of the new LTI, vesting of VAR awards will be subject to performance conditions set out below and VAR awards will vest in a single tranche over a four-year measurement period. The vested amount will be adjusted for growth in Quantum Foods' four-year rolling average enterprise value over the same period (enterprise value is calculated on a Headline Earnings ("HE") multiple basis (four-year rolling HE x 8) at the measurement date). The rationale for using the four-year rolling average enterprise value growth and not the enterprise value growth at the end of the four-year performance period (referencing HE in year four of the performance period), is to evaluate enterprise value delivery through the four-year performance period and not only at the end of the performance period.</p> <p>Performance condition measured over a four-year performance period:</p> <ul style="list-style-type: none">Growth in the four-year rolling average Group HEPS – the hurdle for any vesting is CAGR in HEPS of higher than CPI plus 1% growth (20% threshold vesting at this point) with full (100%) vesting at CAGR of CPI plus 3% and stretch (150%) vesting at CAGR of CPI plus 8% and with linear vesting in-between. <p>The Board has the discretion to change 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. The Board has the discretion to adjust HEPS for material non-recurring items when performance against targets are measured.</p> <p>No further awards will be made under the current SAR scheme. The vesting period for the current SAR awards will terminate in February 2028. The table below sets out how the current SAR scheme will phase out and the new VAR plan will phase in, in the determination of the payment of any LTI benefits to participants.</p> <table><tr><th></th><th>FY2024</th><th>FY2025</th><th>FY2026</th><th>FY2027</th><th>FY2028</th></tr><tr><td>2019 SAR allocation</td><td>3rd vesting</td><td></td><td></td><td></td><td></td></tr><tr><td>2020 SAR allocation</td><td>2nd vesting</td><td>3rd vesting</td><td></td><td></td><td></td></tr><tr><td>2021 SAR allocation</td><td>1st vesting</td><td>2nd vesting</td><td>3rd vesting</td><td></td><td></td></tr><tr><td>2022 SAR allocation</td><td></td><td>1st vesting</td><td>2nd vesting</td><td>3rd vesting</td><td></td></tr><tr><td>2023 SAR allocation</td><td></td><td></td><td>1st vesting</td><td>2nd vesting</td><td>3rd vesting</td></tr><tr><td>2024 VAR allocation</td><td></td><td></td><td></td><td></td><td>1st vesting</td></tr></table>		FY2024	FY2025	FY2026	FY2027	FY2028	2019 SAR allocation	3rd vesting					2020 SAR allocation	2nd vesting	3rd vesting				2021 SAR allocation	1st vesting	2nd vesting	3rd vesting			2022 SAR allocation		1st vesting	2nd vesting	3rd vesting		2023 SAR allocation			1st vesting	2nd vesting	3rd vesting	2024 VAR allocation					1st vesting
	FY2024	FY2025	FY2026	FY2027	FY2028																																						
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2022 SAR allocation		1st vesting	2nd vesting	3rd vesting																																							
2023 SAR allocation			1st vesting	2nd vesting	3rd vesting																																						
2024 VAR allocation					1st vesting																																						
	More details are set out in the LTI section below and are also available in annexure 5 of the AGM Notice.																																										

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 earnings which should support share price growth in the short term, while the LTI portion incentivises long-term enterprise value 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 from which the total amount of the STIs that can become payable to participants is paid.

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 page 94. Linear vesting from 0% applies for partial achievement of performance measures.

Senior management with significant responsibilities 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.

2024 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 FY2024 STI. 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%	50* cents per share	60* cents per share
Growth in the Group’s EP	20%	25% of the three-year rolling average improvement in EP is included in the bonus pool.	
Achievement of operational efficiency targets	30%	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 FY2024. At HEBTPS performance of 50 cents per share or lower, the bonus will be 0%. At HEBTPS performance of 60 cents or higher, the bonus will be 100% with linear vesting for HEBTPS of between 50 cents and 60 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 for 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 targets for 2024, the Remco considered the factors set out in Part 1 of this report on page 88, which resulted in lower earnings in 2023. These factors included the impact of feed raw material costs which are expected to reduce slightly in 2024 and the severity of the HPAI outbreaks impacting Quantum Foods poultry and egg operations and that of competitors in the Gauteng and North West provinces of South Africa. The HPAI outbreaks will result in significantly fewer eggs available for sale, lower demand for feed and additional costs while the farms are prepared for future placement of birds. These factors are expected to be partially countered by an increase in egg prices in FY2024. Based on the Group's historical performance and considering the severity of the HPAI outbreaks in FY2023, the Remco considers the HEBTPS target set for FY2024 to be sufficiently stretching.

The percentage of 25% of growth in the Group's EP included in a bonus pool calculation for FY2023 will remain the same for FY2024. The weighting of the EP measurement has been lowered from 25% in FY2023 to 20% in FY2024. This adjustment recognises the importance of achieving operational efficiency targets in reducing the cyclicalities of Group earnings and further improving ESG performance. 70% of the total FY2024 STI will be determined by the achievement of financial targets (HEBTPS 50% and EP 20%), with the adjustment from the previous 75% (HEBTPS 50% and EP 25%) deemed appropriate by the Remco.

Operational targets

The FY2023 targets were for broiler breeder, layer farming and egg packing station efficiencies as well as operating cost management and ESG performance. 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.
- ESG performance which was measured as improvement on priority areas identified from the independent ESG review performed in FY2022.

For FY2024, the measurements for layer farming efficiencies, egg packing station efficiencies, operating cost management, and ESG performance were retained while the measurement for broiler breeder efficiencies was amended. The Remco considered the impact that the HPAI outbreaks in FY2023 will have on the performance of the layer farms when measured in accordance with the layer productivity index and, notwithstanding a lower number of layer flocks that will be completed in FY2024, resolved to retain the measurement.

In setting the FY2024 target for broiler breeder efficiency, the Remco considered that the breed change from Cobb500 to Ross 308 was completed in FY2023. The Remco introduced a different measurement in FY2022, considering the change in the composition of broiler breeder stock during the transition. For FY2024, broiler breeder efficiency will again be measured as the number of day-old chicks produced per breeder hen placed at the start of the laying cycle.

The FY2023 weighting of one-fifth for each component was retained for FY2024 but the weighting of the operational efficiency targets was increased from 25% in 2023 to 30% in FY2024.

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 2023. The Remco considers the targets to be sufficiently stretching to ensure that, if achieved, they would optimise Group profitability and improve ESG performance.

The FY2024 weighting and maximum contribution of the operational targets to the total STI will be:

Target	Weighting	Maximum STI contribution
Layer farming efficiency	20%	6%
Egg packing station efficiency	20%	6%
Broiler breeder efficiency	20%	6%
Operating cost management	20%	6%
ESG performance	20%	6%
Total	100%	30%

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 be made during 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

LTI

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

SAR scheme in terms of which the last allocations were made in February 2023

Shareholders approved the rules of the SAR scheme in compliance with the JSE Listings Requirements. In terms of the SAR scheme, 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 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.

VAR plan in terms of which the first allocations will be made in FY2024

The Remco reviewed the LTI scheme during the reporting period. The first SAR allocations were made in February 2015. The Remco determined that inclusive of the SAR allocations made in February 2023, the overall limit of 14.5 million shares available for the scheme will probably be reached following the future vesting of historical SAR allocations. The number of shares required to settle SAR allocations is dependent on future factors, including the achievement of HEPS targets and share price movements. The final measurement of the achievement of vesting conditions for SAR allocations made until February 2023 will be in February 2028 and the number of shares required to settle the LTI obligations can only be determined after the 2028 vesting.

Following benchmarking, the Remco developed a new LTI scheme for implementation in FY2024. The new LTI will be a cash-settled VARs plan. In terms of the new LTI plan, the achievement of LTI targets will be 100% based on the achievement of growth in HEPS targets over a rolling four-year period. Vesting conditions for the previous LTI were 50% HEPS target based and 50% based on continued service. In the VAR plan an annual award will be made to participants and measured over a four-year performance period. Targets for threshold (20% achievement), target (100% achievement) and stretch (150% achievement) are set and any payout adjusted for growth in the four-year rolling average enterprise value of the Company over the same period (enterprise value is calculated on a HE multiple basis (four-year rolling average HE x 8) at the measurement date) with a limit (maximum 3 times TGP) governing maximum payout to any employee.

The VAR plan is intended to promote the continued financial growth of the Group. The Remco determines the allocation to qualifying employees on an annual basis.

Salient terms of the new LTI scheme will be included in the remuneration policy set out in the AGM Notice and presented to shareholders for a vote at the 2023 AGM to be held in February 2024.

LTI allocation methodology

The VAR plan allocation levels are set out below:

	VAR allocation level (annual award as a % of TGP)
CEO	75%
CFO and other executives	50%
Selected senior management	20%

TGP at date of award is used to determine the annual allocation of VAR awards to qualifying employees.

The performance conditions for the 2024 award, with a baseline HEPS of 54.5 cents, are:



The vesting will be adjusted as set out on [page 98](#) and with an overall limit of 3 x TGP for any participant.

The Remco assesses the affordability of VAR awards at award date with reference to the number of participants included in the VAR plan as well as the overall estimated cost as at the date of award. Awards will be limited to a maximum of 7.5% of EBITDA for the preceding financial year. The Remco has a discretion to adjust preceding financial year EBITDA for material non-recurring items.

Vesting profile, performance period and conditions for vesting

The VAR awards vest in a single tranche on the four-year anniversary of the award date. The performance conditions are measured over a four-year performance period, which are aligned to the respective financial years.

Settlement

VAR awards will be settled in cash within 30 days of the vesting date.

To ensure that the settlement of vested VAR awards does not impact the Company’s liquidity, a free cash flow settlement condition applies. Settlement of VAR awards will, at the discretion of the Remco, be fully or partially deferred, for a maximum period of 24 months, where payment would exceed 20% of the Company’s free cash flow for the 12 months preceding the vesting date.

Early termination of employment

For fault leavers as defined in the rules of the VAR plan, any unvested VARs will be forfeited and vested VARs not yet settled will be settled. For no-fault leavers as defined in the rules of the VAR plan, the participant will be entitled to the same rights and subject to the same conditions as they would have been had they remained employed by the Company. However, future vesting for no-fault leavers will be adjusted based on the period in service after the date of award. The Remco has a discretion to early test the achievement of performance conditions for no-fault leavers.

Malus and clawback

LTI benefits will either be forfeited, or the after-tax benefit clawed back, where cash payments have been made during 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 committee which meet as and when required. Payment of fees for members of the investment committee will be proposed to shareholders at the February 2024 AGM in recognition of the workload of this committee. The fee reflects the NEDs' 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 2023 AGM, which approval is valid until the second anniversary of the 2023 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 2023 AGM authorising the payment of remuneration to NEDs, propose that these fees be increased as set out in the table below at the forthcoming AGM.

	Approved fees per annum Rand (exclusive of VAT)	Proposed increase	Proposed fees per annum Rand (exclusive of VAT)
Chairman of the Board	414 615	6.0%	439 500
Lead independent director	355 745	6.0%	377 100
Board member (other than the chairman of the Board or the lead independent director)	294 870	6.0%	312 560
Committee chairman ARC	101 630	6.0%	107 730
Committee chairman (remuneration and social, ethics and transformation)	71 140	6.0%	75 410
Committee member ARC	92 155	6.0%	97 680
Committee member (remuneration and social, ethics and transformation)	65 820	6.0%	69 770
Committee chairman investment committee	Nil		75 410
Committee member investment committee	Nil		69 770

Part 3: Implementation of the remuneration policy in FY2023

TGP

The Remco approved a salary increase mandate of 6.0% (FY2022: 5.0%) of total cost to company for non-sectoral employees and executives, and a 6.5% (FY2022: 5.0%) basic pay increase for sectoral employees.

STI outcomes

For the reasons set out in Part 1 of the remuneration report commencing on page 88, none of the threshold targets for financial performance set for STI participants measured on Group and South African performance were achieved in FY2023 whereas improved operational efficiency performance resulted in partial achievement of targets set. R4.4 million of the STI bonus pool cap of R29.5 million accrued to these participants.

For STI participants measured against the Group's other African countries' performance, R0.2 million of the R1.1 million STI bonus pool cap accrued.

No STI payments were reduced or forfeited due to malus or clawed back in FY2023.

The Remco did not exercise its discretion to adjust STI outcomes in FY2023.

The table below sets out the STI performance outcomes of participants measured on Group targets and South African operational efficiency for FY2023:

	Weighting	Target performance	Stretch performance	Actual performance	Actual achievement (% of measure)	STI outcome
	%					R'000
Group HEBTPS	50	31.7 cents	36.5 cents	Loss of 21.5 cents	Nil	Nil
Group EP	25			Three-year rolling average declined by R83.2 million	Nil	Nil
South Africa operational efficiency	25			See below	61.7%	4 366
Total	100	0%	100%		15.4%	4 366

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

Performance measures	Weighting	Actual achievement
		(%)
Broiler hatchability	20%	56.4%
Layer hen productivity	20%	Nil
Egg packing station efficiency	20%	52.0%
Operating cost management	20%	100.0%
ESG performance	20%	100.0%
Weighted average achievement	100%	61.7%

Different targets are set for each of the other African countries and the table below provides a summary of the STI outcome of FY2023. The financial and operational performance of the other Africa business is reflected in the STI outcomes below.

Performance measures	Weighting	Actual achievement	STI outcome*
	%	%*	R'000
HEBTPS	50	Nil	Nil
EP	25	Nil	Nil
Operational efficiency	25	35.4	205
Total	100	18.5	205

* STI outcome includes the effect of African country managers measured on other African countries' performance for operational efficiency but Group performance for HEBTPS and EP.

The table below sets out the STIs of executive directors in FY2023, based on the achievement of performance targets:

Participant	Maximum STI earning potential (as % of TGP)	Achievement of performance conditions %	Actual STI (as % of TGP)	2023 STI amount included in single figure table R'000
HA Lourens	100%	15.4%	15.4%	694
AH Muller	75%	15.4%	11.6%	345

LTI outcomes

The first tranche of the SARs awarded in 2021, the second tranche of the SARs awarded in 2020 and the third tranche of the SARs awarded in 2019 will each vest in FY2024. The tables below set out the achievement of the performance conditions applicable to the SAR awards that will vest in 2024.

No LTI benefits were reduced or forfeited due to malus or clawed back in FY2023.

2021 award	Threshold	Stretch	Actual
Performance measures = Compound annual growth in adjusted HEPS	CPI plus 1% growth	CPI plus 5% growth	Decrease in HEPS Loss of 17.4 cents**
2021 SAR allocation*	98.5 cents	109.9 cents	
Vesting (%)	0%	100%	0%

* 2021 adjusted HEPS was 80.50 cents per share and is equal to the actual 2020 HEPS.

** 2023 HEPS

Vesting date	15 February 2024
Performance period	1 October 2020 to 30 September 2023
Employment period	15 February 2021 to 15 February 2024

2020 award	Threshold	Stretch	Actual
Performance measures = Compound annual growth in adjusted HEPS	CPI plus 1% growth	CPI plus 5% growth	Decrease in HEPS Loss of 17.4 cents**
2020 SAR allocation*	117.4 cents	136.1 cents	
Vesting (%)	0%	100%	0%

* 2020 adjusted HEPS was 92.30 cents per share and is equal to the actual 2019 HEPS.

** 2023 HEPS

Vesting date	17 February 2024
Performance period	1 October 2019 to 30 September 2023
Employment period	17 February 2020 to 17 February 2024

2019 award	Threshold	Stretch	Actual
Performance measures = Compound annual growth in adjusted HEPS	CPI plus 1% growth	CPI plus 5% growth	Decrease in HEPS Loss of 17.4 cents**
2019 SAR allocation*	219.1 cents	263.7 cents	
Vesting (%)	0%	100%	0%

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

** 2023 HEPS

Vesting date	11 February 2024
Performance period	1 October 2018 to 30 September 2023
Employment period	11 February 2019 to 11 February 2024

LTIs awarded during 2023

During the year under review, 6 410 436 SARs, at a strike price of R4.743 per share, were awarded. The Remco exercised its discretion and determined the baseline HEPS for the FY2023 allocation as 20.0 cents per share. This is higher than the actual HEPS of 14.1 cents per share recorded for FY2022. Therefore, 0% vesting for the performance component of the FY2023 award will result at CAGR in HEPS of CPI plus 1% or lower from the baseline of 20.0 cents per share and the total 100% vesting for the performance component of the 2023 allocation will be realisable at CAGR in HEPS of CPI plus 5% from the baseline of 20.0 cents per share.

Unvested LTIs

The table below discloses the number of each executive director's LTI awards as at 30 September 2023, 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. LTI awards forfeited due to performance conditions not achieved for the performance period that ended 30 September 2023 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 2023, less the grant price of the particular SARs awarded. 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 scheme, in the calculation of the indicative value.

Executive director LTIs in 2023

Date awarded	Note	Opening number	Awarded during the year	Award/ 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
HA Lourens											
2018/02/22	1	377 996	-	391	-	377 996	377 996	545	583	-	-
2019/02/11	2	956 364	-	425	318 788	318 788	318 788	496	227	318 788	94
2020/02/17	3	1 170 415	-	357	234 083	234 083	234 083	486	303	702 249	614
2021/02/15	4	1 168 730	-	609	194 788	-	-	-	-	973 942	-
2022/02/21	5	1 737 372	-	539	-	-	-	-	-	1 737 372	-
2023/02/23	6	-	1 891 234	474	-	-	-	-	-	1 891 234	-
									1 113		
AH Muller											
2018/02/22	1	109 497	-	391	-	109 497	109 497	545	169	-	-
2019/02/11	2	248 635	-	425	82 879	82 877	82 877	496	59	82 879	24
2020/02/17	3	361 285	-	357	72 257	72 257	72 257	486	93	216 771	190
2021/02/15	4	307 084	-	609	51 180	-	-	-	-	255 904	-
2022/02/21	5	514 604	-	539	-	-	-	-	-	514 604	-
2023/02/23	6		544 220	474	-	-	-	-	-	544 220	-
									321		

* Include SARs for which performance conditions were not achieved.

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

Note 6: Vesting in three equal tranches on 23/02/2026, 23/02/2027 and 23/02/2028. 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 LTI awards	14 500 000
Number of shares transferred in FY2018	(212 396)
Number of shares transferred in FY2019	(1 309 899)
Number of shares transferred in FY2020	(2 643 138)
Number of shares transferred in FY2021	(3 284 063)
Number of shares transferred in FY2022	(2 063 234)
Number of shares transferred in FY2023	(822 303)
Remaining number of shares that may be transferred to settle LTI awards	4 164 967

Remuneration outcomes for 2023

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 FY2023 and FY2022, respectively:

30 September 2023	Basic salary R'000	Benefits	STI R'000	LTI R'000	Directors' fees R'000	Total R'000
HA Lourens	3 940	488	694	1 113	-	6 235
AH Muller	2 573	620*	345	321	-	3 859
Total	6 513	1 108	1 039	1 434	-	10 094

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

* Includes R249 000 paid on reaching 20 years of service.

NED fees

The table below sets out the fees paid to NEDs:

	FY2023 R'000	FY2022* R'000
Name		
WA Hanekom	532	752
GG Fortuin	515	676
T Golden	441	600
LW Riddle	441	600
G Vaughan-Smith	356	504
	2 285	3 132

* This relates to the fees paid to the NEDs for the period 1 April 2021 to 30 September 2022 pursuant to the special resolution passed by shareholders at the February 2022 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 for the period 1 April 2021 to 1 April 2022.

Approval

The Remco is satisfied that there were no material deviations from the remuneration policy during 2023. This remuneration report was approved by the Remco on 29 November 2023.

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 2023, from which these summary consolidated financial statements have been derived, were prepared in accordance with the requirements of the Companies Act.

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 29 November 2023 and are signed on its behalf by:



WA Hanekom
Chairman



HA Lourens
Chief Executive Officer

Company secretary certificate

In accordance with section 88(2)(e) of the Companies Act, for the year ended 30 September 2023, it is hereby certified that the Company and its subsidiaries have lodged with the Companies and Intellectual Property Commission all such returns and notices that are required of a public company in terms of the Companies Act and that such returns and notices are true, correct and up to date.

A handwritten signature in black ink, appearing to read 'ZP Wakashe', with a stylized flourish above the name.

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⁽⁹⁾ ("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 2023, the committee comprised three independent non-executive directors, namely Mr GG Fortuin, Mr LW Riddle and Ms TJA Golden.

These members will retire and avail themselves for election at the 10th 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 committee meetings. In addition, relevant senior managers and external service providers are invited to attend meetings from time to time. The company secretary is the statutory secretary of the committee. The internal and external auditors attend the relevant meetings of the committee.

Meetings

The committee held five meetings during the year. Attendance of the meetings are shown on  page 81 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 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:
 - o Reviewed the adequacy and effectiveness of the financial reporting process and the systems of internal control.
 - o 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.
 - o Considered and, when appropriate, made recommendations on internal financial controls.
 - o Took the necessary steps to ensure that the financial statements are prepared in accordance with IFRS and the requirements of the Companies Act.
 - o 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.
 - o 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, which in the aggregate exceed R500 000 per financial year, 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.
- During the year the committee considered new external auditors for the 2024 financial year and recommended the appointment of Ernst & Young Inc. ("EY") as the external auditor and Mr P du Plessis as the designated auditor, after satisfying itself through enquiry that EY is independent as defined in section 94(8) of the Companies Act. 2024 will be Mr P du Plessis' first year as designated auditor of the Company. The appointment of EY as the recommended external auditor (with Mr P du Plessis as the designated auditor) will be presented and included as a resolution at the AGM. The committee confirmed that EY and the designated auditor are accredited by the JSE.
- The change in auditors from PwC to EY was initiated by the Board, having regard for the merits of periodic auditor rotation and on recommendation by the ARC, following a comprehensive tender process.
- 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 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, provided on 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 105](#).



GG Fortuin
Chairman: audit and risk committee

Wellington
29 November 2023

Independent auditor's report on the summary consolidated financial statements

To the shareholders of Quantum Foods Holdings Limited

Opinion

The summary consolidated financial statements of Quantum Foods Holdings Limited, set out on pages 111 to 122 of the accompanying integrated report, which comprise the summary consolidated statement of financial position as at 30 September 2023, 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 2023.

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

Summary consolidated financial statements

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

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 29 November 2023. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's responsibility for the summary consolidated financial statements

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

Auditor's responsibility

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: R.J. Jacobs

Registered Auditor

Stellenbosch, South Africa

14 December 2023

Quantum Foods Integrated Report 2023

Summary consolidated financial statements

Summary consolidated statement of financial position

as at 30 September 2023

	2023 R'000	2022 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	1 420 267	1 416 940
Right-of-use assets	1 353 253	1 322 700
Intangible assets	34 519	67 601
Investment in associate	12 268	11 633
Trade and other receivables	11 200	10 130
Deferred income tax	2 827	3 312
	6 200	1 564
Current assets	1 513 361	1 713 853
Inventories	415 630	463 765
Biological assets	338 380	433 910
Trade and other receivables	687 761	750 558
Derivative financial instruments	-	53
Current income tax	225	1 722
Cash and cash equivalents	71 365	63 845
Total assets	2 933 628	3 130 793
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the parent		
Share capital	2 015 936	2 100 788
Treasury shares	1 465 069	1 465 069
Other reserves	(429)	(1 390)
Retained earnings	(29 676)	20 962
	580 972	616 147
Total equity	2 015 936	2 100 788
Non-current liabilities	265 610	322 165
Lease liabilities	21 907	56 021
Deferred income tax	234 621	257 178
Provisions for other liabilities and charges	9 082	8 966
Current liabilities	652 082	707 840
Trade and other payables	627 870	603 631
Derivative financial instruments	58	-
Current income tax	1 774	2 553
Lease liabilities	21 299	25 598
Provisions for other liabilities and charges	1 081	1 150
Bank overdraft	-	74 908
Total liabilities	917 692	1 030 005
Total equity and liabilities	2 933 628	3 130 793

Summary consolidated statement of comprehensive income

for the year ended 30 September 2023

	Notes	2023 R'000	2022 R'000
Revenue	3	6 952 575	6 020 558
Cost of sales		(5 769 663)	(4 910 916)
Gross profit		1 182 912	1 109 642
Other income		18 853	20 120
Other gains/(losses) – net	4	(66 389)	(5 870)
Sales and distribution costs		(287 386)	(288 322)
Marketing costs		(12 572)	(13 311)
Administrative expenses		(154 987)	(156 773)
Net impairment losses on trade and other receivables		(5 941)	(1 739)
Other operating expenses		(710 413)	(631 242)
Operating (loss)/profit		(35 923)	32 505
Investment income		5 477	4 244
Finance costs		(23 585)	(16 301)
Share of profit/(loss) of associate company		1 070	(180)
(Loss)/profit before income tax		(52 961)	20 268
Income tax credit		17 387	3 554
(Loss)/profit for the year		(35 574)	23 822
Other comprehensive income for the year			
Items that may subsequently be reclassified to profit or loss:			
Fair value adjustments to cash flow hedging reserve		(3 000)	1 035
For the year		(39 378)	65 176
Income tax effect		10 632	(17 598)
Realised to profit or loss		35 269	(64 002)
Income tax effect		(9 523)	17 459
Currency translation differences		(50 333)	85 993
Total comprehensive (loss)/income for the year		(88 907)	110 850
(Loss)/profit for the year attributable to owners of the parent		(35 574)	23 822
Total comprehensive (loss)/income for the year attributable to owners of the parent		(88 907)	110 850
Earnings per ordinary share (cents)	5	(17.8)	12.0
Diluted earnings per ordinary share (cents)	5	(17.8)	11.9

Summary consolidated statement of changes in equity

for the year ended 30 September 2023

	2023 R'000	2022 R'000
Share capital and treasury shares	1 464 640	1 463 679
Opening balance	1 463 679	1 456 754
Ordinary shares acquired by subsidiary	(2 336)	-
Ordinary shares transferred - share appreciation rights	3 297	6 925
Other reserves	(29 676)	20 962
Opening balance	20 962	(65 769)
Other comprehensive income for the year	(53 333)	87 028
Recognition of share-based payments	6 391	6 105
Ordinary shares transferred - share appreciation rights	(3 696)	(6 402)
Retained earnings	580 972	616 147
Opening balance	616 147	608 817
(Loss)/profit for the year	(35 574)	23 822
Dividends paid	-	(15 969)
Ordinary shares transferred - share appreciation rights	399	(523)
Total equity	2 015 936	2 100 788

Summary consolidated statement of cash flows

for the year ended 30 September 2023

	2023	2022
	R'000	R'000
Cash flow from operating activities	276 410	77 792
Cash profit from operating activities	232 158	170 625
Working capital changes	52 522	(87 074)
Cash effect of hedging activities	(4 030)	1 125
Cash generated from operations	280 650	84 676
Income tax paid	(4 240)	(6 884)
Cash flow from investing activities	(135 888)	(118 214)
Additions to property, plant and equipment	(138 475)	(114 673)
Additions to intangible assets	(4 059)	(10 551)
Proceeds on disposal of property, plant and equipment	663	2 367
Repayment of loan included in other debtors	687	399
Interest received	5 296	4 244
Cash surplus/(deficit)	140 522	(40 422)
Cash flow from financing activities	(49 662)	(55 174)
Principal elements of lease payments	(24 935)	(23 963)
Treasury shares acquired by subsidiary	(2 336)	-
Interest paid	(22 335)	(15 249)
Dividends paid to ordinary shareholders	(56)	(15 962)
Increase/(decrease) in cash and cash equivalents	90 860	(95 596)
Effects of exchange rate changes	(8 432)	11 222
Cash and cash equivalents at beginning of year	(11 063)	73 311
Cash and cash equivalents at end of year (net of overdraft)	71 365	(11 063)
Cash at bank and on hand	71 365	63 845
Bank overdraft	-	(74 908)

Segmental analysis

for the year ended 30 September 2023

	2023 R'000	2022 R'000
SEGMENT INFORMATION		
Segment revenue	6 964 945	6 030 053
Eggs	1 322 275	1 350 127
Farming	1 840 995	1 597 375
Animal feeds	3 358 828	2 688 142
Other African countries	442 847	394 409
Less: Internal revenue	(12 370)	(9 495)
Farming	(12 370)	(9 495)
External revenue	6 952 575	6 020 558
Eggs	1 322 275	1 350 127
Farming	1 828 625	1 587 880
Animal feeds	3 358 828	2 688 142
Other African countries	442 847	394 409
Segment results - excluding items of a capital nature	(34 716)	36 818
Eggs	(42 367)	(42 104)
Farming	(80 310)	(15 438)
Animal feeds	104 168	93 309
Other African countries	(1 369)	18 662
Head office costs	(14 838)	(17 611)
Items of a capital nature per segment included in other gains/(losses) - net		
(Loss)/profit on disposal of property, plant and equipment before income tax	(1 207)	1 115
Eggs	-	(81)
Farming	(1 055)	1 431
Animal feeds	(658)	(49)
Other African countries	506	(186)

	2023 R'000	2022 R'000
Impairment of intangible assets	-	(5 428)
Animal feeds	-	(5 428)
Segment results	(35 923)	32 505
Eggs	(42 367)	(42 185)
Farming	(81 365)	(14 007)
Animal feeds	103 510	87 832
Other African countries	(863)	18 476
Head office costs	(14 838)	(17 611)
A reconciliation of the segment results (operating (loss)/profit) to (loss)/profit before income tax is provided below:		
Segment results	(35 923)	32 505
Adjusted for:		
Investment income	5 477	4 244
Finance costs	(23 585)	(16 301)
Share of profit/(loss) of associate company	1 070	(180)
(Loss)/profit before income tax per statement of comprehensive income	(52 961)	20 268

Notes to the summary consolidated financial statements

for the year ended 30 September 2023

1. Basis of preparation

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Ltd ("JSE") 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 International Financial Reporting Standards ("IFRS") and the 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 2023 and with those of previous financial years.

Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2023

3. Revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time.

Disaggregation of revenue from contracts with customers:

Revenue

Eggs

- included in eggs segment
- included in other African countries segment

Layer farming*

- included in farming segment
- included in other African countries segment

Broiler farming**

- included in farming segment
- included in other African countries segment

Animal feeds

- included in animal feeds segment
- included in other African countries segment

2023	2022
R'000	R'000
1 627 094	1 602 692
1 322 275	1 350 127
304 819	252 565
221 376	240 958
187 154	211 906
34 222	29 052
1 689 484	1 436 431
1 641 471	1 375 974
48 013	60 457
3 414 621	2 740 477
3 358 828	2 688 142
55 793	52 335
6 952 575	6 020 558

* 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 2023

	2023 R'000	2022 R'000
4. Other gains/(losses) – net		
Biological assets fair value adjustment	(67 379)	(8 438)
Unrealised – reflected in carrying amount of biological assets	8 847	(8 702)
Realised – reflected in cost of goods sold	(76 226)	264
Agricultural produce fair value adjustment	13 814	4 038
Unrealised – reflected in carrying amount of inventory	1 608	(2 094)
Realised – reflected in cost of goods sold	12 206	6 132
Foreign exchange differences	218	(1 252)
Financial instruments fair value adjustments	7	–
Foreign exchange contract cash flow hedging ineffective (loss)/gain	(63)	4 095
Futures contract cash flow hedging ineffective loss	(11 779)	–
(Loss)/profit on disposal of property, plant and equipment	(1 207)	1 115
Impairment of intangible assets [^]	–	(5 428)
	(66 389)	(5 870)

[^] During the annual impairment test conducted on the CGU containing goodwill in the prior period, it was identified that the carrying value of the CGU exceeded its recoverable amount. The customer base of the Olifantkop 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 Olifantkop 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 prior year.

for the year ended 30 September 2023

Quantum Foods Integrated Report 2023
Summary consolidated financial statements

Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2023

	2023 R'000	2022 R'000
5. Earnings per ordinary share (continued)		
The calculation of diluted earnings per share is based on (loss)/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:		
(Loss)/profit for the year	(35 574)	23 822
Diluted weighted average number of ordinary shares in issue ('000)	199 553	200 010
Headline earnings is calculated in accordance with Circular 1/2023 (2022: Circular 1/2021) issued by the South African Institute of Chartered Accountants.		
<i>Reconciliation between (loss)/profit attributable to owners of the parent and headline earnings</i>		
(Loss)/profit for the year	(35 574)	23 822
Remeasurement of items of a capital nature		
Loss/(profit) on disposal of property, plant and equipment	812	(1 137)
Gross	1 207	(1 115)
Tax effect	(395)	(22)
Impairment of intangible assets	-	5 428
Gross	-	5 428
Tax effect	-	-
Headline earnings for the year	(34 762)	28 113
Earnings per ordinary share (cents)	(17.8)	12.0
Diluted earnings per ordinary share (cents)	(17.8)	11.9
Headline earnings per ordinary share (cents)	(17.4)	14.1
Diluted headline earnings per ordinary share (cents)	(17.4)	14.1

Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2023

6. Contingent liabilities

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

7. Future capital commitments

Capital expenditure approved by the Board and contracted for amounts to R31.6 million (2022: R31.7 million). Capital expenditure approved by the Board, but not yet contracted for, amounts to R291.4 million (2022: R104.2 million).

8. Events after the reporting period

The Board has resolved not to declare a final dividend for the year ended 30 September 2023 (2022: nil cents).

The current outbreak of HPAI continued to impact the Group's operations in the northern parts of South Africa after year-end. Flock health is continuously monitored, and regular testing for the virus is done. Livestock that tested positive for the HPAI virus until 9 October 2023, were considered infected by the virus on 30 September 2023, due to the incubation period of the virus. All birds which tested positive up to this date, were written off in full and included in the total balance of R155.3 million written off in cost of sales during the current reporting period.

The value of livestock infected after year-end and up to the date of approval of the consolidated annual financial statements amounted to R23.3 million. This value will be written off in the 2024 financial year.

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. Going concern statement

The Board evaluated the going concern assumption as at 30 September 2023. As part of its assessment, the Board considered the following:

- the Group's cash flow forecasts for the next 12 months following year-end in terms of their current knowledge and expectations of ongoing developments, including the impact of the current outbreak of HPAI;
- the Group's ability to settle its obligations as they become due and payable in the next 12 months;
- the solvency and liquidity ratios of the Group; and
- the current and forecasted debt utilisation of the Group.

Notes to the summary consolidated financial statements (continued)

for the year ended 30 September 2023

9. Going concern statement (continued)

The impact of the current outbreak of HPAI on the cash flow forecast includes the fact that all farms infected by HPAI will be cleaned and sanitised on a rotational basis. The process to restock farms impacted by the current outbreak of HPAI, will take approximately 12 months. The culling and cleaning cost as well as the cash outflow to restock the impacted farms were considered in the cash flow forecasts.

The Group obtained a term loan facility of R100 million from Rand Merchant Bank which is effective from 25 October 2023. The term loan facility will provide the Group's South African businesses with additional liquidity for working capital investment and expansion projects.

The loan is secured by:

- a mortgage bond registered over the Malmesbury Feedmill plant;
- a notarial bond registered over the Malmesbury Feedmill plant equipment; and
- the shares held by the Company in Quantum Foods (Pty) Ltd.

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.

10. Preparation of financial statements

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

11. 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

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



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