



2023

# INTEGRATED REPORT

*Standing  
true to our  
values*

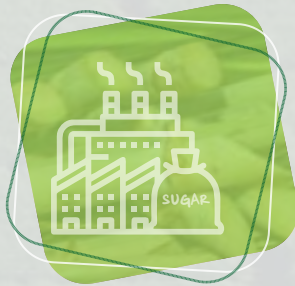
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Simama 20-25 underpins our aspiration to reduce the cost of producing one tonne of sugar by 20% by 2025. We will achieve this through meeting specific objectives in relation to efficiencies, productivity, and performance of all systems, processes, and human capital. We are aware that there will be many challenges, but we are up to the task.



# 01

## ABOUT THIS REPORT

Our 2023 Integrated Report is the outcome of an all-inclusive reporting process that is governed by the Board of Directors and led by the Executive Committee (Exco). Integrated thinking enables us to create and preserve value to the benefit of individuals, communities and businesses, as well as the RES Corporation.

The report provides stakeholders with a balanced and integrated view of the Corporation's ongoing abilities and challenges in the short, medium and long term.

### Reporting period

This is the 12<sup>th</sup> edition of our Integrated Report, a document that is published annually. It covers the period from 1 April 2022 to 31 March 2023 and focuses on the Corporation's operations, performance, issues, relationships and engagements over the past year.

### Scope and Boundary

The scope and boundary of the report remain unchanged from the previous year, and the identified material issues are reported on, with the focus on the six capitals outlined in the Value Reporting Foundation (VRF) Integrated Reporting Framework. The report incorporates the principles as described in the King IV Code on Corporate Governance (King IV).

Unless otherwise stated, data includes all entities covered by the Corporation's financial statements. All reported information is current as at 31 March 2023, unless otherwise indicated. The report has been prepared in collaboration with external and independent sustainability specialists. It has been reviewed by the Corporation's Executive Committee (Exco) and SNG Grant Thornton, and approved by the Board of Directors.

### Forward-looking statements

Certain forward-looking statements are made in the report about the Corporation's financial position, results, strategy, operational and business processes in the context of global and regional markets and economic trends. These statements and forecasts involve risk and uncertainty as they relate to events and depend on circumstances that may occur in the future. Various factors could cause actual results or developments to differ from those disclosed or implied by forward-looking statements.

### Financial and non-financial reporting

The report extends beyond financial reporting and includes non-financial performance, opportunities,

risks and outcomes attributable to or associated with all our stakeholders that have a significant influence on our ability to create value sustainably, while minimising value erosion.

All financial figures are reported in Lilangeni (E) unless otherwise stated.

### Materiality and material matters

Our materiality determination process for the purpose of preparing and presenting an integrated report involved the identification of relevant issues, based on their ability to affect our value creation process. These issues are closely linked to our risk management process and focus on the potential of their effect on value creation or value erosion.

Our material aspects that form the basis of the scope and boundary for this report, remain largely unchanged from the material matters previously identified. *For details on the impacts of these matters, see pages 30-36.*

Material issues as they pertain to ongoing stakeholder engagement, are discussed in our Stakeholder Relations section of this report on pages 68-70.

### Governance, risk management and sustainability reporting

We have integrated our governance and risk management principles, practices and outcomes throughout our integrated report. Our Financial Statements are available online. We are committed to publishing our first sustainability report in 2024.

### Directors' statement of responsibility


The Board of Directors acknowledges its responsibility for ensuring the integrity of this report and has applied its mind to the preparation and presentation of the report. In the Board's opinion, this report is a fair representation of the performance of the Corporation and its material matters. The Board is confident that the report was prepared in accordance with the Integrated Reporting Framework.

# OUR CAPITALS

## Navigation

RES's impact on, and contributions to the six capitals of value creation described in the International Integrated Reporting Framework are addressed in an integrated manner throughout this report. We endeavour to describe our approach, activities and mandate in terms of our capitals, with associated icons to aid reference and navigation:

### Human Capital




- Employees and employee management
- Employee health and safety

### Financial Capital



- Financial reserves
- Capital budget
- Operating budget
- Revenue

### Natural Capital



- Land under cultivation
- Crop
- Water
- Energy
- Livestock

### Manufactured Capital



- Information technology capacity
- Organisational culture
- Policies, charters and procedures
- Documented best practice
- Operational frameworks
- HR methodology and initiatives
- Public Affairs practice and initiatives

### Social and Relationship Capital



- Stakeholder relations
- Tibiyo TakaNgwane
- Eswatini Government
- Community /society
- Eswatini Sugar Association
- Suppliers
- Outgrowers
- Brand and reputation
- Corporate Social Investment

### Intellectual Capital



- Information technology capacity
- Organisational culture
- Policies, charters and procedures
- Documented best practice
- Operational frameworks
- HR methodology and initiatives
- Public Affairs practice and initiatives

# 02

# RES AT A GLANCE



Who we are



Our vision, mission and values



Our investment portfolio



Our operating environment



Five year review



## 2.1 WHO WE ARE

### Highlights

The Royal Eswatini Sugar Corporation Limited (RES Corporation), located in the north-eastern lowveld of Eswatini is one of the largest companies in the country. The Corporation is also the largest company listed on the Eswatini Stock Exchange with reference to market capitalisation, with interests in sugar cane farming and manufacturing of sugar and ethanol for sale in domestic, regional, and international markets.

The company employs more than 4 000 people and produces approximately two-thirds of the country's sugar as well as 35.3 million litres of ethanol a year. RES manages its own sugar cane on two estates and some farms on behalf of third parties. RES grows approximately 22 500 ha of irrigated sugarcane on its own two estates and manages 1 870 ha on behalf of third parties. In addition to its own sugarcane supply, the company buys in cane from Outgrowers and in a normal year

produces some 470 000 tonnes of sugar. More than 2 500 families in the community are involved in cane production.

We produce high-grade ethanol which is sold to the beverage and pharmaceutical sectors. In addition, the company produces feints, which are used to manufacture methylated spirits and bio gels. It also produces concentrated molasses stillage, which is used to produce liquid fertilisers.

RES provides housing and all infrastructure for its employees and dependents. It is also involved in cattle and ecotourism.

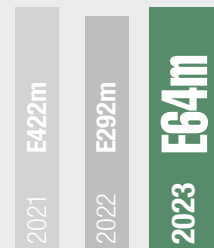
RES operates in a very dynamic environment where the national, regional and international situation must be continuously analysed and taken into account to ensure our sustainability.



### REVENUE



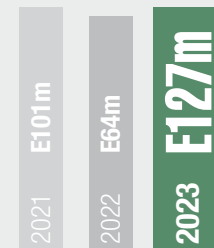
### CANE-GROWING MARGIN



### SUGAR-MILLING MARGIN



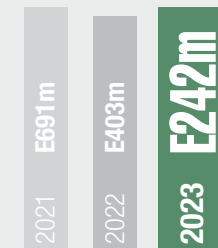
### ETHANOL MARGIN



### ATTRIBUTABLE TO SHAREHOLDERS



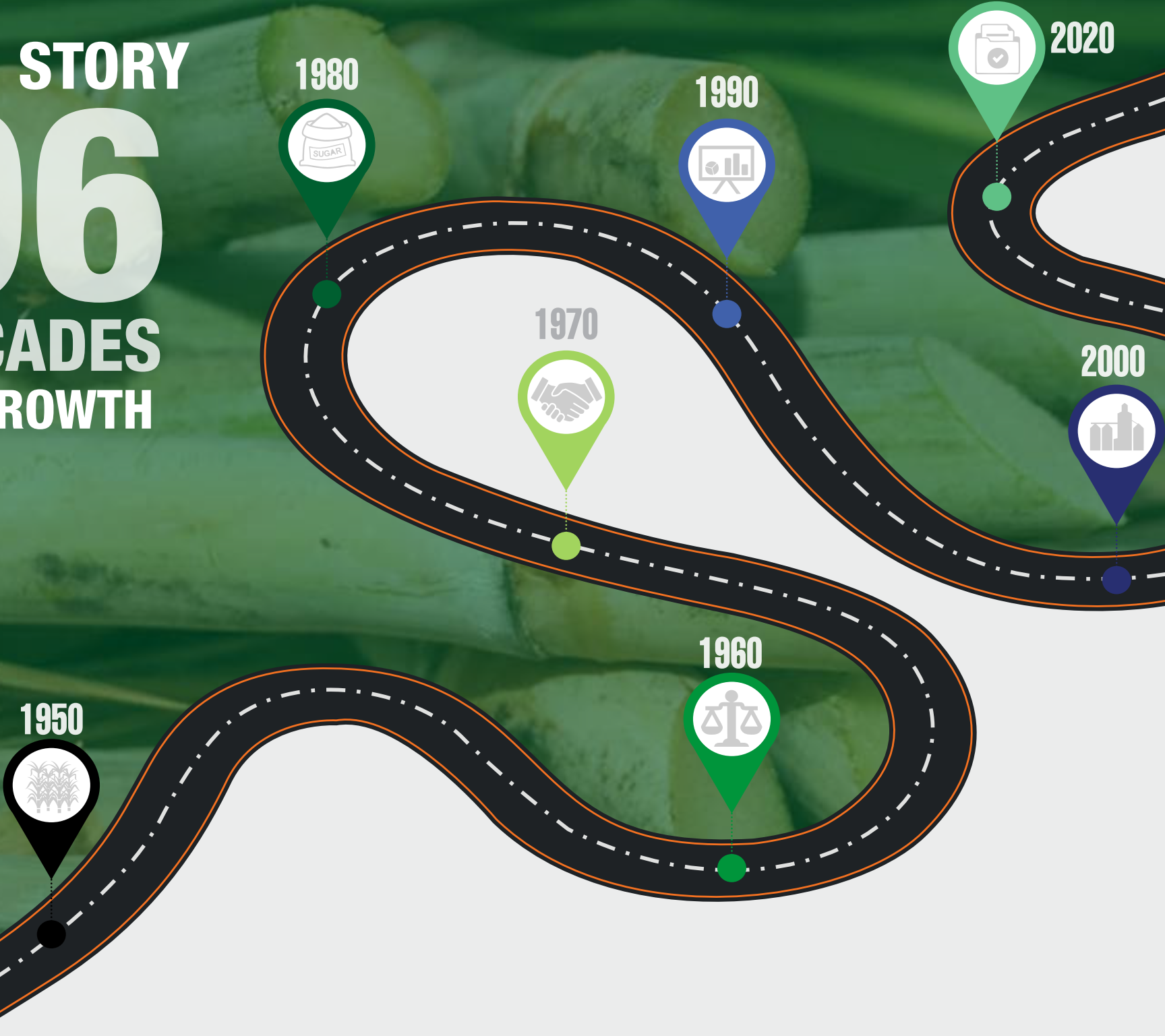
### PROFIT BEFORE TAX



# OUR STORY

# 06

# DECADES OF GROWTH





2010



## 1950

**1955**  
Commonwealth Development Corporation (CDC) undertakes sugar cane trials at Mhlume; Mhlume (Swaziland) Sugar Company Limited, registered as a sugar factory and cane estate

**1957**  
Komati River Barrage, with 88km gravity canal, commissioned to provide the required irrigation. Known as Mhlume Water, this system is managed by Inyoni Yami Swaziland Irrigation Scheme (YISIS).

**1958**  
Mhlume Sugar Estate incorporated

## 1960

**1960**  
Mhlume Mill commissioned with a production capacity of 90 tonnes cane per hour (tc/hr)

**1966**  
CDC assumes sole ownership of Mhlume (Swaziland) Sugar Company Limited

## 1970

**1973**  
Tibiyo TakaNgwane, in conjunction with CDC, carries out a pre-investment study for the expansion of sugar production

**1975**  
Third mill is planned by Tate and Lyle Technical Services Limited which enters into partnership with the Swaziland Government and Tibiyo TakaNgwane

**1977**  
His Majesty King Sobhuza II, OBE, the Ingwenyama of Swaziland, acquires 50% of share capital of Mhlume in trust for the Swazi nation

**1978**  
The Ingwenyama names the third mill Simunye Sugar Estate

**1979**  
The Royal Swaziland Sugar Corporation Limited is created as a Joint Venture between the Swaziland Government and Tibiyo TakaNgwane, with the agreement to subscribe for E40.1 million of equity share capital

## 1980

**1980**  
Simunye Sugar Mill, capable of producing 120 000 tonnes sugar per annum, is commissioned

## 1990

**1992**  
RSSC is listed on the Swaziland stock exchange

**1995**  
Distillery is commissioned

## 2000

**2001**  
RSSC acquires Mhlume (Swaziland) Sugar Company Limited

**2002**  
A new, enlarged RSSC Group is launched, employing more than 3 500 permanent staff and producing two-thirds of the country's sugar

**2004**  
Mananga Sugar Packers is established at Mhlume Mill as a joint venture between RSSC and TSB Sugar

**2007**  
Distillery expansion is commissioned to utilise all Mhlume and Simunye molasses in order to increase its notional capacity to more than 32 million litres of ethanol per year

**2009**  
Purchase of 50% shareholding in YISIS by RSSC at a cost of E46million

## 2010

**2011**  
Installation of the 30 megawatt turbo alternator at the Simunye mill, at a cost of E120 million

**2012**  
RSSC acquires a 25% shareholding in Quality Sugars (Pty) Limited

**2012**  
Purchase of Swazican Citrus lease at YISIS and the conversion of 600ha from citrus to cane, thereby increasing cane and sugar production

**2014**  
Integration of our information systems into SAP in line with global best practice

**2017**  
Phase 1 of the Integrated Growth Programme began

**2018**  
Mhlume factory expansion Phase 1 was completed and Phase 2 began. This would see the mill ready to crush additional cane from new cane areas.

**2019**  
Phase 2 of the Integrated Growth Programme was completed during the off-crop (April)

## 2020

**2020**  
Royal Swaziland Sugar Corporation changes its name to Royal Eswatini Sugar Corporation, expressed in a newly designed logo as RES Corporation

**2021**  
Resilient performance despite Covid-19. Record crop, record short crushing season and second highest financial results in history up to 2021

**2021**  
RES acquired the remaining 50% share of the YISIS Partnership thus fully transferring YISIS operations into RES.

**2023**  
RES acquires a 35% stake in Enviro Applied Products (Pty) Limited.

## 2.2 OUR VISION, MISSION AND VALUES

Our purpose and objectives are captured in our Vision, Mission and Values below:



### Vision

Leading Africa's future in sustainable sugar and renewable products



### Mission

We are an agri-business that competitively and sustainably adds value for all stakeholders



### Values

#### Integrity

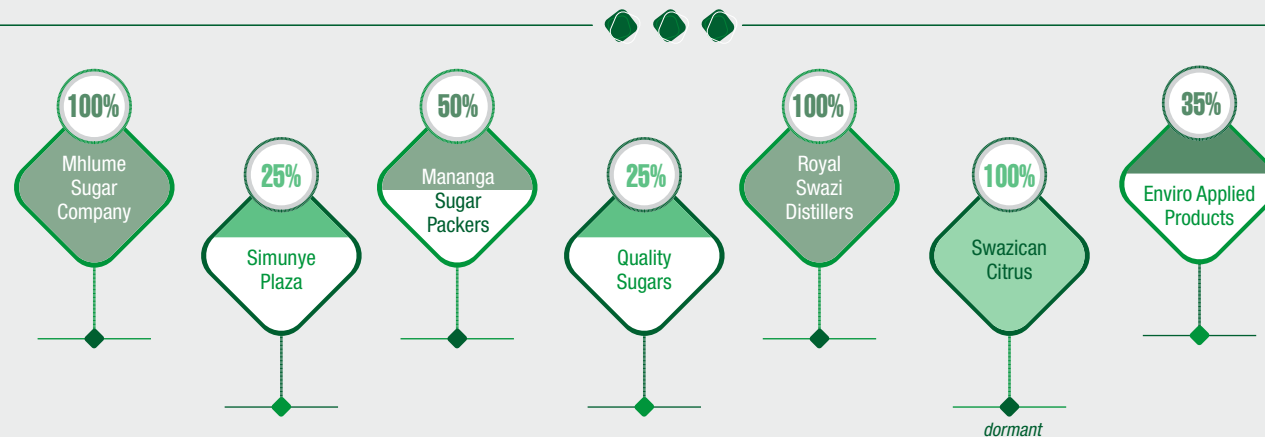
We conduct ourselves in an honest, fair and open manner in all our dealings

#### Delivery

We respect, value and care for each other

#### Respect

We meet our targets and deadlines



## 2.3 INVESTMENT PORTFOLIO

## 2.4 OUR OPERATING ENVIRONMENT

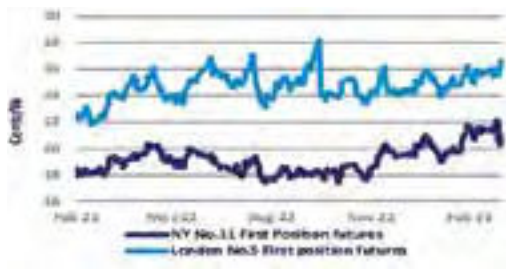
### New dynamics include:

- The continuing impact of the crisis in Ukraine on the international commodity markets and in turn the rising costs of a wide range of goods and services;
- The prolonged, but gradually subsiding effect of the Covid-19 pandemic on international, regional and domestic economies and markets;
- The volatile global oil and gas markets and the price of energy;
- The very real prospect of Eskom restricting electricity sales to Eswatini post October 2025 and effecting significant year-on-year energy tariff increases;
- Climate change and its impact nationally, regionally and globally;
- Local climatic trends: for example, intense storms and excessive rainfall (in and out of season), and drought in Eswatini (and its impact on irrigation water supply, cane yields and crop length);
- Volatile sugar markets and prices, in light of the above;
- The continuing health debate around sugar globally and the prospect of wider and deeper imposition of sugar taxes in South Africa;
- Resulting from COP 26 and 27, the more urgent move towards the green agenda and renewable energy, and how it will play out both in Africa and globally;
- The need to balance horizontal and vertical cane expansion at RES, in line with capital constraints, financial performance and other factors; and
- The occasional unrest in the Kingdom.

### Sugar Market Review

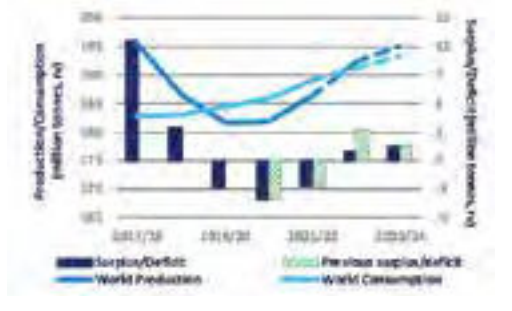
World market sugar prices (the New York No. 11 contract) have continued to rise recently as supply side tightness becomes apparent. With crop estimates in some northern hemisphere producers (China, Pakistan, Thailand and Mexico) falling, and no further exports from India expected, the market is placing more reliance on Brazil, where there are concerns about logistical constraints affecting exports. From a trading perspective, the revision to production estimates suggests a very tight balance for 2023 in both the raw and white sugar markets.

FIGURE 1 - Raw/white sugar price



Source: LMC International

FIGURE 2 - Global supply/demand balance (Oct/Sep basis)



Source: LMC International

In contrast to a late 2022 prediction of a global surplus for 2022/23 (October/September) of about 4 million tonnes, analysts are now looking at a smaller surplus of only 1 million tonnes. Furthermore, a modest surplus of only 1-2 million tonnes is being forecast for 2023/24. Other factors at play are the prevailing concerns about the world economy, a strong US Dollar and weak Brazilian Real, high oil and energy prices - impacting on the value of bagasse and ethanol, Indian ethanol policy and uncertainty over prospects for re-imposition of Brazilian fuel taxes - which would in turn impact on ethanol parity. The changing market dynamics, lower availability of refined sugar in the market and increased energy costs have also impacted on the white sugar premium.

Although Africa is clearly affected by global sugar trends, there are also different drivers and dynamics at play on the continent: notably population increase, higher than world average sugar consumption growth and the transition from direct to indirect consumption of sugar in manufactured products as economies develop. Prices in such markets are at a premium to world market values. Eswatini has preferential access into markets in the region with Kenya being the preferred outlet as it offers a good premium over world market prices. However, competition in the Kenyan market is intensifying and other outlets are also being sought.

The SACU market continues to absorb the greatest volume of Eswatini sugar, offers the best price prospects - which increase in line with South Africa's inflation - and is characterised by modest growth.

In summary, world sugar market and price prospects for 2023/24 look promising with world production, particularly in the northern hemisphere being impacted by weather events and global

consumption reaching an all-time high. As usual much will depend upon the size of the forthcoming 2023/24 crops in Brazil and India. Ongoing tightness in the global market will support international benchmark prices for both whites and raws, which will in turn boost prospects in domestic and regional markets.

### Ethanol markets

Due to the high degree of volatility in the ethanol market, RES has adopted a strategy of maintaining flexibility in order to facilitate quick responses to erratic market swings. The intention is to continue this approach while also looking at diversifying the market base to sell not only in various geographic markets but also to be able to play in various new product segments. The prospect of bottling liquor for the retail sector, which is at an advanced stage of analysis, is one such example. Supplying fuel grade ethanol when an Eswatini blending mandate comes into effect is also being considered.

### Energy

The Kingdom currently imports in excess of 75% of its electricity requirements, with the majority sourced from Eskom under an existing Power Purchase Agreement (PPA) with the Eswatini Electricity Company (EEC) that expires in October 2025. RES, along with its growers, is currently reliant on “imported” grid power for its irrigation requirements. There is a real risk that, after October 2025, when the current agreement expires, Eskom could restrict electricity sales to Eswatini, something that has serious implications for RES. In any event, the cost of imported power will likely significantly increase year on year.

### Outlook

Looking ahead, LMC International, a leading industry analyst, is predicting that by the mid to late 2020’s, new capacity will be required to meet the growth in global consumption of sugar, which they estimate at about 1% per year. Not only will an increase in prices be necessary to stimulate the required investment but Brazil’s path towards greater use of ethanol (via its Renovabio initiative) and other factors could potentially open the door for others, such as Eswatini, to produce sugar for the growing world market. Such world market sales could prove attractive in times when EU demand for imported sugar and EU prices are both low. Moreover, Eswatini can enjoy a modest regional/location premium on such world market sales.

Despite the current climate-related and other difficulties which it is facing, the Eswatini sugar industry, and RES in particular, has sound fundamentals. The industry also has high levels of technical performance and, in a normal season, low unit costs relative to several other regional players. It is well placed for exports, has access to a protected domestic market, maintains membership of multiple regional trade agreements and has built a good reputation as a consistently reliable supplier to the EU. It also has the ability to competitively add value and switch markets in pursuit of value and margin.


Eswatini’s strategy remains in place and focuses on maximising sales to the highest priced markets, subject to quotas or other restrictions, with the focus on direct consumption sugars. The markets for Eswatini Sugar continue to be SACU, USA under the tariff rate quota and East Africa. Direct consumption bagged sugar is sold to the EU and African regional markets. Any further (bulk) sales are made into the EU or World markets.



A total of 2 500 families are involved in sugarcane farming as a result of the investment of sugar mills by RES Corporation

## 2.5 FIVE-YEAR REVIEW

	March 2019	March 2020	March 2021	March 2022	March 2023
Sugar (96° tonnes)	505 575	460 659	461 567	424 294	422 047
Ethanol ('000 Litres)	29 844	35 701	30 812	28 870	32 522
Revenue (E'M)	3 047	3 372	3 777	3 628	4 146
Profit attributable to shareholders (E'M)	218	300	508	303	179
Total assets (E'M)	3 130	3 492	3 962	4 194	4 617
Shareholders' funds (E'M)	2 053	2 223	2 486	2 602	2 729
Net borrowings (E'M)	145	112	-	292	653
Net cash from operating activities (E'M)	75	496	713	399	386
Operating Margin (%)	8.0	11.3	17.1	10.6	5.6
Return on Net Assets (%)	11.6	14.7	21.5	12.5	6.8
Return on shareholders' equity (%)	10.6	13.1	20.4	11.6	6.5
Interest cover (times)	21.1	13.9	35.8	12.8	10.2



We conduct  
ourselves in an  
honest, fair and  
open manner in  
all our dealings

**INTEGRITY**

# OUR STRATEGY AND VALUE CREATION



Message from the  
Chairman



Message from the  
Managing Director



Financial  
overview



Our strategy



Material matters



Our business  
model



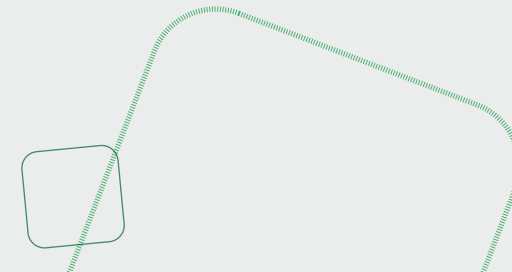
## 3.1 MESSAGE FROM THE CHAIRMAN

- DR A.T. Dlamini



The 2022/23 operating environment was extremely challenging, characterised by continued negative impacts from climate change on our operations and the repercussions of the Russia/ Ukraine conflict on our costs.

Our financial performance was significantly lower than last year, with total comprehensive income shedding 41% and dropping to E179 million (2022: 303 million). Nevertheless, the business continued to add value to its shareholders, with a total dividend declaration of 53.5 cents per share (2022: 192.9 cents per share).





Unit production costs remained under pressure, driven by the lower climate and pest and disease-affected volumes and exacerbated by the impact of the Russia-Ukraine war on fertiliser and fuel prices.

### Optimisation of assets

Capital allocation was directed at expanding existing business operations and investing in value-creating growth opportunities such as the 850 ha of additional land under cane and the continuing upgrade of Mhlume factory.

The company retained its ISO certification on the 9001, 18001 and 45001 standards.

### Board performance

The Board continued to execute its duties in accordance with the principles of King IV and other governance best practice. These efforts have delivered value not only to shareholders but also to our broad range of stakeholders.

The Board continued to increase its role in integrating reporting and implementing sustainability, Environmental Social and Governance (ESG) policies.

Our Board has played a critical role in supporting the strategic direction of RES, providing oversight on the implementation of our strategy, cost containment and capital allocations for much-needed investments in value-creating growth opportunities despite extremely constrained operating conditions.

The Audit Committee played a critical role in overseeing financial risk management, especially in view of the challenging financial environment that was experienced.

The Risk, Social and Ethics Committee continued to monitor the management of ethics, fraud, corruption, safety and health within the workplace. In addition, the committee focused on IT governance, and on activities pertaining to RES meeting its obligations and responsibilities related to ESG.

The Remuneration Committee concentrated on building a talent pipeline to attract and retain key talent.

### Highlights

- During the year under review, the Board continued to support the strategic direction of the organisation, providing oversight on strategy implementation, while assuming full accountability for good governance.
- Emphasis was placed on continued capacity building amidst a turbulent business environment.
- Significant attention was given to talent management and the importance of succession planning and retention of critical expatriate skills that are essential for implementing our strategy.
- Successful oversight of corporate social citizenship through RES's investment in education, health, sports and cultural activities for the benefit of our surrounding communities and society at large.

### Technology

I am pleased to note that the S/4Hana ERP was kicked off during this year and will be implemented in a phased approach over the next few years. The project will raise the bar for RES's digital footprint, with benefits in the form of work efficiency, cheaper IT running costs, and data analysis that is expected to improve operational efficiencies. This will undoubtedly contribute largely to our strategy of cost containment and optimising efficiency.

### Future outlook

It is becoming increasingly clear that climate change is probably one of the most critical global challenges that will have a long-term impact on businesses and humankind. In the section, "The Impacts of Climate Change" (see pages 38-39), the effects of climate change on various components of the business are explained in more detail. We will have to develop an encompassing response strategy to mitigate these impacts.

We are committed to integrating ESG matters into our business decisions, company strategy, reporting and operations going forward, and this will be an area we will expand on in future reports.

### Acknowledgments

My sincere appreciation goes to my fellow Board members and RES management and employees for their commitment and the manner in which they have handled the hardships the company has faced during the year. Together, we have weathered the storm.

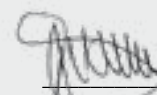
Special thanks go to Mr I Ahmed, who retired as a Board member in March 2023. We will miss your commitment shown over the years that you served on the Board. A hearty word of welcome to Mr Sylva Okolieaboh, our new Board member. We are looking forward to your inputs and participation in our deliberations.

Our sympathy goes to the family of Mr Andrew Hlatshwayo, our long-serving Tax Financial Manager who passed away in October 2022.

RES remains committed to creating and maintaining sustainable and mutually beneficial relationships with all our stakeholders. Thank you to our shareholders, suppliers, the Government, and all other stakeholders for your continuing belief in and commitment to RES.

We appreciate your commitment greatly.

Akwandze



Dr AT Dlamini  
Chairman



## 3.2 MESSAGE FROM THE MANAGING DIRECTOR

- NM Jackson



2022/23 was a challenging year for RES, characterised by extreme weather conditions such as heavy rain, storms and strong winds. Consequently, we failed to achieve our expected cane yield of 109.9 tonnes cane per hectare (tch), with an achievement of 96.4 tch against 93.7 tch for 2021/22. Sugar production was 1% lower compared to the previous year. The total area affected by storms was 15 392 ha, with 5 301 ha of cane severely lodged. National social issues resulted in stay-aways, which also impacted on our production.

Due to the extreme weather conditions, our factories operated under inefficient stop-and-start conditions, resulting in the season extending into the rainy season, typically reserved for our annual off-crop maintenance programme.

Our financial performance was thus disappointing, with total comprehensive income decreasing by 41% from E303 million for 2021/22 to E179 million for 2022/23.

Sugar futures continue to rise and suggest a tight balance for 2023 in both raw and white sugars with a small surplus of 1 million tonnes. A strong US Dollar and weak Real, high oil and energy prices and reimposition of Brazilian fuel taxes are affecting the ethanol parity pricing, which may result in increasing input costs in both field and factory. Sugar prices should rise towards the middle to end of the decade due to world production constraints.

The financial challenges facing one of our major competitors in the region can be both a blessing and a curse for RES as the competitor's drop in production, or even complete failure, could mean an opportunity for Eswatini to put more sugar into the South African market, but could also weaken the South African Sugar Industry, something that can pose an additional risk to RES. This is important in the context of the tariff for SACU because the sugar user's voice would become louder as the sugar industry's voice gets weaker. The sugar users will be pushing for cheaper sugar through the suspension of the tariff and thus easier access to world market sugar at world market prices.

### RES operating strategy

Megatrends relevant to RES are the rise in water scarcity, the rise in energy volatility, increase in alternative/renewable energy demand, more natural disasters and increasing environmental regulations. We are responding to these and other megatrends through our specific Simama 20-25 initiatives, enterprise risk mitigation plans and other longer-term actions.

Although RES was experiencing difficult operating conditions, which resulted in sub-optimal performance, the fundamentals of the business are still strong. We are well placed to take advantage of the opportunities for energy and alcohol as well as reduced unit cost.

As part of our growth strategy we have, during the reporting period, acquired 35% of Enviro Applied Products (Pty) Ltd, which has boosted our investment portfolio.

### Agriculture Operations

We completed the season on the 8th of February 2023 under extreme challenges (wet weather, arson attacks, industrial actions both internally and nationally etc.) compared to the normal seasons ending November to mid-December. Violent storms again extensively damaged the crop on the 26<sup>th</sup> and 29<sup>th</sup> of March, where a total area of 10 527.5 ha was affected, of which 689.0 ha were damaged by hail, 4 689.6 ha were damaged by hail and lodging, and 5 550.6 ha suffered lodging only. As a result, the cane yield estimates for the ensuing 2023/24 season were reduced from the original estimate of 94.8 tch to 92.6 tch.

Our cane yield for the 2022/23 season was also affected by severe incidents of pests and diseases; and the total area applied with pesticides increased by 58% from 15 051 ha to 23 868 ha.

The expectation is that the 2023/24 crop will be harvested at approximately 10.6 months, with the season ending in November, before the start of the rainy season. This will normalise the growth and harvest cycle. Consequently, the 2024/25 season yields are expected to be in line with our long-term average.

Expansion activities planned for 2023/24 cater for the completion of the development of 199.1 ha of new land. Our plans to convert other irrigation systems to drip at about 600 ha a year until 2033 remain in place, albeit with a holiday in 2023/24 following the adverse operating conditions, and thus curtailed cash flows. When complete, most of our cane should be under GPS-guided drip. These actions will pave the way for the introduction of mechanised harvesting in the future.

### Our factories

Our sugar mills are generally self-sufficient as we use our sugarcane bagasse as fuel for the boiler. However, during heavy rains, we must supplement with coal or woodchips.

The future looks sustainable for the business. We are developing the necessary skills at both technical and management levels. Improving the plant performance by adding new equipment is key to our Simama 20-25 strategy, where sugar volumes are maximised while costs are minimised. In this regard, our efforts at continuously improving downtime and overall recoveries in our mills will continue to receive maximum focus.

### Distillery and ethanol markets

The distillery was modified and upgraded during the year by changing its old distillation plant of 40 kilolitres/day (KL/day) capacity, to a new multi-pressure vacuum technology plant of 69 KL/day capacity, with an integrated anhydrous alcohol plant of 55 KL/day. The plant is a great energy saving initiative as the new plant now operates at 2.6 kg/litre steam consumption against 5.4 kg/litre steam consumption for the old plant. This upgrade resulted in a reduction in the unit cost of production per litre of ethanol and an increase in the profit margin.

Inconsistent power supply is still a problem, with approximately 500 hours of outage recorded. The distillery was also affected by inconsistent delivery and poor quality of molasses.

During the year, the corporation completed a study into the alcohol bottling and blending industry with a view to establish the possibility of venturing into this industry as part of our diversification initiatives. Further work is currently ongoing to develop the business case and identify the route to market. Different options are being considered to increase the income from the production of ethanol.

### Human capital

We launched a Performance Management Review exercise which sought to review the performance philosophy and practices on how performance is managed by RES. The result showed that our performance practices are aligned to best practice.

Our Leadership Academy had another successful year with the intake close to 100 candidates across the 3 flagship programmes from the University of Stellenbosch Executive Development (USB-ED).

### Energy self-sufficiency

The drive towards energy self-sufficiency and diversification through renewable and sustainable energy generation is at the heart of the RES Energy Master Plan. This Master Plan takes a 2-phase approach, first addressing the current energy security risk, and then aggressively expanding generation capacity to export into the national grid. This is based on the fact that the power purchase agreement between Eswatini and South Africa is coming up for renewal in 2025. RES is therefore moving towards renewable energy generation options, such as solar plants and new biomass boilers for high pressure steam and maximum electricity production so that we can be self-sufficient by 2026.

To mitigate the imminent energy security risk, in addition to optimising and maximising generation from existing capacity and planning for offcrop generation, RES is investing in a 10 MW Solar PV Project, to be developed at the Mhlume Sugar Estate. The project will be grid-tied, utilising ground-mounted single axis tracking structures.

Becoming a large-scale electricity producer in the next few years is very much in our sights. Although the existing Eswatini power purchase agreement with South Africa will be renewed in 2025, Eswatini's power supply will no longer be secured. This risk impacts directly on the sustainability of the RES business. We also hope to become a net exporter of power to the national grid in the longer term. Eswatini currently imports in the order of 75% of its electricity from Eskom.

There are also several opportunities for enhancing energy efficiency across RES's operations. Some form an integral part of the factory projects at Mhlume and Simunye, while others could potentially form part of a wider energy master plan.

### Livestock and game

The ranch is approximately 19 000 ha and is rearing 1 996 head of cattle and 18 403 head of game as per the census conducted in October 2022. The breeds of cattle kept on the ranch are Red Brangus and Nguni. During September 2022 we had our first auction of livestock, which resulted in a 15% increase in revenue. At the butcheries, we changed the times of operation and undertook a rebranding exercise. These actions led to improved sales.

### Growers

The replanting of 659 ha by the growers during the 2022/23 season will go a long way towards ensuring sustainable productivity. RES assists outgrowers through the provision of extension and pump maintenance services. This is strategically done to ensure that the outgrowers stay in business. Their sustainability is key to our own sustainability. The 5% upward review of transport subsidy for long-distance growers in Malkers and Sidvokodvo that was granted during the year should ideally yield a slight improvement towards growers' sustainability and pave the way for positive engagements on the multiple matters that are still on the table with regards to the transformation of the industry. We ultimately need to realise that the existing Industry Agreement under which we operate, has become antiquated and needs to be updated for today's relevance, and more importantly, to reflect the business needs of the future. We shall continue to engage all stakeholders with the aim of gaining consensus on the matter.

### Health and wellness

In order to increase access to health care, RES Clinics implemented the Over the Counter (OTC) medication sales project. This enables employees

and non-employees to purchase drugs from the Clinic using prescriptions, or to purchase without prescriptions for the medical drugs which qualify. The outcome will be an increase in the Clinic revenue and improved productivity by eliminating time off the estate in search of medications.

A baseline customer satisfaction survey to establish the current satisfaction levels and identify areas of improvement was conducted during the reporting period. Areas identified for improvement included: patient waiting time, need for clear instructions on how to take medications and explaining reasons for prescribing specific medications.

There was a slight increase in the number of RES employees on anti-retroviral treatment. About 99% of the employees on treatment are virally suppressed and healthy, thus HIV is no longer posing a threat to employee productivity.

E4.2 million was collected from all three company clinics in 2022/23. 50% of the revenue was collected from medical aid claims and 20% from cash-paying patients. Employees and their registered dependents received medical and wellness services worth E16.2 million between April 2022 to February 2023.

Safety statistics are worse than I would like, although we have turned the corner, and our injuries on duty (IODs) are dropping.

### Stakeholder relations

For 2022/23, strategic focus was placed on neighbouring, or fence line communities. We aim to create and formalise engagement platforms with communities in order to inform the partnerships that will collectively address issues specific to the different areas. A community perception survey was deployed to assist in developing a community engagement strategy. Alongside that, a women empowerment initiative, community soccer sponsorships, traditional leaders' lunch with myself and senior management, and a community sanitation project were successfully carried out.

Notable outcomes during 2022/23 were the receptive nature and general cooperation of community leaders to RES engagements and the promotion of small businesses for local women through the construction of multiple market shelters across our communities.

For 2023/24, we plan to lock down a comprehensive community engagement strategy that will be a direct case for CSI initiatives, projects, and programmes as informed by the community perception survey report and validated by the community.

### Corporate Social Responsibility (CSR)

The central idea of CSR is that corporate bodies have a responsibility to meet the needs of a wider group of its stakeholders than simply its shareholders (owners). Perceptions are that CSR, as an important instrument for successful business operations, provides an opportunity for business to look beyond narrow economic returns and become involved in the wider social and environmental concerns.

In our context, CSR can be viewed as treating the community of the Corporation ethically or in a responsible manner. This idea does not limit the benefits to the Corporation, but rather places the emphasis on the communities.

### Outlook

This has again been a challenging year. Nevertheless, we continue implementing our strategy and I believe that our efforts will pay off in the end, starting with the coming year.

Social issues remain a concern. The prevailing socio-political instability in 2022/23 and prior resulted in damage to our crop and the interruption of our harvesting programme. Sadly, these issues may not end soon and easily, given their complexity.

We also continued to feel the negative impacts of climate change, which negatively affected our harvesting and crushing season, and subsequently our sugar production.

There are, however, also positive developments to report. The dams are full and we have sufficient water for our irrigation requirements. This, combined with improving crop practices, should see an improvement in production.

Our ethanol business is doing better than expected and shows promising signs of increasing contributions to our bottom line. I expect the general market price of sugar to be buoyant over the next few years and a weaker Lilangeni will benefit us.

We continue to implement measures to improve efficiencies to retain our position as one of the lowest-cost producers of sugar in the world, and we have earmarked E226 million for power security and efficiency projects to ensure sustainability in the financial years ahead.

I believe we are well placed for optimising exports and can quickly respond to opportunities as they arise. This is assisted by our reputation as a consistently reliable supplier to the EU and our ability to competitively add value and switch markets in pursuit of value and margin. Operating in a protected market and changes in the South African sugar industry further open up opportunities.

From our experiences in dealing with difficult circumstances over the past few years we have learnt to grow and flex our resilience muscle to weather these storms and come out stronger and more robust.

### Acknowledgments

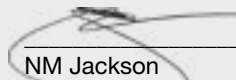
To our employees and our unions, I would like to express my gratitude for your hard work and sacrifices, both personal and in the workplace, in helping us sustain the business despite extremely trying times.

I would like to thank the Board Chairman, Dr AT Dlamini, and the Board for your guidance, support and wisdom during the financial year.

My sincere thanks to the executive team and senior management for their unwavering commitment through difficult and uncertain times.

To all our stakeholders, our relationship with you remains central to our ability to create value – my genuine appreciation for your assistance during our sustainable journey.

Siyabonga kakhulu

  
NM Jackson  
Managing Director



### 3.3 FINANCIAL OVERVIEW

In our 2022 Integrated Report, we indicated that 2022 had not been plain sailing. 2023 proved to be another year of challenges. Unusual winter rains, combined with high input costs due to the Russia/Ukraine war collectively depressed our total comprehensive income from E303m in 2021/22 to E179m.

Similar to the prior year, the current year's crop was negatively affected by adverse climatic conditions, experienced as excessive winter rains, wind and hailstorms that damaged some 15 600 ha, of which 5 300 ha were severe. The impact of these events, operationally, was an extended season into February 2023, and cane and sugar production levels that were well below long term averages, with a ripple effect into the 2023/24 season, where the crop will be harvested at a non-optimal young age, as there is a need to realign the end of the harvest season to November of each year.

Further storms were experienced post-harvest, at the end of March 2023. This has downgraded the original yield expectations for the 2023/24 season and thus results in a negative impact on the year end valuation of standing cane at 31 March 2023

While we previously expressed our hope that the Russia/Ukraine conflict would be resolved quickly, it is disappointing that this did not materialise. As a result, we were plagued by steep increases in the cost of fuel, agrochemicals, process chemicals and steel, as part of global geopolitical inflation. All these factors combined resulted in reduced cash generation and a significantly lower profit level.

On the positive side, the dams are full, and we have sufficient water for irrigation. Also, the ethanol business did much better than expected and is showing good signs of increased profitability in the future.

#### Ongoing expansion

The Expansion drive continued with about 850 ha of new cane land that was developed as well as the continued 'Lego-style' upgrade of the Mhlume Mill. Debt funding of 75% was secured to enable the project to proceed.

The S/4Hana ERP project was kicked off in 2022/23 and will be implemented in a phased approach over the next few years. The project will raise the bar for RES's digital footprint with benefits in the form of work efficiency, cheaper IT running costs, and data analysis that is expected to improve operational efficiencies.

RES acquired a 35% interest in Enviro Applied Products (Pty) Limited. Enviro sources concentrated molasses stillage (CMS), a by-product of the ethanol production process, from RES, in terms of a long-term supply agreement, and blends it with other additives to produce a liquid fertiliser for

use in the agricultural industry. The acquisition is therefore a "downstream" investment opportunity, which will be adding more value to a by-product.

Numerous external factors have derailed performance, resulting in the crop being 12.3% lower than the budget but 4.6% higher than the previous year. This is the fourth year in a row that RES has seen below average cane and sugar production, despite an increase in the area under cane. Climate change, pests and disease, and to a lesser extent, social unrest, have been the main reasons for this reduction. Cane harvesting and milling operations in 2022/23 were inherently inefficient, due to the disruptive rains. Harvesting and mill processing costs were thus exceptionally high. With these volume and cost developments, our cost per tonne target is appreciably off track.

Our business model – to lower costs per tonne through increased volumes – remained unchanged and we continued with land expansion. Cash constraints compelled us to suspend several planned capital projects.

The business faced new significant climate change impacts during the year. The response to these impacts required dynamic forward-looking financial scenarios to enable appropriate decisions to be taken. New models were built that informed the daily decision-making process to enable RES to navigate the challenging times.

### Priorities for 2023/24

- Bring to fruition the consolidation of two of our statutory companies, Mhlume Sugar Company and Simunye Sugar Estate into one single entity to achieve efficiencies across multiple spectrums of the business.
- To embrace the full implementation of the new S/4Hana Public Cloud-based ERP system and adopt SAP best practices for the benefit of the business.
- For ESG Reporting, we aim to optimise data collection and interpretation to enable the assessment of RES's key impacts as per the requirements of double materiality.

### Outlook

Social unrest remains a threat to our operations and profitability. In response, our risk mitigation measures have added to the cost of doing business.

The Tongaat Hulett difficulties sent shock waves through the market with some negative sentiments towards the sugar sector. We are sensitive to the possible negative impacts of such sentiments in the area of raising finance. We, however, believe that RES is a solid business with sound principles.

Despite the negative impact of climate change effects occurring on a more frequent basis, the expectation, based on predictions of a possible return of El Niño in 2023, is that weather conditions in 2023/24 will be drier as compared to the current reporting period. The crop estimate for 2023/24 shows only a slight increase against 2022/23, due to the negative impact of having to harvest the crop at a younger age. This significantly curtails the Group cash generation base in an already difficult inflationary climate. Sugar production is expected to be higher due to better mill recoveries resulting from favourable weather that will eliminate the inefficiencies experienced in the current financial year. In 2023/24, the Group will pause its expansion drive with a view to resumption in 2024/25 when normal production levels are expected.

The sugar markets have been favourable over the past season. Due to the prevailing fundamentals, this state should hold in the next financial year. Loadshedding challenges in South Africa, however, have raised the risk profile of power supply security for the business. The group is therefore working towards the investment of some E200 million in the 2023/24 financial year, in an alternative energy project.

We believe that sugar consumption will continue to grow as the world population grows, incomes increase, and quality of life improves. Eswatini's good rainfall, climate, and soil give us a competitive advantage in terms of our cost structure. Efficient, low-cost operations will be crucial in this equation, and RES is well-positioned to fill the gaps as other players exit the market for alternative revenue sources.



Bringing in new technology and doing the necessary modifications are all part of the strategy to bring sustainability to the business by increasing efficiencies and reducing the cost of producing one bag of sugar.

35%  
shareholding  
acquired from Enviro  
Applied Products



E226m  
the amount of money  
earmarked for power  
security and efficiency  
projects in 2023/24





## 3.4 OUR STRATEGY

Our strategy is a key part of our intellectual capital. It directs our investment and effort towards areas where it matters most for growth and sustainability of the company. We have crafted our five-year strategy and named it Simama 20-25.

The strategy is based on our aspiration to reduce the cost of producing one tonne of sugar by 20% by 2025. We will achieve this through meeting specific objectives in relation to efficiencies, productivity, and performance of all systems, processes, and human capital. We are aware that there will be many challenges, but we are up to the task to see to it that the strategy is successfully delivered.

Our strategy is supported by three pillars or themes that guide the RES management in selecting strategic initiatives:

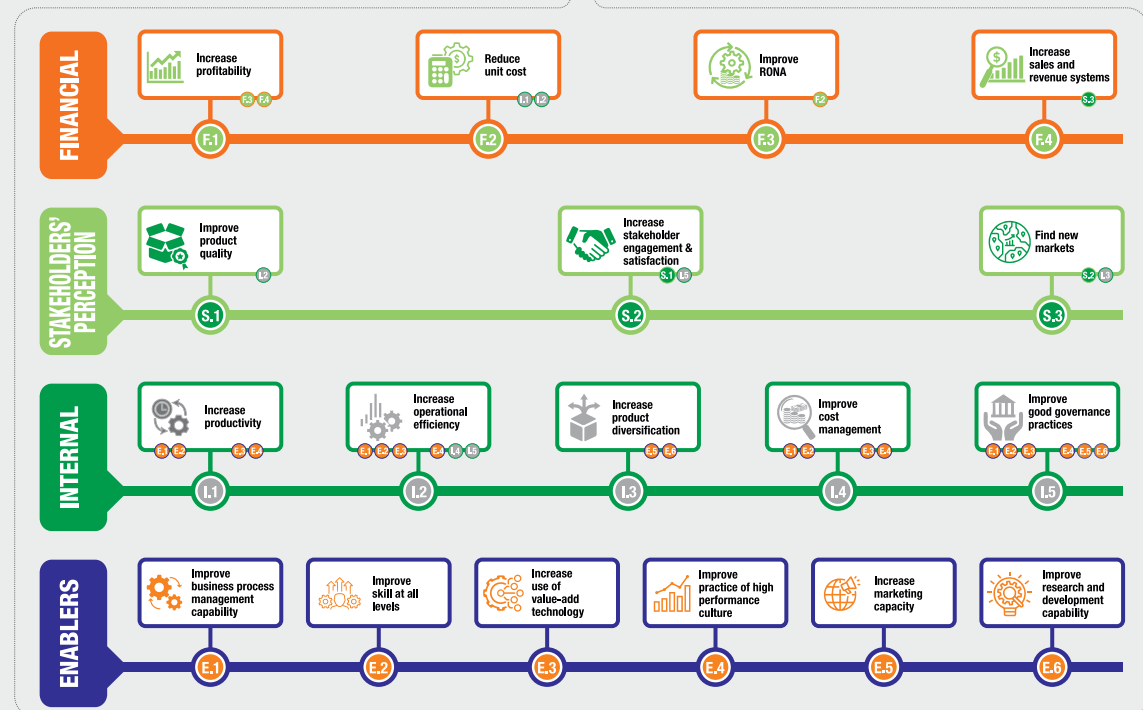
- Cost optimisation** - we are focusing on unit cost reduction through efficient, cost-effective and innovative production of agricultural products using soil as our base asset.
- New products/markets** - we are pursuing new products and markets, where we are primarily looking at vertical integration from our existing products, while exploring other new product opportunities.

- Organisational culture** - we aim to enhance our organisational culture based on strong motivation and innovation as we hold each other accountable to exceed individual and organisational goals.

The Board owns and is ultimately accountable for the RES strategy, while the Executive Committee is responsible for managing its execution.

Business goals were the successful implementation of the revised list of initiatives in line with the framework. These were achieved with challenges in terms of costs and human capital availability. Change management functions were utilised to support implementation of the initiatives. A fair number of initiatives were postponed due to the revised cashflow management strategy.

## Our strategic objectives





## Achievements against strategy

We have made progress on a number of fronts:

- Area under cane has increased by more than 1 300 ha in the last two years, against a target of about 2 000 ha by 2025. This contributes to our strategic objective of increasing productivity and is in alignment with ongoing improvements of factory capacity, moving RES towards a lower unit cost of sugar production.
- Upgrading the distillation plant 1 (D1) did not only assist RES to realise production efficiencies but has also created possibilities for new products aligned with our markets strategic theme.
- We have taken the first strides towards the transformation of our performance culture through various organisational initiatives and the advancement of a change-agile mindset within RES.
- We are pursuing all viable possibilities for our diversification agenda through in-depth analysis of the economic environment. Obtaining full control of the former IYSIS business – now the Livestock and Game department, and 35% shareholding at Enviro Applied Products (Pty) Ltd are some of the examples underlining our intent to tap into new avenues for the sustainability of the company.

## Looking forward

In line with our strategy, our focus will stay on our core business, which is producing sugar and related energy products taking the world market price into account.

It is becoming increasingly clear that climate change is probably one of the most critical global challenges that will have a long-term and lasting impact on businesses and humankind. We are proactively improving our understanding of this complex issue with a view to developing an encompassing response strategy to mitigate these impacts.

RES is committed to formally integrating Environmental, Social and Governance (ESG) matters into all business decisions, company strategy, reporting and operations going forward.



## 3.5 MATERIAL MATTERS

To help us deliver long-term value to our stakeholders, it is important for us to have a solid understanding of the sustainability issues that could impact our business.

To identify and evaluate these topics, we conduct sustainability-related materiality assessments that consider input from within our business and from our external stakeholders. Our process for determining these topics involves consultation, survey, analysis and validation and the link to our risk management process.

Material matters for RES are those concerns and good prospects that have a substantial impact on the sustainable capacity of the Corporation to create benefit for all stakeholders and influence strategy.

A risk profile is drawn up at the RES annual strategic planning session, usually held in November. These risks are cascaded through the organisation and mitigated at either corporate or operational level.

During the year under review, the Corporation continued to monitor internal and external developments that are likely to impact the achievement of strategic objectives and ensured the implementation of risk mitigation actions.



## 3.6 OUR BUSINESS MODEL

The business model summarises core and shared services for RES, cutting across organisational functions as follows:

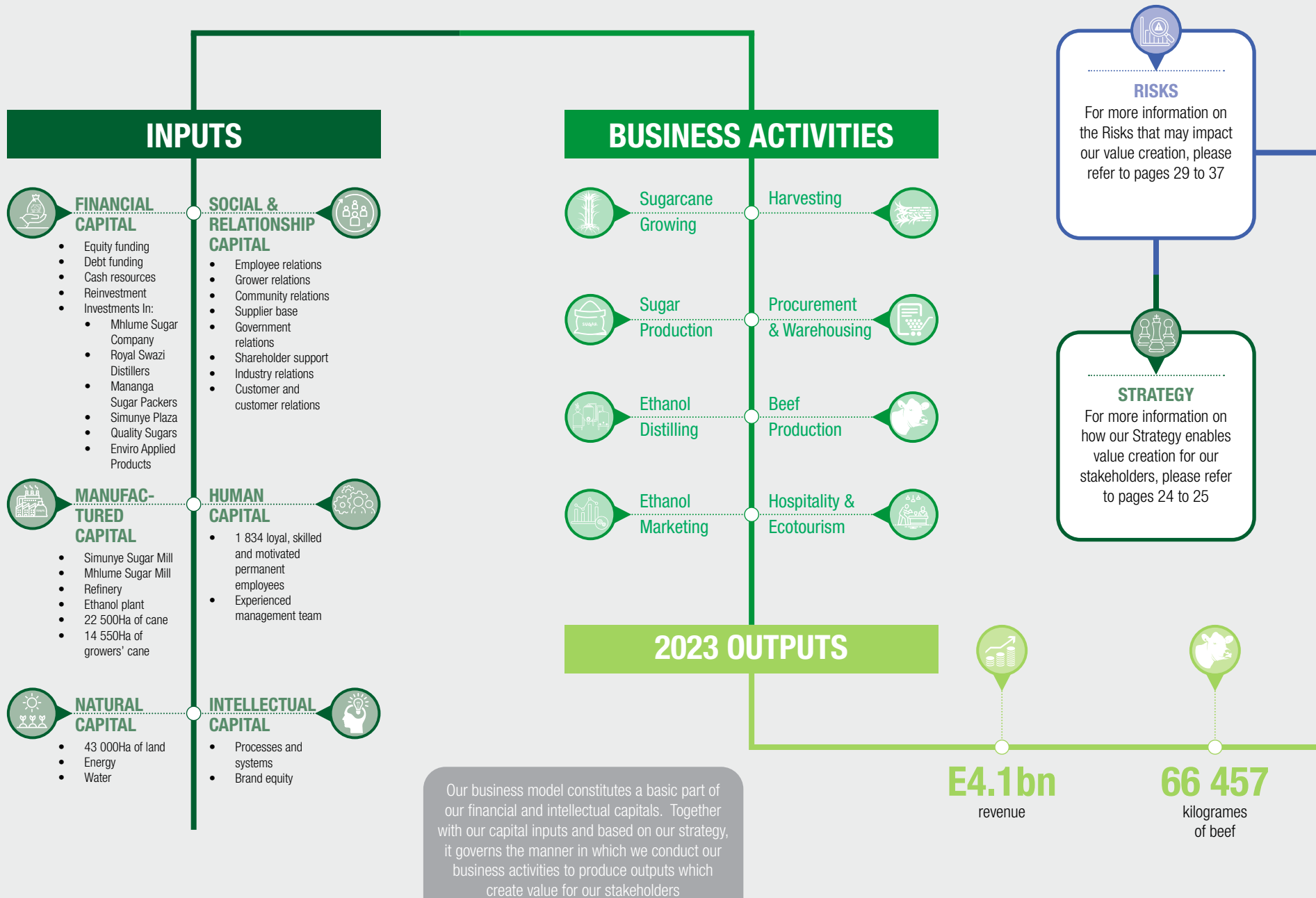
- Agriculture
- Manufacturing
- Distillery
- Order-To-Cash (Marketing & Logistics)
- Plant Maintenance
- Procure-to-Pay (Procurement and Stores)
- Record-To-Report (Finance)
- Hire-To-Retire (HC)
- IT and Office of Strategy Management.

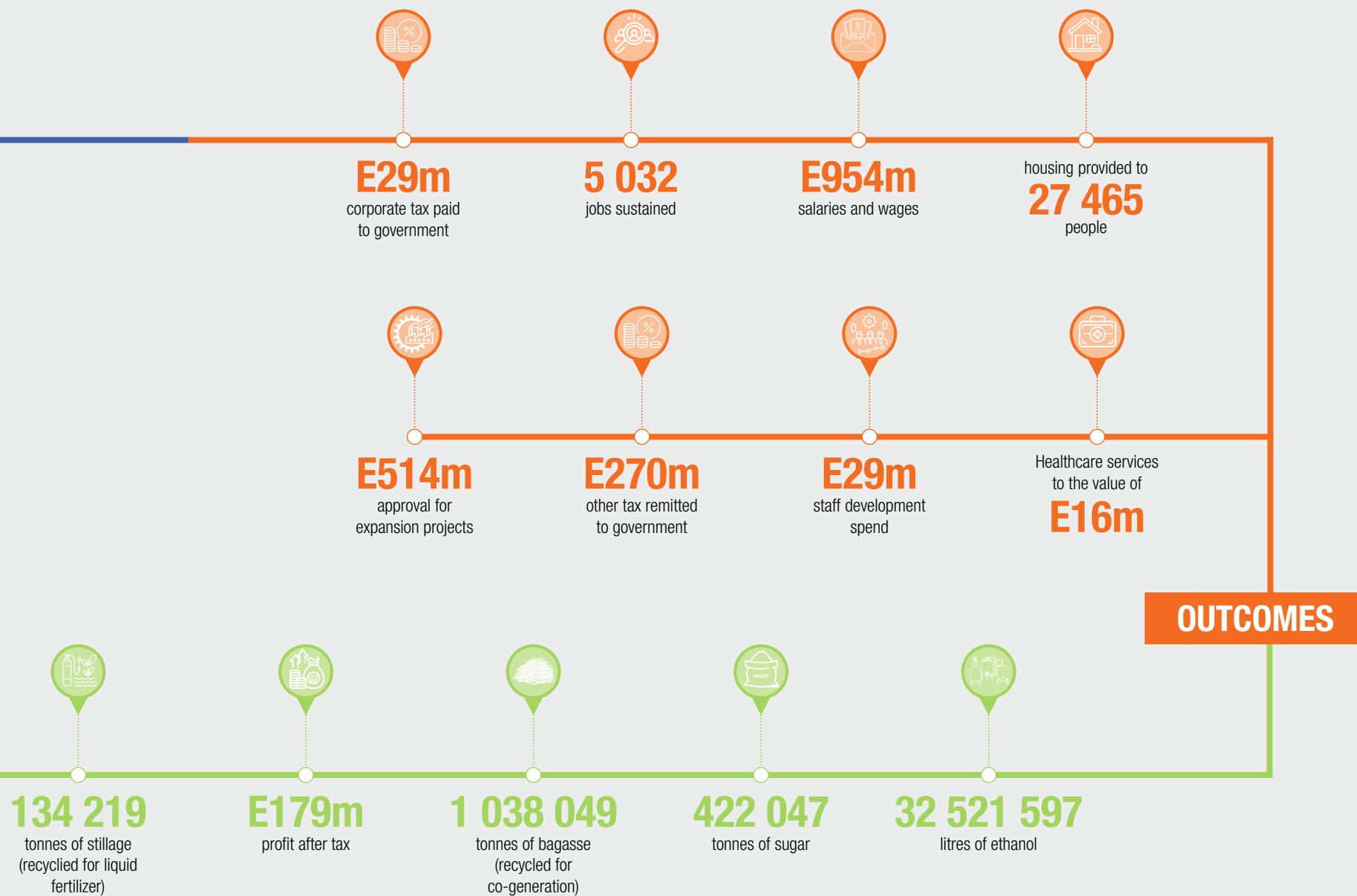
The core processes are:

- Inbound logistics (inputs of irrigation water, fertilizer, and related goods)
- Harvesting of cane
- Sugar production
- Production of ethanol
- Marketing and sale of ethanol.

The shared services processes support the core functions and ensure continuous efficient delivery of the RES mission and vision. The main revenue streams come from the sale of sugar and ethanol and outbound logistics. Additionally, revenue streams also come from the sale of citrus, carbon dioxide, concentrated molasses stillage (CMS), and various service-related revenues. The business model is a part of the Company's overall strategy as it is the nuts and bolts behind how RES plans to achieve its goals.

# OUR VALUE-CREATING BUSINESS MODEL





The image features a background of two men in a field of tall, dry grass. The man on the left is wearing a headlamp and a dark jacket, looking towards the right. The man on the right is also wearing a headlamp and a dark jacket, looking down. A white rectangular box is overlaid on the left side of the image, containing the text 'We respect', 'We value', 'We care', and 'for each other'. The word 'RESPECT' is written in large, bold, white capital letters at the bottom of the image.

We respect  
We value  
We care  
for each other

**RESPECT**

# MANAGING RISK

The main activities of this portfolio comprise the review and monitoring of the Enterprise-wide Risk Register, as well as the monitoring of our Integrated Management Systems. To function effectively, the Risk Control unit relies on the availability of management time as the key input.

During the reporting period we saw the kick-off of the ESG ambition for RES. Our main goal during 2022/23 was to review and sign-off the latest list of strategic risks and to maintain certification for three ISO standards – both these goals were achieved. One of our main goals for 2023/24 is to be ready to report on ESG matters using the GRI Standards for Sustainability Reporting.



Enterprise-Wide Risk Register



Risk ranking



Impact of climate change



Energy security and diversification

## 4.1 ENTERPRISE-WIDE RISK REGISTER – FY2023

Risk Ranking 2022/2023	Risk Name	Risk Description	Causes	Potential Consequences	Current Mitigating Controls	Inherent Risk Rating 2022/2023
1	Extreme weather conditions	Impact of extreme and adverse weather conditions resulting in operational interruption	<ul style="list-style-type: none"> <li>Climatic changes such as droughts, floods, cyclones, hailstorms, and windstorms</li> </ul>	<ul style="list-style-type: none"> <li>Reduced cane yields</li> <li>Water contamination</li> <li>Physical damage to crops</li> <li>Loss of life and injuries to people</li> <li>Damage to company assets and infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Completing the season before the rainfall season commences</li> <li>Drip field strategy for the drought risk</li> <li>Reduction of ratoon life for non-drip fields</li> <li>Utilisation of dedicated traffic zones</li> <li>Continuous monitoring of crop performance</li> </ul>	81
2	Safety and Security of People, Infrastructure and Cane Fields	RES is concerned about the safety of people, cane fields and infrastructure in light of political unrest	<ul style="list-style-type: none"> <li>Political and social instability</li> <li>Industrial action, arson attacks, vandalism and other illegal activities</li> </ul>	<ul style="list-style-type: none"> <li>Major production stoppages</li> <li>Business interruption leading to financial losses</li> <li>Compromised safety and fatalities of employees</li> <li>Damage to infrastructure resulting in repair cost implications</li> <li>Sustained injuries and emotional trauma</li> </ul>	<ul style="list-style-type: none"> <li>ISO 45001 Certification</li> <li>Regular risk assessments</li> <li>Working from home strategy</li> <li>Employees working under supervision</li> <li>Proactive engagements with stakeholders</li> <li>Business continuity policies, processes and plans</li> <li>Heightened security presence and support</li> <li>Additional security to focus on fire and arson</li> <li>New equipment bought to reduce response time</li> <li>Improved surveillance</li> </ul>	64
3	Unreliable Energy Supply	Lack of reliable, available and acceptable power supply (own-generation and third-party) for production	<ul style="list-style-type: none"> <li>Increasing cost of fuel</li> <li>Lack of diversity in plants</li> <li>Malfunction of equipment</li> <li>Reliance on Eswatini Electrical Company (EEC)</li> <li>Lack of own-generation and 'imported' capacity</li> <li>Failure of equipment due to age resulting in increased off-take and maintenance</li> <li>Loadshedding</li> </ul>	<ul style="list-style-type: none"> <li>Increase in production costs</li> <li>Business Interruption insurance claim</li> <li>Opportunity cost lost in terms of saving 'imported' power</li> <li>Impact on IT, production and manufacturing equipment</li> <li>Distillery and factories downtime resulting in loss of production</li> <li>Negative impact on productivity, morale and sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing Capital Replacement process in place for equipment</li> <li>Maintenance Programme in place, including machine condition monitoring</li> <li>10MW Solar PV project</li> <li>Identify Renewable Energy Project Developer to form a Special Purpose Vehicle (SPV) with RES to execute the Large-scale Power Generation Project</li> </ul>	56

Risk Ranking 2022/2023	Risk Name	Risk Description	Causes	Potential Consequences	Current Mitigating Controls	Inherent Risk Rating 2022/2023
4	Sugar Markets	Influence of global sugar markets and trends impacting the business	<ul style="list-style-type: none"> <li>• Significant price decreases in SACU</li> <li>• Import tariff protection triggered by ITAC but not at desired level</li> <li>• Threat of imports into SACU (sugar dumps)</li> <li>• Currency strengthening significantly, reducing export returns</li> <li>• Significant reduction in EU sugar prices</li> <li>• Sustainability of SACU if Namibia and Botswana exit the SACU arrangement for sugar</li> <li>• EU cutting sugar imports from Africa</li> <li>• Trade wars between developed nations</li> <li>• Changing consumer preference for alternative sweeteners (e.g., Xylitol) in beverages</li> <li>• Tariff and non-tariff barriers from key export countries (e.g., Kenya)</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of market share</li> <li>• Decreased profitability</li> <li>• Negative impact on sustainability (including possible job losses)</li> </ul>	<ul style="list-style-type: none"> <li>• Currency hedging</li> <li>• Forward contracts</li> <li>• Lobbying and influencing at ESA level</li> <li>• Product differentiation through improved quality</li> <li>• Investigation into alternative sugar products/markets</li> <li>• Expansion leading to improved productivity and efficiencies</li> <li>• Bonsucro accreditation to access more markets</li> <li>• Influence Growers to broaden the horizon</li> </ul>	56
5	Human Capital Risk	Risk of employee health and well-being (Mental Wellness) and Lack of Succession Planning	<ul style="list-style-type: none"> <li>• Scarcity of critical skills</li> <li>• Lack of training programs</li> <li>• Staff turnover and retirement</li> <li>• Competition for scarce skills / poaching of staff</li> <li>• Limited academic curriculum (specialised/critical fields) by local universities / institutions of higher learning</li> <li>• Changing workforce</li> <li>• Succession Planning</li> <li>• Health and Well-being</li> </ul>	<ul style="list-style-type: none"> <li>• Failure to meet strategic objectives</li> <li>• Threat to health and well-being of staff</li> <li>• Compromised production standards</li> <li>• Inability to meet/deliver on new projects</li> <li>• Increased unit costs leading to reduced international competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Talent management strategy</li> <li>• Leadership academy within RES</li> <li>• Formalized and documented succession plans</li> <li>• Co-creation of relevant course content for the academy</li> <li>• Engagements and lobbying with training and localization board</li> <li>• Diversification: include all age groups; cross skilling, multi skilling etc.</li> <li>• Increased efforts towards health and well-being</li> </ul>	49

## 4.1 ENTERPRISE-WIDE RISK REGISTER – FY2023 - *continued*

Risk Ranking 2022/2023	Risk Name	Risk Description	Causes	Potential Consequences	Current Mitigating Controls	Inherent Risk Rating 2022/2023
6	Cyber Attacks	Compromised information security and data privacy caused by theft of data, loss of data, data in transit, data at rest, source and output	<ul style="list-style-type: none"> <li>Human error and negligence</li> <li>Cybersecurity breaches (ingesting of viruses)</li> <li>New normal way of working from home outside of corporate network</li> </ul>	<ul style="list-style-type: none"> <li>Data theft</li> <li>Financial loss</li> <li>Civil litigation</li> <li>Operational loss</li> <li>Business interruption</li> <li>Reputational damage</li> <li>Systems interruptions caused by downtime</li> </ul>	<ul style="list-style-type: none"> <li>Relevant policies in place</li> <li>Training conducted for users</li> <li>Disaster recovery plans in place</li> <li>Annual general control auditing</li> <li>Targeted threat protection (e.g., phishing)</li> <li>Upgraded anti-virus solutions. Users have the ability to get updates in their own private network</li> <li>Scheduled VA (vulnerability assessments) and penetration testing annually and remediation</li> <li>Engineering controls in place (i.e., anti-virus software, firewalls)</li> </ul>	49
7	Supply Chain Disruption	Due to dependency of supply for various raw materials on key suppliers and given global supply instability this poses a significant risk of disruption to RES's business.	<ul style="list-style-type: none"> <li>The constant changes and fluctuation in commodity prices are creating challenges from a supply chain perspective</li> <li>Impact of COVID-19, lockdown and global recession</li> <li>Unpredictability of the chemicals business environment</li> <li>Negative impact of Ukraine/ Russia war</li> <li>Exogenous disruptions i.e., social unrest</li> </ul>	<ul style="list-style-type: none"> <li>Increase cost of raw material</li> <li>Non-availability of core raw materials i.e., fertilizer</li> <li>Limited availability and cost of fuel</li> </ul>	<ul style="list-style-type: none"> <li>Finalisation of electronic vendor application</li> <li>Planning around potential stoppages</li> </ul>	42
8	Water security & storage	Lack of reliable, available and acceptable quantity and quality of water for production	<ul style="list-style-type: none"> <li>Changing climatic conditions (drought, El Niño effect etc.) resulting in the below average national storage of water</li> <li>Disputes and strained relations with downstream users</li> <li>Breach of and changes to the tripartite agreement on water resources</li> <li>Lack of investment at a national level for water related initiatives and projects</li> </ul>	<ul style="list-style-type: none"> <li>Reduced cane yields</li> <li>Low level of stored water in dams</li> <li>Financial losses due to drought</li> </ul>	<ul style="list-style-type: none"> <li>Efficient irrigation systems</li> <li>Construction of holding dams</li> <li>Implementation of drought management strategy</li> <li>Implementation of real time monitoring river-flows</li> <li>Partnership and lobbying government to invest in water solutions</li> <li>Temporary dams in place to collect water</li> </ul>	42



Risk Ranking 2022/2023	Risk Name	Risk Description	Causes	Potential Consequences	Current Mitigating Controls	Inherent Risk Rating 2022/2023
9	Financial Sustainability	As a result of continued economic slowdown, political volatility and social upheaval, there is the potential for a global recession resulting in stagnant markets with limited potential for growth and increased competition for existing markets	<ul style="list-style-type: none"> <li>• Volatile global economy and recession</li> <li>• Junk status of SA will also impact cost of Debt; credit insurance has been reduced internationally</li> <li>• Increase in borrowing costs</li> <li>• Limited availability of funds for borrowing</li> </ul>	<ul style="list-style-type: none"> <li>• Market consolidation</li> <li>• Disruptive Mergers and Acquisition</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous financial management</li> <li>• Diversification strategy</li> <li>• Hedging strategy from ESA</li> </ul>	42
10	Sustainability of Outgrowers	Outgrowers contribute around 38% of the total cane that is milled by RES. The impact of industry related risks on Grower sustainability poses a risk to RES Corporation	<ul style="list-style-type: none"> <li>• Pests and diseases</li> <li>• High input costs (fertilizer, herbicides, etc.)</li> <li>• High energy costs (35% of production costs)</li> <li>• Climate change (drought, hailstorms, floods)</li> <li>• High transport costs for long distance growers</li> <li>• High cost of finance (development and maintenance)</li> <li>• Low financial literacy level among leaders in farmer companies</li> <li>• Initial irrigation infrastructure installation challenges</li> <li>• Poor corporate governance (in outgrower farms)</li> <li>• Insufficient service provision (e.g., resources for land prep and planting)</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced crop yields.</li> <li>• Failure to meet crop water demand.</li> <li>• Switch to high value alternative produce (by Outgrowers).</li> <li>• Low appetite for potential new entrants due to high cost of finance from commercial sources of finance.</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of Extension Services to the Outgrowers</li> <li>• Drought relief strategy</li> <li>• Training on business development skills</li> <li>• Revolving fund confined to Vuvulane for now.</li> <li>• Provision of limited services for harvesting and replanting.</li> <li>• Exploring renewable energy and other initiatives which reduce energy consumption.</li> <li>• Corporate governance training for all shareholders.</li> <li>• Provision of irrigation infrastructure maintenance services, correcting installation challenges at replant.</li> </ul>	42

## 4.1 ENTERPRISE-WIDE RISK REGISTER – FY2023 - *continued*

Risk Ranking 2022/2023	Risk Name	Risk Description	Causes	Potential Consequences	Current Mitigating Controls	Inherent Risk Rating 2022/2023
11	Environmental, Social and Governance (ESG)	Increased access to information and trend towards inclusive capitalism could potentially raise stakeholder expectations and may result in stakeholder agitation around operations.	<ul style="list-style-type: none"> <li>Increased legislation and activism around Climate change will put significant pressure on RES to lead by example</li> <li>RES has to meet ESG stakeholder requirements and expectations (including Customer expectations)</li> </ul>	<ul style="list-style-type: none"> <li>Fines and possible litigation</li> <li>Community disengagement from a social perspective</li> <li>Unaccounted for environmental waste</li> <li>Loss of market access due to failure to comply with ESG expectations</li> </ul>	<ul style="list-style-type: none"> <li>ESG Strategy</li> <li>Compliance with ESG laws and regulations</li> <li>Increased focus on ESG reporting</li> <li>Inclusion of ESG awareness in community forums</li> </ul>	42
12	Industry Structure Set-Up	Under capacitated and outdated industry structure, Acts and Standards	<ul style="list-style-type: none"> <li>Outdated industry agreements</li> <li>Country-wide economic challenges</li> <li>Inflexibility which restricts efficiencies</li> <li>Unfavourable governance structures</li> <li>Country-wide economic challenges</li> <li>Difficult market conditions due to low sugar prices</li> <li>Current equal weighting of millers and growers voting rights</li> <li>Inability of RES to extract value of own sugar and related bi-products</li> <li>Sub-optimal marketing capability in ESA with knock-on effect on returns</li> </ul>	<ul style="list-style-type: none"> <li>Negative impact on overall RES strategy</li> <li>Strained miller/ grower relations</li> <li>Non-identification of lucrative opportunities</li> <li>Reduced profitability and sustainability of RES</li> <li>Slow decision making leading to lost opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Strategic risk review workshops</li> <li>RES influences decisions at ESA Council and millers/growers meetings</li> </ul>	42

Risk Ranking 2022/2023	Risk Name	Risk Description	Causes	Potential Consequences	Current Mitigating Controls	Inherent Risk Rating 2022/2023
13	Operational Disruption	Interruption to business and impact on employee health and safety	<ul style="list-style-type: none"> <li>Global pandemics</li> </ul>	<ul style="list-style-type: none"> <li>Loss of life</li> <li>Financial losses</li> <li>Business Interruption</li> <li>Potential closure of operations</li> <li>Delays in project implementation</li> <li>Threat to business sustainability</li> <li>Reduced productivity from human capital</li> <li>Increase in operating costs (i.e., PPE, sanitisers, transportation costs, etc.)</li> <li>Increase in capital costs (i.e., upgrade of emergency facilities, purchasing of ventilators)</li> </ul>	<ul style="list-style-type: none"> <li>Enforcing regulations</li> <li>Infection prevention methods</li> <li>Upgrading medical facilities</li> <li>Extending measures to the community as a proactive risk management tool</li> <li>Constant communication with all affected parties</li> <li>Employee assistance program in place (i.e., mental health counselling)</li> <li>Stakeholder engagement strategy</li> </ul>	36
14	Ageing infrastructure	Decline in production assets capabilities over time or with use due to production process	<ul style="list-style-type: none"> <li>Limited Capex (and Opex) spending in line with business needs and priorities</li> <li>Capex spending typically in line with maintenance rather than replacement</li> <li>Previous focus on sweating the assets beyond their economic lives</li> </ul>	<ul style="list-style-type: none"> <li>Reduced productivity</li> <li>Business Interruptions</li> <li>High cost of maintenance</li> <li>Higher unit cost of production</li> <li>Increase in insurance premium</li> <li>Forced technology adoption due to suppliers no longer supporting certain assets</li> </ul>	<ul style="list-style-type: none"> <li>Business Cases and IRRs under P3M process</li> <li>Conditioned-based monitoring to improve maintenance regime</li> <li>Annual Budget Review (Capital Allocation to ageing infrastructure)</li> <li>Factory audit through RCL Technical Support Agreement</li> <li>Review of current process to identify areas of improvement</li> <li>Contracting solutions</li> <li>Electrical infrastructure upgrade to improve reliability</li> </ul>	36

## 4.1 ENTERPRISE-WIDE RISK REGISTER – FY2023 - *continued*

Risk Ranking 2022/2023	Risk Name	Risk Description	Causes	Potential Consequences	Current Mitigating Controls	Inherent Risk Rating 2022/2023
15	Compliance with Regulations	Non-compliance in accordance with legislation, regulations and industry standards	<ul style="list-style-type: none"> <li>Increased cost as a result of compliance</li> <li>Limited scope of compliance monitoring</li> <li>Unfavourable agreements impacting RES</li> <li>Misinterpretation of King IV requirements</li> <li>Lack of awareness of regulatory requirements</li> <li>Failure to recognise when to involve Legal or Compliance</li> <li>Pace of regulatory change in Eswatini and other best practices</li> <li>Non-compliance with international reporting standards and legislations</li> </ul>	<ul style="list-style-type: none"> <li>Civil litigation</li> <li>Criminal sanctions</li> <li>Loss of market share</li> <li>Business Interruption</li> <li>Reputational damage</li> <li>Increased cost as a result of compliance</li> <li>Fines, penalties, loss of license to operate</li> </ul>	<ul style="list-style-type: none"> <li>Ensure all colleagues complete compulsory compliance training assigned to them</li> <li>Institute business practices that detect and prevent violations of regulation</li> <li>Ensure disciplinary procedures are enforced for non-compliance</li> <li>Compliance with ISO 9001, 14001 and 45001 Certifications</li> <li>Reporting financials according to International Financial Reporting Standards</li> <li>Ability to monitor and report on risks more efficiently</li> <li>Wastewater Treatment Plans</li> </ul>	35
16	Pests upsurges and outbreaks	Impact of pest and disease outbreaks on business operations	<ul style="list-style-type: none"> <li>Climate change</li> <li>Susceptibility of varieties to diseases and pests</li> </ul>	<ul style="list-style-type: none"> <li>Reduced yields</li> <li>Loss of revenue</li> <li>Loss of assets (cane)</li> <li>Increased costs to control and monitor</li> </ul>	<ul style="list-style-type: none"> <li>Independent sampling by ESA</li> <li>Internal sampling by Agronomy Office</li> <li>Correct selection of varieties</li> <li>Breeding pest resilience - Usage of less toxic herbicides</li> <li>Monitoring by Agronomy in liaison with ESA and SMRI</li> <li>Increased stockholding of pesticides to contain outbreaks</li> <li>Earlier intervention through a more proactive stance, including scouting for pests</li> </ul>	12



## 4.2 RISK RANKING 2022/23

2021/22 Ranking	Movement	2022/23 Ranking	Risk Name	Residual Rating		Residual Risk Score
				Probability	Severity	
2	↑	1	Extreme weather conditions	8	7	56
1	↓	2	Safety and Security	7	7	49
10	↑	3	Unreliable Energy Supply	6	6	36
8	↑	4	Sugar Markets	6	6	36
New		5	Supply Chain Disruption	6	5	30
4	↓	6	Water security & storage	6	5	30
New		7	Financial Sustainability	6	5	30
13	↓	8	Sustainability of Outgrowers	6	5	30
New		9	Environmental, Social and Governance	5	5	25
12	↑	10	Human Capital Risk	5	5	25
11	→	11	Cyber Attacks	5	5	25
9	↓	12	Operational Disruption	6	4	24
5	↓	13	Industry Structure Set-Up	5	4	20
7	↓	14	Ageing infrastructure	4	4	16
6	↓	15	Compliance with Regulations	4	4	16
3	↓	16	Pests upsurges and outbreaks	3	3	9

Extreme weather conditions, related to climate change, and unreliable Energy Supply remains in the top 3 risks which the Corporation has to manage in an integrated manner to ensure sustainability in the future.

Increasing surveillance across the estate has been a key focus in improving and reinforcing security measures, along with improving the engagements with our stakeholders in order to minimise safety and security concerns.





## 4.3 IMPACT OF CLIMATE CHANGE ON OUR OPERATIONS

A combination of long-term change in the weather patterns worldwide (i.e., global climate change), caused by natural processes and anthropogenic factors, may result in major environmental issues that have affected and will continuously affect agriculture, including sugarcane production.

Climate change is expected to have important consequences for sugarcane production globally, marked by increases in the frequency and intensity of extreme environmental conditions. These conditions include severe drought, excessive rain, windstorms and changes to daily temperatures.

The impacts of climate change, as explained below, have been experienced by some of the RES entities and activities. Continuous research is part of our strategy to be able to understand how we can mitigate the impacts of climate change on our sugarcane production.

### Finance

The business faced new significant climate change impacts during the year. The response to these impacts required new future-oriented scenarios to enable appropriate decisions to be taken.

One of the climate change impacts in 22/23 was the unprecedented winter rains from April through to June. Harvesting operations were significantly affected, such that cash generation was not sufficient and short-term financing needed to be sourced at short notice. Fortunately, our banking partners yielded to our call and enabled RES to continue to meet its financial obligations.

### Agriculture

Due to changes in the weather, we experienced abnormal incidences of pests and diseases, with new pests and diseases discovered in the region. Crop damage from violent hailstorms resulted in cane lodging, breaking of cane stalks, high Eldana infestation levels, soil erosion, soil nutrient losses and destruction of infield infrastructure and access crossings. All these factors culminated in very low yields and increased operating costs for the season.

### Water

The extreme wet weather experienced during the 2022/23 season characterized by frequent heavy storms and above normal rainfall is attributed to climate change impacts. This has both positive and negative consequences to our activities and outputs.

Negative effects – cane harvesting was severely affected, with above-normal burn-to-crush times in the 2022/23 season. Consequently, the crushing season extended past the optimal nine months into February. Sugar recoveries in the mills dropped markedly, reducing revenue. The impact of the season extension extends into the 2023/24 season, where yields will be low due to the non-optimal harvesting of cane at a young age as the crushing season is re-aligned to end in November/ December. The completion of projects was compromised while infrastructure damages were experienced, requiring costly maintenance.

Positive effects – the above normal rainfall enabled water harvesting and ensured adequate water for the crop going forward.

Although not experienced in the 2022/23 season, frequent and severe droughts are also a result of climate change and result in water scarcity affecting water supply for optimum irrigation of the crop.

### Livestock and game

In livestock and game operations, the impact of climate change is immense, particularly due to the erratic rainfall received in 2022/23. In December we received 93 mm, at a time of the year when most grasses are at flowering stage, and for the better part of the month we received a heat wave. This went on even in January, when we received 84 mm in two weeks and the rest of the weeks it was a heat wave. This disturbs the growing stage of the grasses, hence affecting the net above ground biomass. In February we received 351 mm which fell in two weeks and caused a lot of damage on the rangelands with soil erosion

### Growers

The impacts on the activities of our growers were similar to our own agriculture section, being storms, hailstorm, new pests and diseases and changes in the weather pattern. These resulted in increased harvesting costs due to wet harvesting, and the leaching of important nutrients beyond the root zone. Another issue related to climate change was the extension of the milling season which then means in the 2023/24 season, we will be harvesting cane younger than 12 months.

### Human Resources

The direct impact of climate change is limited but indirectly it is significant because it can affect budget availability for implementing the initiatives. It can also affect the availability of employees to participate in such initiatives, as well as increased ad hoc recruitment of casuals for cane extraction from wet fields.

The adverse impact of climate change which has an impact on the Corporation's overall bottom line, makes the cost of living salary adjustment negotiation process challenging.

### Supply chain /procurement

Excessive rainfall resulted in interruptions in the delivery of coal and woodchips. There is no delivery of coal when the coal mines are flooded, and the harvesting of timber is significantly impacted when there is excessive rain, which results in poor delivery of woodchips.

### Stakeholder relations/CSI

Due to climate change, we had an increase in disaster relief requests from victims of natural disasters.

### Factories

A sugar mill does not like a wet season. High mud levels in cane cause uncontrollable losses of product. Slow cane supply results in excessive fuel usage and escalates input costs.

### Distillery

The impact of climate change on alcohol production depends on the events. The 2022/23 inefficient wet harvesting meant a degradation of the cane crop, affecting sugar recoveries. Molasses production was thus higher, which bodes well for the distillery. However, it is more economical to extract value from sugar production and sales than from the production and sale of alcohol. Wet conditions may also disrupt the availability of molasses to the ethanol plants due to reduced or interrupted cane supply into the sugar mills.

### Property

Climate change comes with sporadic weather patterns, including hailstorms and heavy rains causing costly and major damages to residential buildings, roads, and other infrastructure. Damage to roofs and the flooding of houses that are in low-lying areas in the villages in turn result in housing challenges, with tenants having to be relocated.



## 4.4 ENERGY SECURITY AND DIVERSIFICATION

The drive towards energy self-sufficiency and diversification through renewable and sustainable energy generation is at the heart of the RES Energy Master Plan. This Master Plan takes a 2-phase approach, first addressing the current energy security risk, and then exploring the potential to expand generation capacity to export into the national grid.

To mitigate the imminent energy security risk, in addition to optimising and maximising generation from existing capacity and planning for offcrop generation, RES is investing in a 10 MW Solar PV Project to be developed at the Mhlume Sugar Estate.

### Mhlume 10 MW Solar PV Project

A feasibility study for the project was undertaken in the 2022/23 financial year, with the project approved by the RES Board in March 2023.

The project, to be developed through an Engineering Procurement and Construction (EPC) contract, will be grid-tied, utilising ground-mounted single axis tracking structures. It will have a 12.94 MWdc capacity, with a total guaranteed point of connection capacity (POC) of 10 MWac, and an annual energy generation of more than 22 GWh.

The procurement of Owners Engineering services and an EPC Contractor Service will be undertaken in the beginning of the 2023/24 financial year. Works on the ground are planned to start in January 2024, with a scheduled completion and commercial operation in December 2024.

### Power Generation for Export

Whilst the 10MW Solar PV will mitigate against the energy security risk, it will not result in self-sufficiency. Hence the need for a large-scale power project to make the required step change to meet all RES power requirements, and further generate in excess of 20MW of surplus power for export.

Due to the huge capital requirements for the envisaged large-scale power project, RES intends to partner with other investors and develop the project(s) through Special Purpose Vehicles (SPVs).

The selection process for the development partner was kick-started in November 2022, with RES sending out a Request for Proposal (RFP) to identify and select a reputable development partner. This process should conclude in the 2023/24 financial year and have the SPV registered and ready to start the required feasibility studies.

A man in a high-visibility vest is sitting at a desk in an office. He is looking at a computer monitor and has his hand on a mouse. The desk is cluttered with papers and a keyboard. The background shows a window and a door. The entire image has a green tint.

We meet  
our targets  
and deadlines

**DELIVERY**



# 05

## CREATING VALUE IN PRACTICE

We demonstrate how we create value for our stakeholders and for the Corporation by linking our business activities, including our performance, to our six capitals.



Financial capital



Human capital



Intellectual capital



Natural capital



Manufactured Capital



Social and relationship capital



## 5.1 FINANCIAL CAPITAL

Financial capital is broadly understood as the pool of funds available to an organization. This includes both debt and equity finance. This description of financial capital focuses on the source of funds, rather than its application, which results in the acquisition of manufactured or other forms of capital.

RES continually seeks to optimise its capital through the appropriate mix of debt and equity. In doing so, we recognise the business's various risks, as detailed in section 4.

The current funding policy provides a 70-75% debt funding range for growth projects. This is complemented by a dividend policy of 50% of profit after tax.

Working capital facilities are put in place for seasonal cash requirements. Typical of a sugar operation in Eswatini, sugar receipts stop in December and resume in April when the new milling season commences.

The expansion drive continued in 2022/23 with around 850 ha of new cane area developed. Upgrading the Mhlume Factory also continued,

### Inputs from other capitals



- A range of skills in accounting with the highest being a chartered accountant qualification
- Technology – hardware and software
- Good stakeholder relations with financiers, tax authorities, vendors, customers and internal people



### Highlights



The highlight was the business responding to the clarion call to squeeze costs and reduce capital expenditure in response to the climate induced crop reduction. This speaks to the common purpose and resilience of the RES team



### Lowlights



We lost our long-serving Tax Financial Manager, Mr Andrew Hlatshwayo in October 2022 due to a sudden sickness. Andrew ran a tight-disciplined ship in all areas of tax compliance, and will be sorely missed



although various works were deferred to the coming seasons owing to the weaker cash position during the financial year.

In February 2023, RES acquired a 35% stake in Enviro Applied Products (Pty) Limited.

Debt funding of 75% was secured for the capital incurred on the growth initiative described above.

The unusually wet winter affected our ability to harvest cane and turn it into sugar. Cash flows for the period April 2022 to July 2023 were significantly curtailed. Fortunately, with a good understanding of the agricultural environment, our banking partners stepped in and availed short-term credit facilities that ensured that we could meet all our financial commitments.

We also made a deliberate effort to engage our various stakeholders, which included shareholders, assurance providers, long-term debt partners, and the tax authorities, regarding the unique negative impact on the business of the climatic developments.

The business began migrating from the current ERP setup to the cloud-based S/4HANA instance. This project will set a new standard for RES's digital footprint. Through this project, we are earmarking increased productivity at work, lower IT operating expenses, and increased operational efficiencies through data analysis. The migration will take place over a few years to manage cash outflows and execute the project in smaller components with a view to improved implementation.



## 5.2 HUMAN CAPITAL

Our human capital management efforts rest on six pillars and underpin the RES corporate strategy. A process to shift the organisational culture in order to drive higher performance within the organisation began in 2022/23. This process was coupled with a focus on cultivating future-fit capabilities and skills to address diversity and accommodate a flexible portfolio at corporate level. This then meant we had to cover issues of governance, manpower planning, quality-health management and implement SAP Employee Central for a complete view of the Human Capital Management Division.

### Size of workforce

A total of 4 206 employees were under the RES employ at year-end, compared to 4 593 recorded at the same time in 2021/22. In the year under reporting, 1 809 were permanents – including fixed-term employees – compared to 1 864 recorded in 2021/22, while 2 372 were seasonal employees, compared to the 2 729 recorded at the same time last year. Although the number of seasonal employees fluctuates according to operational requirements, this year, the ongoing expansion of land-under cane at Homestead saw a steady increase in the number of seasonal employees.

*(For more on Strategy, see pages 24 - 25)*

### Inputs from other capitals



- Efficient HC system (IT)
- Staff – internal expertise
- External expertise
- Investing in relationship-building intervention exercises with social partners, which helps in building trust and rapport among the parties. This is crucial in that the Corporation can achieve more when the relationship is good and stable between the parties, which translates to a good return on investment

### Highlights



- Introducing values as a positive culture shift initiative in performance discussions
- Leadership development – Executive Coaching
- Introduction of the Technical School, which will drive technical development for RES and industry
- Commencing seeding initiatives for the Fit-For-Future RES, namely Skills for the Future review and Performance Management review
- Cost-of-living negotiations were finalised with both social partners in March 2022, which was in record time and it was implemented by 1 April 2022
- Working-from-home procedure was rolled out
- We reviewed all RES procedures
- Enhancement of the HC system

### Lowlights



- Lower than optimal scale on the implementation of culture initiatives
- Cane Cutters strike in November 2022 had adverse effects on the overall output of the Corporation's production. Operations stopped for over a week
- Not meeting deadline for Success Factors Project. Target Go – Live date was 1st March 2023 and implementation was moved to the next financial year

## 5.2 HUMAN CAPITAL - *continued*

FIGURE 3 - Number Of Permanents & Seasonals - 2022/23

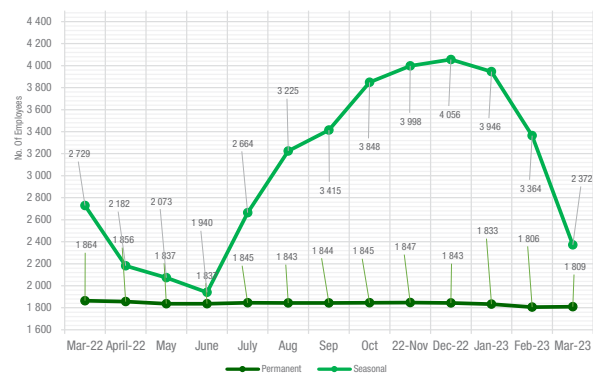
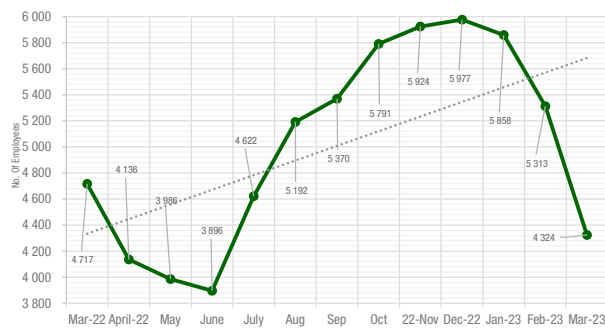


FIGURE 4 - Number Of Employees at RES per month - 2022/23



# 22

the total number of employees who resigned in 2022/23



# E4.2m

the total amount of money collected by RES Clinics



Cost of living negotiations were completed in record time and the settlement implemented on 1 April

### Staff turnover

A total of 22 permanent employees resigned from RES employment this year. 5 were from middle management, and 3 came from T16 and above. These figures show a healthy turnover rate, which is substantially below the universal 5% threshold.

### Manpower costs

The total Manpower cost stood at E954 million at year-end (2022: E883 million), showing an E73 million increase from last year. Discretionary overtime exceeded budget by E27m due to the above-normal breakdowns experienced in the plant.

### Overtime

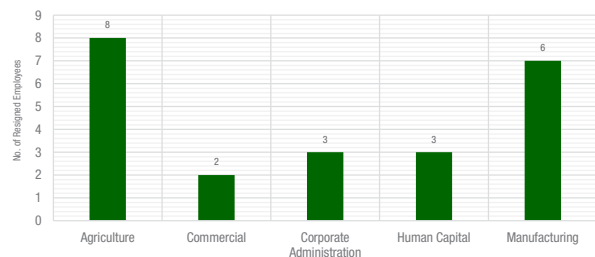
Nearly E110 million has been spent on overtime, against a budget of E83 million. In the majority of cases, the E27 million over-expenditure arose from the several factories' start-up teething problem, as well as breakdowns experienced during the difficult milling season this year which resulted in higher lost time available (LTA). As a result, the overtime expenditure was 2% above the standard 10% of the total wage bill.

### Short-term incentive bonus

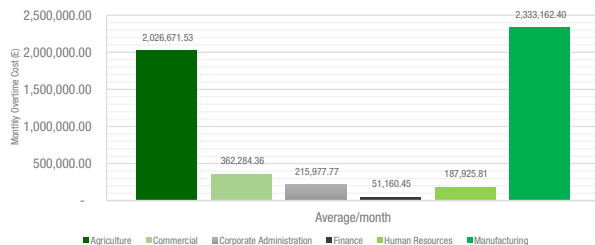
A crucial part of our employee value package, the short-term incentive (STI) incentive supports our initiatives to change the organizational culture by fostering a high-performance environment.

For the financial year 2022/23, RES made a profit after tax (PAT) of E178.5 million and a return on net assets (RONA) of 6.8%. This is less than the E302.6 million PAT and 12.5% RONA for 2021/22. The Board of Directors has authorized paying the computed STI bonus to qualifying workers, in accordance with the STI thresholds.

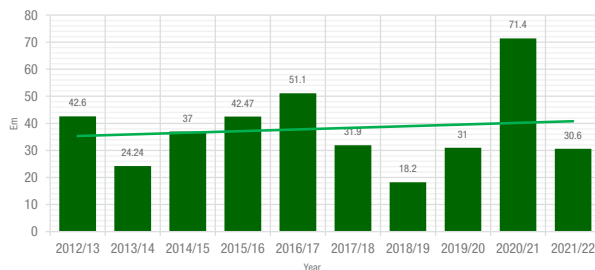
**FIGURE 5 - No. of Resigned employees per Division in 2022/23**



**FIGURE 6 - Divisional Monthly Overtime**



**FIGURE 7 - STI Bonus Payment (past 10 yrs)**



## Human Capital - Operations

Our strategic initiatives during 2022/23 were marked by the focus on the rebranding of Human Capital, shifting the organisational culture and a relook at governance.

2022/23 Goals and Targets	Outputs against Targets
Employee Central & Success Factors Implementation	Project implemented in April 2023
Improved external turnaround Time - 80% of external recruitments closed within 3 months	Overall score 66.67% against 80% target
<b>Governance</b> <ul style="list-style-type: none"> <li>Review of 3 or more HC Procedures</li> <li>70% Coding of Procedures as at 31 March 2023</li> </ul>	<ul style="list-style-type: none"> <li>Procedures reviewed.</li> <li>Project at 80% completion as at 31 March 2023.</li> </ul>
Implementation of Remote Work Procedure by 30 September 2023	Roll out and implementation within target (14 September 2023)

### The 2023/24 Goals



#### Manpower Optimisation

- Overtime Analysis
- Monitor overtime trends and recommend improvements



#### Improved External Recruitment Turnaround Time - Efficiencies

- 80% external recruitment closed within 3 months



#### Governance

- Drafting of Guidelines on Use of Consultants
- Review of Policies and Procedures
- Consultation, approval and deployment of procedures to business



#### HC Branding

- HC Awareness Sessions – Educate Business on HC operations and value add
- Candidate experience – Improve RES brand by improving candidate experience from first point of contact (application) to engagement



## 5.2 HUMAN CAPITAL - *continued*

### Learning and Talent Development

The department is responsible for the implementation of the learning and talent strategies for the organisation to meet its business and strategic objectives.

This includes creating an enabling culture, and implementing best practices of staff development, organisational management, and talent management (assessment tools management, leadership, technical/functional, personal effectiveness development, succession planning, and performance management systems).

During the reporting period, the following initiatives were implemented:

#### Cultivating Future-fit Capabilities and Skills

- Each leader should prepare leaders for the future: Talent Reviews were conducted, covering more than 600 employees in T10 and above. The data from the reviews was utilised to complete individual development plans for the employees and also to inform the review of succession plans.
- Performance Management: We introduced measuring employees' performance on the RES values, as part of ongoing performance conversations. This is aimed at producing a positive shift in the culture at RES.

- Technical and leadership development: About E20 million, against a full-year budget of E17 million, was spent in this area of development. The total of employees physically trained by year-end was 2 730, against the planned 2 755. The variance was for mandatory factory compliance training, in preparation for the food safety audit. One of the critical interventions deployed was the Executive Coaching Programme for some senior managers and Coaching for Exceptional Performance.

#### Manpower Planning


During the year, we commissioned a project to assess whether RES had the requisite skills to deliver on its strategic needs. Along with the review, we formulated an enhanced – current and future – technical and behavioural skills catalogue, with a priority listing across all divisions.

#### Shifting Our Culture

After a desktop review of the current RES performance management philosophy and practices, we are now reviewing best practice recommendations and formulating a transition approach that will take us to the desired RES performance management philosophy.

The targets and goals for the next reporting period are:

- Future Fit RES – Skills review and improvement
- Manpower Optimisation – Productivity Analysis
- Shifting our Culture – We aim to finalise the performance management philosophy revision exercise and implement the prioritised organisational culture initiatives.



The setup for the soon-to-be-launched technical school has been finalised and RES is ready to begin providing skills to a workforce that will be able to tackle industry requirements.

## Employee Relations

The department is responsible for maintaining harmonious industrial relations at the workplace. This is achieved through the development and implementation of the employment relations strategy, practices and processes, which support the business strategy, while maintaining workplace harmony. This includes among others:

- Developing employment industrial relations skills among line managers and supervisors.
- Facilitation of corporate negotiations and consultation forums to enhance dispute resolution, underpinned by win-win outcomes.
- Keeping collective agreements current and ensuring that all internal stakeholders are fully conversant with the provisions.
- Ensuring that workplace forums take place, are effective, and that insights are drawn from the issues to inform critical interventions.

In the reporting period, the Corporation invested in capacity-building workshops in which 96% of senior management were trained on performance management.

Goals	Outputs
Unification of Agreements	<ul style="list-style-type: none"> <li>• The draft agreement is 90% completed with SAMASA. The only pending matter is the signing of the agreement</li> <li>• The draft agreement is 75% complete with SAPWU</li> </ul>
Engagement of employees and close out issues from employees	<ul style="list-style-type: none"> <li>• Consultation plan and dashboard in place</li> </ul>
Engagement and obtaining insights from issues raised	<ul style="list-style-type: none"> <li>• More than 95% of items raised were closed out</li> </ul>
Consultation and participation	<ul style="list-style-type: none"> <li>• Review of the ER Manual is pending</li> <li>• No roadshows were held</li> </ul>
Capacity building for line managers in T16 & above	<ul style="list-style-type: none"> <li>• 54 out of 56, which is equivalent to 96% of senior managers, were trained on handling poor performance, initiating and chairing disciplinary hearings</li> </ul>

### Our targets and goals for the 2023/24



Development of an ER Strategy and ER Framework



Review of the ER Policy Manual



Draft Policy and Guidelines on use of consultants



Develop an Industrial Action Register



Quantify time and costs of disciplinary hearings, CMAC



Disciplinary cases- reduce turnaround time to 45 days



ER Trends



Engage social partners on shifting of the organisational culture



Conduct ER climate, culture and perception survey



Conduct bi- Annual Business Review meetings



Conduct capacity building workshops for social partners and shop stewards



Review of the Recognition & Procedural Agreement between the employer & SAMASA and between the employer & SAPWU



Collective Agreement between the employer & SAMASA and between the employer and SAPWU

## 5.2 HUMAN CAPITAL - *continued*

### Employee Health and Wellness

#### Inputs from other capitals



- Human capital in the form of doctors, nurses, paramedics and support staff
- Medical equipment – X-ray and laboratory machines, autoclave, industrial washing machines, diagnostic and treatment equipment
- Clinic infrastructure
- Funding for Operational and Capital and expenditure
- Medical drugs and other consumables
- Public-Private partnerships with Government and NGOs



The Medical and Wellness department is responsible for providing primary health care services to the employees, contractors and members of the communities in general.

In order to increase access to healthcare, RES Clinics implemented the Over the Counter (OTC) medication sales project during the 2022/23 reporting period. This enables employees and non-employees to purchase drugs from the Clinic using prescriptions, or buy without prescriptions – for those medical drugs that qualify. This will increase Clinic revenue as well.

We also enabled electronic submission of medical-aid claims by RES Clinics – previously the Clinics were submitting claims manually to medical aid companies. This was inefficient and resulted in unpaid claims, to the detriment of the Clinics.

For the reporting period, the goals and targets for the Medical and Wellness Department were the following:

1. Improve customer satisfaction – the main activity was the baseline customer satisfaction survey. The survey indicated areas of improve-

ment in patient waiting time, clarity of instructions on how to take medications, explaining reasons for prescribing specific medications and improvement in staff behaviour.

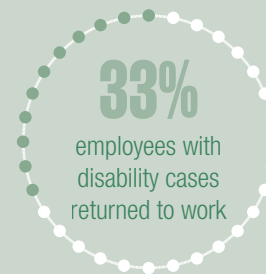
2. Improve the quality of Primary healthcare services offered at the RES Clinics.
3. Health education and promotion according to the annual Health Education schedule.
4. Provide psychosocial services to employees, their dependents and members of the community.
5. Recover at least E3.6 million from medical aid, third parties and private patients.
6. Occupational health services:
  - a) Perform routine medical examinations on 100% of all scheduled Periodic Occupational medical examinations according to the defined Occupational Risk Exposure.
  - b) Manage all cases of Occupationally acquired diseases and disability according to national legislation and company policies.

There was a slight increase in the number of RES employees on anti-retroviral treatment. 99% of the employees on treatment are virally suppressed and healthy, thus HIV is no longer posing a threat to employee productivity.

Upper respiratory tract infections are the third most common condition for which employees are booked off sick.

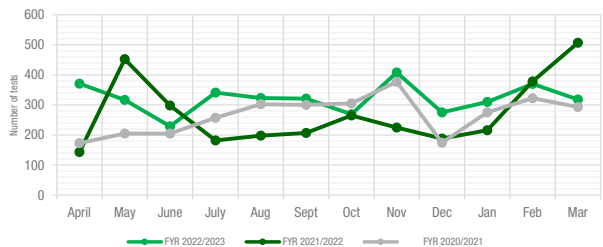
About 21 cases of Covid-19 were reported among the RES employees and dependents, and all had mild symptoms.

E4.2 million was collected from all three company Clinics in 2022/23. About 50% of the revenue was collected from medical-aid claims, and 20% was from cash-paying patients. Employees and their registered dependents received medical and wellness services worth E16.2 million between April 2022 and February 2023.

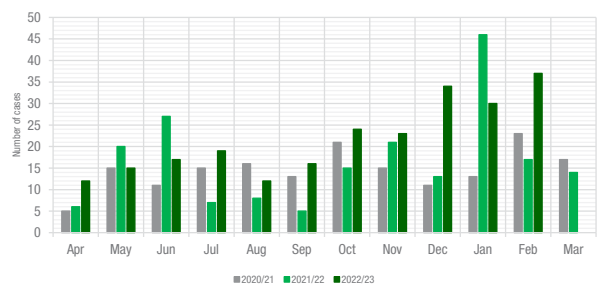




**FIGURE 8 - Number of HIV tests performed timed trend**



**FIGURE 9 - Injury on duty cases attended at the Clinics**



**FIGURE 10 - Diagnosis (ICD) Issued Most Sick Leave**



**Sick leave**

The leading contributors to sick leave days issued to employees are injuries classified as sprains, fractures, and soft tissue damage. These mainly originate from recreational activities away from work, but they drive up sick leave as they take longer to recover.

We have had to drive awareness campaigns on hygiene as gastrointestinal-related conditions are also among the leading contributors, mainly from diarrhea in the estate villages.

Another concern is the emergence of acute stress disorder, an indicator of a possible strain to employees from either work or social problems or a combination. We are, on an ongoing basis, making employees more aware of mental health conditions which need professional intervention.

**Management of illness at work**

A total of 39 employees have undergone the management-of-illness at work process during the 2022/23 financial year. Seven cases were from injury-on-duty. Those terminated on medical grounds are among the seasonal employees who had exhausted their sick leave and were still not fit to return to work. It is encouraging to see that about 33% of employees with disability cases were able to return to work. This is attributed to a robust rehabilitation process that involves physiotherapy for employees.

The challenges we encountered included:

1. Increasing costs of drugs and equipment.
2. Some pharmaceutical drugs were out of stock due to rationing in South Africa and the political unrest in Eswatini.
3. Occupational Health nurses are a scarce resource, and the company has been having challenges in recruiting suitably qualified nurses in this category.
4. The civil unrest caused some patients on chronic medications, such as anti-retroviral, anti-TB, anti-diabetes and anti-hypertension to go without medication.



## 5.3 INTELLECTUAL CAPITAL



Policies, charters and procedures



Documented best practice



Operational frameworks



Information technology capacity



HR methodology and initiatives



Public Affairs practice and initiatives



An organisational culture that facilitates and encourages innovation

### The RES culture

Following the sustainability initiative adopted by RES as part of Simama 20-25, there arises a requirement for an agile workforce that will drive key corporate themes that include cost optimisation, new products and markets, and a high performance organisational culture.

The Improvement of Organisational Culture vision is: “We collaborate in a supportive environment to deliver a high-performance culture using innovative solutions and credible business partnering for the sustainability of the organisation”.

- RES has adopted a campaign for the embedment and inculcation of the above culture.
- Based on the philosophy of the African concept of Ubuntu, the campaign will kick off with a focus on five initiatives: Fun, No Discrimination, No Sexual Harassment, Restore Respect and Performance Management.
- A cross-functional team will drive the project and ensure participation of all employees in the new year.



Our efforts are always focused on bringing all the sugar we can bring into the bag, at the right quality and cost. We do this through the dedication of our people at all levels.



### Information Technology

#### Inputs from other capitals



Standard inputs of people (30 staff) and resources – Infrastructure, servers etc. Large amounts of electrical energy consumed in the server rooms



#### Highlights



The Next ERP Digital journey to S/4HANA was a highlight as was the implementation of the fleet system after a previous unsuccessful attempt. The implementation of Intelligent Agriculture for the outgrowers was also a highlight



We continued to support the business with excellent system uptime while implementing new value-added projects. Part of this is the uplifting of skills within the department. For one of the interventions, we introduced a coding challenge in which all IT staff had to develop a program that added value to the business using the SAP low code cloud function. Our system uptime was more than 99.9% during the year.

New initiatives during the 2022/23 reporting period included the following:

1. Success Factors: We migrated the human capital management (HCM) function from SAP ECC to Success Factors Employee central.
2. A digital adoption support system was introduced to support the use of SAP.
3. Fleet Management system: We implemented a new system to monitor the RES vehicles, this integrates to the Fuel system and SAP to better manage the usage of our fleet assets.

The RES digital journey was kickstarted with the migration of the internally managed SAP ECC system to the SAP S/4HANA public cloud. We have followed the Mission Led Team approach and have successfully migrated the Simunye Fleet workshop to S/4HANA. We have started planning the roll out to Agriculture, which will go-live in 2023/24.

We implemented a cloud-based system for the growers to assist the small farmers with the execution of their tasks on smartphones. This will enable our Outgrower department to assist the small farmers to achieve higher yields, thus benefitting both themselves and RES.

Our theme for the year was to meet customer requirements through the provision of excellent service delivery. We were to achieve this through improving the quality of the products we deliver to business, by improved stakeholder engagement, increasing our internal productivity and operational efficiency. We performed well in all areas.

Change Management is a major challenge in all IT projects and especially when it comes to digital programs.

#### For 2023/24

On the digital journey during the next reporting period, we will be implementing a cane monitoring system using satellite imagery, together with drone technology. This is a machine-learning tool that will allow us to be more accurate in our cane estimation, as well as provide early warnings of crop disease or stress. We will also automate more water pump stations and continue the S/4HANA journey.



The business is already finding its way in the new S/4HANA ERP whose rollout began in 2022/23 and will continue into the next financial year.



## 5.4 NATURAL CAPITAL

### Agriculture

#### Inputs from other capitals



- Staff: to carryout field operations manually i.e., irrigation, weeding, fertilizing, planting, system maintenance (drip/sprinkler), etc
- Equipment: to facilitate activities relating to growing the crop i.e., planting, cultivation, Herbiciding, aerial ripener application, transportation of staff, etc
- Land: growing the sugarcane crop on 22 443.8 ha on the two estates
- Relationships: other departments i.e., Finance, Electrical, Workshops, HC, IMS
- Funds: budgets coordinated by Finance, used as OPEX and CAPEX
- Energy: to run pumps for irrigation, lighting
- Water: chiefly for irrigation of the crop (source Komati and Umbuluzi rivers)
- Raw materials: seed cane for replanting, milo/ash amelioration



#### Highlights



Despite operating under extreme challenges, namely the wet weather, arson attacks and industrial actions, our people pushed the season to the end



#### Lowlights



- Reduced yields due to crop damage from violent hailstorms. The total area affected was 15 392 ha with 5 301 ha being severe
- Abnormal incidences of pests and diseases, resulting in reduced yields. The total area applied with pesticides to control these pests



- increased by 58.6% from 15 051 ha to 23 868 ha
- Unfavourable climatic conditions: Low radiation, excessive rainfall and extended rain days resulting in poor cane growth

Being a sugar producer makes growing cane one of our major natural capitals. A critical requirement for the ongoing sustainability of the Corporation is the appropriate management of land. Maximizing sucrose yields by managing all the growing processes for sugarcane production contributes to sustainability and growth.

During the reporting period, we developed and planted 832.6 ha of sugar cane against a target of 1 000 ha. The wet weather conditions made it impossible to work in the fields.

We also implemented the preventive approach in managing Aphid attacks on the crop, and through

this increased effort, we reduced the pest threat. The bulk supply of Agrochemicals in the limited storage facilities was maximised to ensure timely application in the fields.

### Crop Performance

The crop for 2022/23 marked the fourth year of performance being well below our long-term achievement levels. Climate change continues to be the chief instigator of this trend. This year's harvest season exceeded the optimal cut-off of early December, with the last field being delivered to the mill in the first week of February 2023. Excessive winter and summer rains were the architects of this development. Sucrose % was lower than for the previous year, while sucrose yield was marginally better. This is depicted in Figures 15 and 16.

FIGURE 15 - Cane Quality Comparison

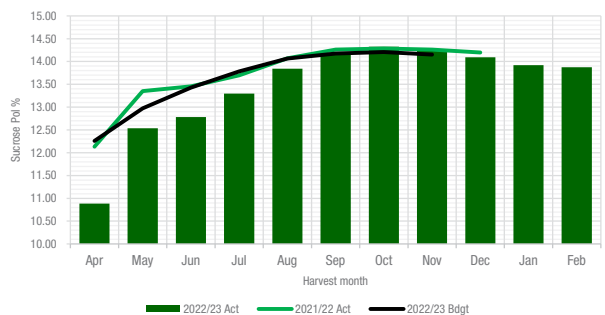
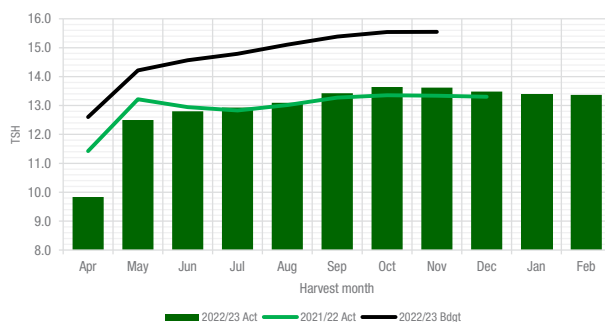


FIGURE 16 - Sucrose Yield Comparison



Summary	2022/23	2021/22	2020/21
Tonnes Estate Cane Crushed	1 987 152	1 899 844	2 025 819
Tonnes cane per hectare	96.4	93.7	100.8
Hectares Cut	20 620	20 093	20 093
Tonnes Sucrose	275 666	289 939	285 939
Tonnes Sucrose per hectare	13.4	13.3	14.2
Pol % Cane	13.9	14.2	14.1
Age	13.0	12.2	11.7
<b>Hectares</b>			
Under cane	22 444	21 655	21 096
New area planted	833	514	161
Replanted	1 238	1 982	1 881

All the cane on the estate is cut by hand, a practice that supports socio-economic development and job creation.



## 5.4 NATURAL CAPITAL - *continued*

### Agriculture - *continued*

The poor productivity in 2022/23 is attributed to the following:

**Low Radiation:** Figure 17 compares radiation against the LTM throughout the season. The total radiation received in the summer months (Sep - Feb) was below the LTM. Therefore, the crop could not grow optimally during this critical period. However, the total radiation received in the summer months was comparable to the 2021/22 season.

**Excessive rainfall and high rain days in the summer months:** Figure 18 shows the monthly rainfall received and rain days against the LTM. The results show that the total rainfall received in the winter and summer months was significantly higher than the LTM, with prolonged rain days. The combination of the increased rain days, excessive rainfall, and below LTM radiation subjected the crop to prolonged waterlogging conditions with no adequate sunshine - conditions which are not conducive for optimal crop growth.

**Severe Cane Lodging:** Cane lodging was experienced across the estate, where a total area of 15 392 ha was affected, with a net area of 5 301 ha severely lodged. The reduction in yield was caused mainly by the following:

- The side shooting of cane stalks which retards growth,
- Reduction in plant population from dead stalks, which are cane stalks that were broken during the storm,
- Depending on the crop stage and severity of the lodging, most of the cane stalks were not exposed to the sunshine for optimal growth, and
- Increased Eldana infestation levels - The cane lodging and excessive drying-off of the cane renders the stalks vulnerable to Eldana infestation, resulting in reduced yields and cane quality.

FIGURE 17 - Summer Radiation Comparison

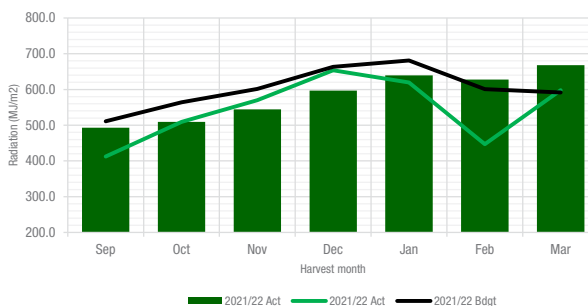
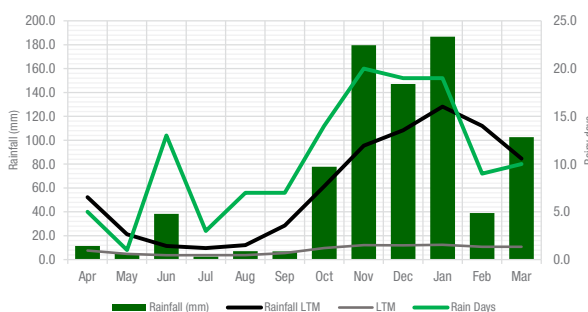


FIGURE 18 - Rainfall 2021/22 season



Uprooted cane stools from lodging due to the storm



Cane lying flat on the ground following heavy wind



Eldana damage on a cane stool



Eldana damage on a cane stalk

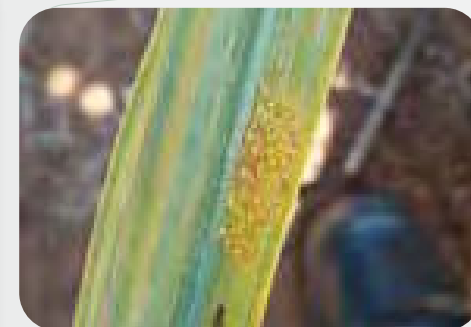
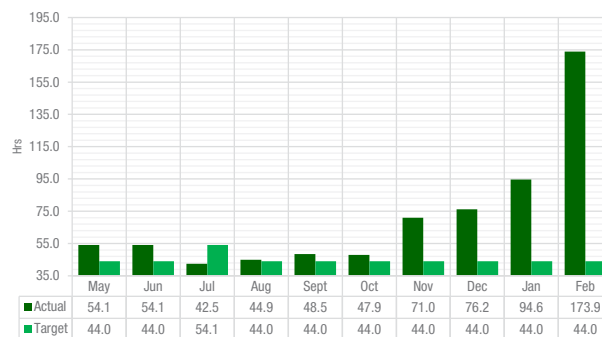
**Pests and Disease Outbreak:** The effects of the aphids and thrips on the crop were evident even this season, though not as severe as the last season. This is due to better chemical control. The total area applied with pesticides to control these pests increased by 58.5% from 15 051.7 ha last season to 23 868.4 ha this season. Previous SASRI publications indicated potential yield losses of up to 20% from these pests. Other factors contributing to the low cane quality include cane lodging on the early cuts and the early rains received in April 2022.

**Burn-to-crush hours:** Harvesting activities fall under agriculture. Figure 19 shows the monthly burn-to-crush hours for the 2022/23 season. Figure 20 analyses the unprecedented above-normal rainfall this winter season (April to June 2022). A total of 201 mm of rain was received against the LTM of 71 mm in the three months. This resulted in wet infield conditions, resulting in delays in harvesting and compromising the infield haulage operations. As a result, the total cane delivered in the three months was 49.9% below budget at 420 076 tons against 838 813 tons.

The period between November and February was also extensively wet (924mm at Mhlume and 715.3mm at Simunye). Again, harvesting operations were significantly curtailed. In February 2023 alone, the burn-to-crush delay shot to about 170 hours due to the significant rainfall received, which was, on average, above 500 mm.

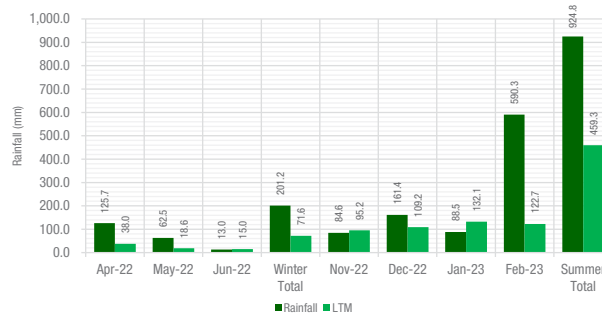
The impact of these long times is degradation in cane quality and will be revealed in a lower sucrose pol % and adverse sugar recoveries in the sugar mills. Harvesting costs increased significantly, while mill processing costs also shot up.

FIGURE 19 - 2022/23 Burn-to-crush hours



Aphids' infestation on a cane leaf

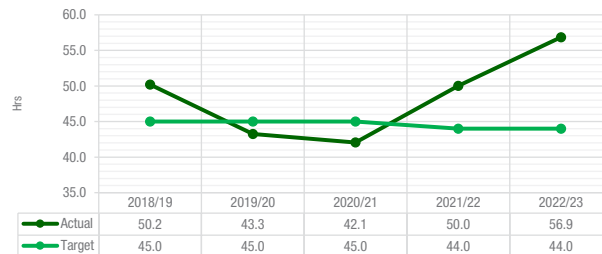
FIGURE 20 - 2022/23 Rainfall



The burn-to-crush times were also affected by two separate events. Firstly, during the latter part of the season, two illegal cane cutter strikes were experienced, which we assessed as being politically influenced. The cane cutters' strike lasted for a week. Secondly, there was a period whereby fuel became scarce, affecting our cane haulage contractors.

The burn-to-crush hours for the current season were thus highest in the last five years.

FIGURE 21 - 2022/23 Burn-to-crush hours



## 5.4 NATURAL CAPITAL - *continued*

### Agriculture - *continued*

#### March 2023 Storm damage:

Two violent rainstorms were experienced across the estates towards the end of March 2023, where a total area of 10 527.5 ha was affected. Of this area, 689.2 ha were severely damaged by hail. Learning from our experiences in the 2022/23 season, the cane from the severely affected area will be prioritised for harvest in the 2023/24 season to mitigate further loss in yield and quality. This mitigation will result in a change in the harvest program.

#### Progress on growth strategy

As part of our expansion drive, new cane land totaling 832.6 ha was planted during 2022/23, 441.8 ha at Homestead and 390.8 ha at Ekuthuleni, against a target of 1 000 ha. The target could not be achieved because of the excessive rainfall received late in the season.

Embedded in our strategy is the conversion of 600 ha annually from other systems of irrigation to sub-surface drip irrigation systems. The objective is to increase yield and save water. However, drip conversion was suspended in both the current and previous seasons because of the lower cash generation of the business due to adverse crop performances.



Damaged cane stalk from a hailstorm



Stalk hit by the hailstorm.

#### Other developments during the 2022/23 season

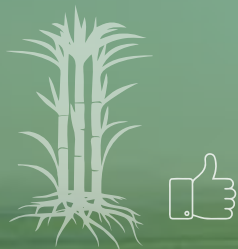
**Fatal Bus Accident:** There was a deadly accident on a contractor's bus ferrying cane cutters to work, in which seven cane cutters lost their lives. The bus failed to drive up a steep road after crossing a narrow bridge and thus reversed into the river.

**Arson Fires:** The season was characterized by rampant cane arson, affecting the daily harvesting plan. Fortunately, the illegally torched fields were dry fields that were almost due for harvesting.

#### Looking Ahead

The 2023/24 season is expected to be only slightly better than the 2022/23 season. The two storm events in March 2023, affecting almost 48% of estate cane, will again depress yields. Weather predictions point to a dry season with a general consensus amongst weather forecasters that the region will enter the El Niño cycle. On the upside, our dams are full, meaning the crop for future seasons will not be stressed. In the absence of significant and adverse exogenous events, we expect to return to our normal production levels in the 2024/25 season.





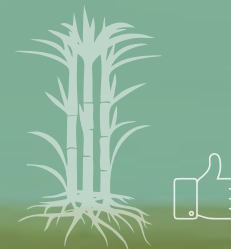
**22 444 ha**

area under cane



**1 987 152**

tonnes estate cane  
crushed



**275 666**

tonnes sucrose



**15 392 ha**

affected by severe  
cane lodging



**23 868 ha**

area applied with  
pesticides this season






**10 528 ha**

affected by two violent  
rainstorms

## 5.4 NATURAL CAPITAL - *continued*

### Water

Inputs from other capitals 	Highlights 	Lowlights 
<ul style="list-style-type: none"> <li>• Staff</li> <li>• Funds</li> <li>• Equipment</li> <li>• Relationships</li> <li>• Water</li> <li>• Energy</li> </ul>	<p>Water harvesting efforts were very successful, evident from the high dam levels on 31 March 2023 (Maguga dam -100.1%, Mnjoli -103.0%, Sand River Dam -98.5%)</p>	<p>Severe storms experienced in February 2023 resulted in bulk water and irrigation infrastructure damages in the newly planted areas at Homestead and Ekuthuleni. Damages were estimated at E7.4 million in terms of repair and/or replacement costs</p>

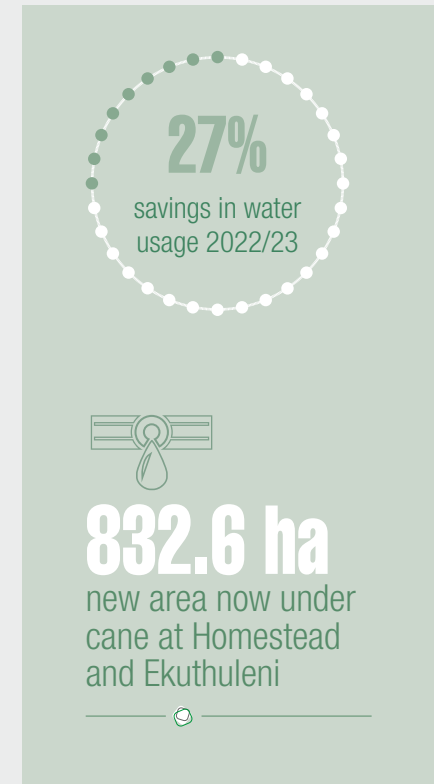
Water is a critical resource for sustainable growth of sugarcane and good quality products, therefore the supply of water to support cane growing operations must be managed optimally. The design and installation of irrigation systems, as well as the maintenance of the irrigation infrastructure is core to ensure healthy crops.

During 2022/23 we managed to construct bulk water and irrigation infrastructure to enable the planting of 832.6 ha of new cane at Homestead and Ekuthuleni farms. 27% savings in water was achieved compared to budget, as a result of efficient water use and also taking advantage of the above-normal rainfall received during the season.

#### New developments during the 2022/23 reporting period

- We continued with the strategic focus on increasing water storage capacity to enable harvesting and storing of more water to increase assurance of supply and to drought-proof the area under cane.

- This project entails raising the Sand River Spillway by 0.6 metres and increasing the pump station capacity from 5.2 to 7m<sup>3</sup>/s. Funding for the work is coming directly from all Mhlume Water consumers. The first phase was completed in 2021/22 and saw the pipeline installation and the construction of a discharge chamber.
- During 2022/23, progress was made on the second phase of the Sand River project, in which the installation of two vertical turbine pumps and construction of a Pump sump were completed.
- The project's next phase entails the supply and installation of a Motor Control Center (MCC) with 4x variable speed drives, complete with all related electricals. This work is planned for implementation during 2023/24. It will mark the completion of the Sand River Pump Sta-



tion Upgrade, which will result in an increase in the water harvesting capacity of the Sand River system by 2.7 million cubic metres.

- The final phase of the project will entail the raising of the spillway crest by 0.6 metres to ultimately increase the capacity of the dam by 4 million cubic metres.

## 2022/23 goals and targets

Goal Description	Target	Actual Achieved	Comment
Improve Water Use Efficiency (Mega Litres/Tonne of Sucrose)	0.60	0.44	Target Achieved
Complete phase 2 of the Sand River Pump Station Upgrade within set timeline, within allocated budget, to the right quality and in compliance with P3M framework	Procure 2 x Vehicle Turbine Pumps and construct Pump Sump	Sump completed, but Pump delivery delayed. New promised delivery date - August 2023	Delays in delivery of Pumps affected timely completion of project
Implement Bulk Water Supply and Irrigation infrastructure to support 1 000 ha development of sugarcane	Bulk Water Infrastructure and Irrigation infrastructure for 1 000 ha	Irrigation Infrastructure completed for 832.6 ha, with balance carried over to 2023/24	Wet Weather conditions affected timely completion of project
Water Delivery	98.5%	99.3%	Target Achieved and exceeded

### Goals and targets for 2023/24

1. Complete third and final phase of the Sand River Pump Station Upgrade project
2. Complete Installation of Irrigation infrastructure for 199.1ha New lands development

Challenges that hampered our activities during the reporting period included the wet weather, which affected progress on irrigation system installation, resulting in delays in planting. The unfavourable

Geopolitical situation also interrupted the smooth flow of operations and affected supply chain processes. This partly contributed to the delays in completion of projects. Lastly, our unfavourable financial position resulted in the deferment of some projects that are aimed at enhancing performance and productivity, namely the Pump Station 23 Upgrade Project.

### Dam Levels as at 31 March



Assurance of water supply is high on the agenda in our quest to improve the sustainability of the business, especially in relation to climate change



## 5.4 NATURAL CAPITAL - *continued*

### Livestock and game

#### Inputs from other capitals



For the department to meet its targets, we have to reduce the game numbers, which are competing with the livestock for nutrition. This affects the conception rate and the number of cattle we breed yearly as we have to reduce the breeding herd size to accommodate the increase in game numbers. We then need to mechanically clear the bush on the farm to counter the destabilisation of the health status of the veld. The proportion of trees to grass is high, yet cattle are grazers, not browsers, hence having a mulching machine, which opens the rangeland to have more grass compared to trees. A mulching machine to reduce bush encroachment at a high rate since we currently chemically control alien invasive plant species but at a slow rate. The mulching machine can cov-

er more ground at a faster rate. This will increase the carrying capacity of the farm

The capex budget for 2023/24 includes the installation of a solar-powered Borehole for the Mathangeni section. This will provide the section with reliable water because the turbine that is currently supplying water is old, with spare parts now difficult to source

The team needs team building to concentrate all their energy in the shared goal and make the department a high performing team. This will improve the culture of the department; the team is diverse and having a team building exercise will help people embrace the diversity in the team

#### Highlights



- The success of the cattle auction which was held in September 2022
- The below-budget mortality rate of animals on the farm
- Migration of IYSIS operations to SAP ERP in August 2022
- Benchmarking exercise with Gulland Farms in South Africa to see how the department is performing against beef industry standards

#### Lowlights



- The national ban on hunting has forced management to reduce the breeding size of cattle to compensate for the growth of the game as they are competing for the same natural resource
- The increase in the number of wire snares collected from the farm
- The intermittent closure of some parts of the business, such as butcheries due to the political unrest
- The ban on importation of clove-hooved animals from South Africa due to Foot and Mouth disease. We are unable to source good bulls in the country because there are no stud Brangus breeders. We source our breeding bulls from Mount Alice Farm in KZN South Africa

The Livestock and Game business is a vertically integrated livestock business that produces calf-crop, and adds value at the feedlot and abattoir to process the meat for our butcheries. We also have wildlife where we normally have the hunting season from May to August. Hunters may come with their friends and family to have an experience in the wild.

The ranch sits on about 19 000 ha, and rears about 2 000 head of cattle. The total number of game is about 18 400 head. The Red Brangus and Nguni are our main breeds. The feedlot gets its stock from two sources: cows that are culled from the ranch and another set that comes from private farmers and individual farmers from Swazi Nation Land in the fence line communities or elsewhere in the

country. The ranch covers the maintenance of biodiversity, custodianship, land stewardship, and a buffer zone for sugar fields. Sand River dam, which is a Ramsar site, and home to several water birds, is on the farm. Annually, we host ornithologists - bird lovers, who view birds on the dam edge.

In 2022/23 we had our first livestock auction in September, and it was a success. We received 15% more revenue than normal sales. Furthermore, at the butcheries, we changed the operating times and rebranded the image of the butcheries. This improved sales as we were able to meet our budget for the year 2022/23.

One of our main challenges was the poor conception rate due to poor nutrition as a result of the ban on hunting of game. The ban on importation of cattle from South Africa is compromising the genetic make-up of our Brangus breed because we are unable to bring in new bulls.

#### Game

Poaching is still a major problem due to economic pressures.

Lodges, although quieter than usual, were still active as the hospitality and travel sectors are slowly picking up.

#### Livestock and Game Targets

BREEDING	2022/23		2023/24
	Budget	Actual	Budget
<b>RANCH</b>			
Females Bred	1 200	1 072	1 079
Bulls Used	53	59	62
Bulling Ratio	19	18	18
Ha/LSU	5.5 ha/LSU	3.52 ha/LSU	5.5 ha/LSU
<b>Pregnancy Diagnosis</b>			
No Tested	1 100	1 084	1 079
No in Calf	880	749	862
Conception %	80%	69%	80%
<b>CALVING</b>			
Calves Born	825	665	800
Prenatal losses	55	65	40
Prenatal loss % (Cows tested)	5.0%	5.5%	5.5%
Calving %	75.0%	61.3%	74.0%
<b>MORTALITY</b>			
Deaths (includes stock theft)	137	115	123
Mortality %	6.5%	5.7%	6.1%
<b>OTHER ACTIVITIES</b>			
Invasive plant control	200 ha	161 ha	150 ha
Dipping	97.0%	95.6%	97.0%
Hay making	Fill both sheds	Both sheds were full	Fill both sheds
Body scoring condition	3.5/5	3.0/5	3.5/5
Prescribed burning and arson fire	950 ha	287 ha	900 ha

BREEDING	2022/23		2023/24
	Budget	Actual	Budget
<b>SALES</b>			
Internal	352 head	342 head	408 head
External	151 head	265 head	180 head
Rations	57 head	21 head	43 head
<b>FEEDLOT</b>			
Purchases	427 head	342 head	365 head
SALES; (Internal & external)	427 head	462 head	399 head
Average Daily Gain (ADG)	0.91 kg	0.62 kg	1.50 kg
Feed Conversion Ratio (FCR)	11.0 kg	20.1 kg	15.0 kg
Mortality	1%	1%	1%
<b>PROJECT FEEDLOT</b>			
Purchases	504 head	1 172 head	960 head
Sales (Internal & External)	504 head	880 head	924 head
Average Daily Gain (ADG)	0.78 kg	1.11 kg	1.50 kg
Feed Conversion Ratio (FCR)	12.80 kg	19.94 kg	15.00 kg
Mortality	1%	1%	1%
<b>BUTCHERY</b>			
Delcor and Hambanathi - Beef	63 630 kg	66 457 kg	76 355 kg
Ration contract - Beef	19 360 kg	1 301 kg	1 900 kg





## 5.5 MANUFACTURED CAPITAL

### Factories



What a challenging season for our factories, which had both started production on the same day but finished the cane more than 11 weeks beyond the original 30-week plan. The season was characterised by above-normal winter and summer rains, which caused extended stretches of slow crushing. This was compounded by two waves of cane cutters' strikes and national stay aways between September and November 2022, all culminating in the extension of the crushing season by an additional ten days of production time.

Soon after the latter cane cutters' strike, the summer rains came in abundance with their adverse operational effects, disrupting milling activities from week 28 to the end of the season. The Simunye factory crushed for 39 weeks and then

waited as standby, while the Mhlume factory continued to crush until 8 February 2023, ending what became a record 41-week season.

Under these conditions, two negative and material conditions permeated our milling operations for 2022/23:

**Reduced sugar recoveries:** deliveries to the mills were slow and constantly interrupted, with the lead indicator being high burn-to-crush hours. At the same time, the mills had to process cane from storm-damaged fields (see natural capital - agriculture). Consequently, sugar recoveries were adversely affected.

**High boiler fuel costs:** Wet harvesting activities meant cane deliveries to the mills were slow and often interrupted, which is highly inefficient for

sugar mills. Supplementary boiler fuels thus had to be procured in an environment where geopolitical inflation exacerbated the cost.

Cane crushed was 154 590 tonnes (5%) higher than for the 2021/22 season, with new cane area available for harvest.

We have continued with our strategic initiative to increase the capacity of the factories by adding two new A-centrifugal machines during the off-crop period. The improved capacity of the plants will enable us to sustain higher equipment efficiencies and improve the sugar throughput. Boiler 6 at the Mhlume factory received a new economiser, the performance of which will be assessed in the 2023/24 season.

## Consolidated Factory output (2023 versus 2022)

Quantity (tons)	2022/23	2021/22
Cane Milled (tons)	3 360 176	3 205 586
Sugar 96 pol (tons)	422 047	424 294
Sugar MTTQ (tons)	391 604	393 620
Refined Sugar MTTQ	151 003	138 237
VHP Sugar MTTQ	234 710	246 069
Demerara Sugar MTTQ	2 357	790
Overall Recovery	84.07%	86.77%

### Outlook

The future looks sustainable for the business. We are developing the necessary skills at both technical and management levels. Improving the plant performance by adding new equipment is key to our Simama 20-25 strategy, in which sugar volumes are maximised, while costs are minimised. In this regard, our efforts at continuously improving downtime and overall recoveries in our mills will continue to receive maximum focus. Apart from the 2022/23 weather-induced inefficiencies, our factories continue to perform exceptionally well compared to the peer group in the region.

Initiatives planned for 2023/24 include:

- Identification of a new colour-removal chemical to improve sugar quality.
- New pipework will be installed at the mud filters station to improve the filtration of mud.
- A E26 million capital provision has been approved for the Simunye mill to acquire a new mud-belt filter that uses new technology.

Our factories continue to perform very well in comparison with their 27 peers in Southern Africa. This year we have made some efficiency improvements as part of the factory upgrades, in line with our strategy.



**E26m**  
approved for  
mud filter upgrade



## 5.5 MANUFACTURED CAPITAL - *continued*

### Distillery

#### Inputs from other capitals



- Considering the distillery plant, staff, infrastructure, water availability and supply, and land etc, it is established and it has been there for ages
- The distillery needs good quality molasses as its feed stock and sustained steam and power supply

#### Highlights



Despite lower alcohol recovery per MT of molasses, one of the main outcomes in the season 2022/23 was that the distillery reduced its unit cost of production by E0.80 per litre, which helped in achieving the record gross margin of E127 million for the alcohol business

#### Lowlights



Poor quality of molasses and very frequent power failures

Although RES is fundamentally a sugar company, ethyl alcohol is becoming a viable alternative revenue stream. Our ethanol division has grown from strength to strength to become a major player in the international ethanol market, without losing its regional relevance. Our plant is engineered to produce superior quality extra neutral ethyl alcohol for high value application.

The annual molasses quantity, on average, has been revolving around 130 000 tonnes for the past 2-3 years, which, per the RES Business Plan, should have been 160 000 tonnes by now. This leaves the distillery offline for 3-4 months in a year.

A key milestone in 2022/23 was the modification and upgrade of our old 40 KL/day capacity distillation plant, which now has new multi-pressure vacuum technology and a new capacity of 69 KL/day. Integrated into it is an anhydrous alcohol plant

of 55 KL/day. The result of this is a major saving in energy costs as the new plant now operates at 2.6kg/litre steam consumption, compared to 5.4 kg/litre previously.

In the 2022/23 season, the distillery produced 32.5 million litres from 137 912 metric tonnes of molasses supplied by our two sugar mills. The alcohol recovery was 235.8 litres per metric tonne of molasses, compared to a budget of 245 litres per metric tonne and a 2021/22 actual of 238.6 litres per metric tonne. The lower alcohol recovery was due to the season's poor quality molasses and frequent power failures, leading to losses and re-processing affecting alcohol yields in fermenters.

For 2023/24 the distillery is targeting to produce 32.7 million litres from 133 379 metric tonnes of molasses at the conversion rate of 245 litres per metric tonne of molasses.



**E127m**  
ethanol gross margin



**32.5m**  
litres produced by the distillery



### Mananga Sugar Packers

A 50-50 partnership between RES Corporation and RCL Foods, Mananga Sugar Packers (MSP) specializes in pre-packing white, brown, castor and icing sugar in a state-of-the-art packaging facility in Mhlume, located inside the sugar mill premises. MSP employs approximately 190 employees, including seasonal and casual employees, who run the 24hrs/day operation.

MSP's business model begins from sourcing sugar from the Eswatini Sugar Association, and pre-packing both brown and refined sugar into different brands.

The catalogue of brands that MSP sells is wide with various house and retail brands. Pack sizes range from 500g to 25kg for both refined and brown sugar.

#### Production

During the year under review, Mananga Sugar Packers did not perform as planned due to the industry-wide unavailability of sugar during the financial year. As at the end of March 2023 MSP had packed 103 601 tonnes, compared to 117 939 tonnes in the previous year.

#### Sales and Marketing

As at the end of March 2023, MSP had sold 100 590 tonnes compared to 117 037 tonnes in the previous year.

	2023	2022
Contribution Margin (E/Tonne)	922	926
Fixed Cost (E/Tonne)	542	423
Net Margin (E/Tonne)	380	503
EBIT('000)	30 372	58 875

### Property Services

#### Inputs from other capitals

- An in-house staff complement of 69
- Support from other departments in the provision of plant and equipment for road and grounds maintenance, transport, electricity, & water
- Funding for operational and capital expenditure
- Procurement for sourcing of material (paint, cement, LPG, pipes, etc.) as well as acquisition of outsourced professional services

#### Highlights

- Installation of towers at strategic positions across the estate for improved surveillance and the deployment of the additional security service provider to stem the tide on copper theft and cane arson attacks
- Expansion of the plant nursery to improve the diversity of products

#### Lowlights

- Continued theft of fruits from the citrus business, causing losses amounting to more than E1 million
- Housebreaking and theft cases in the villages
- Vandalism and burnt houses mainly due to faulty electrical equipment used by some tenants. An awareness campaign has been rolled out to change the situation

Property Services provides housing, security, and various municipal services such as wastewater treatment, grounds maintenance, and solid waste removal - including management of the only engineered landfill in the Region.

#### Housing

During the year under review, we continued providing housing to employees and to third-party tenants, especially those providing services to the company. The average occupancy level for the year was 91% of the 5 749 commissioned buildings.

## 5.5 MANUFACTURED CAPITAL - continued

### Property Services - continued

#### Infrastructure Maintenance

Due to the age of the buildings, some built as far back as the 1950s, regular maintenance is required to keep the stock in as good and habitable condition as possible. This year we managed to continue our planned maintenance program, which seeks to reduce the maintenance backlog from about 1 200 to 900 units. Maintenance usually suffers from underfunding globally due to many pressing business requirements. Most maintenance works are outsourced and managed via contracts per agreed Service Level Agreements (SLAs).

#### Security

Crime generally rose due to sociopolitical developments, rising poverty, and arson attacks. A study was undertaken to benchmark with similar establishments. Security gaps were identified, and a plan was adopted to introduce additional security measures to mitigate the rising criminal activity. The new security arrangements resulted in improved turn-around times for fire control being drastically reduced from 30 minutes to just under 10 minutes to control spread and limit damage to cane.

#### Objectives & Targets

Our goals and targets for the year 2022/23 were:

- Review of the security offering in response to socio-political developments
- Integration of former IYSIS infrastructure into RES master data and management of this additional infrastructure
- Replacement of asbestos roof coverings in response to environmental concerns, especially with climate change causing more storm damages
- Improve cost control by achieving a surplus of E5 million and contribute to Simama 20-25

FIGURE 11 - Crime Trend over 5-year period

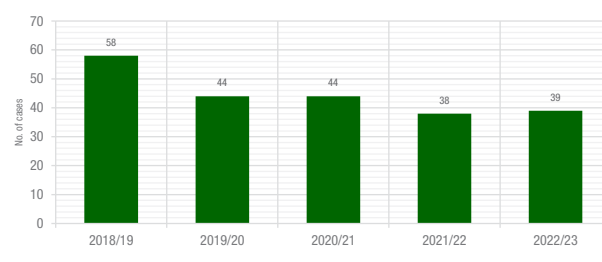


FIGURE 12 - Total Losses & Recoveries

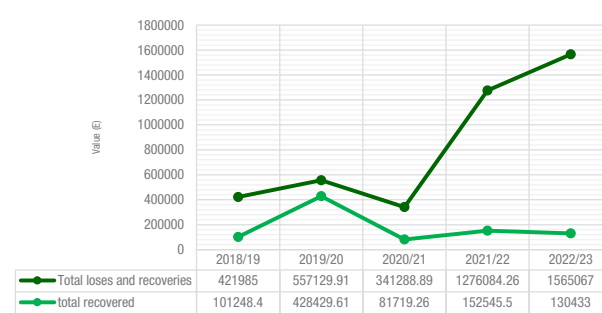
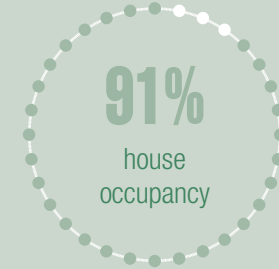
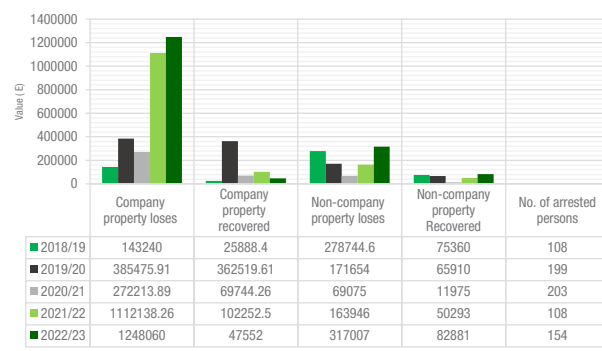


FIGURE 13 - Property losses over 5 year period



Unfortunately we were forced to suspend the asbestos roof removal project due to a bad business performance during the year.

**Achievements**

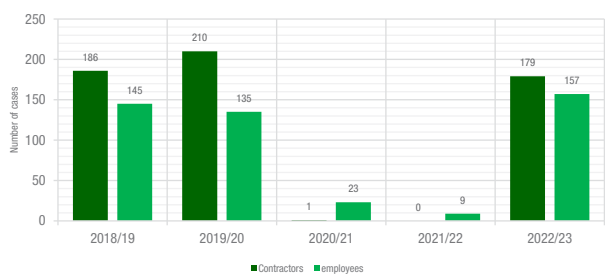
During the year under review, we managed to achieve the following:

- Incorporation of an additional 120 housing units into master data after the acquisition of former IYSIS (now Livestock and Game department) into RES.
- Deploying a security strategy to close identified security gaps related to:
  - o The increasing theft of copper at pump stations, as well as theft of fruit from the citrus business.
  - o Improving firefighting and response in the wake of unrelenting arson attacks
- o Improving social relations with our fence line communities in order to derive better safety and security outcomes, which are imperative for the sustainability of the communities and the business.
- Review of some of the outsourced services for alignment with cost control, in support of the Simama 20-25 drive. As a result, we achieved a E10 million surplus against a budgeted surplus of E7 million through a combination of suspension of some not very pressing initiatives, as well as continuation of insourcing some trades, e.g., buying paint and only outsourcing labour, and doing inhouse flyscreen fabrication instead of outsourcing.

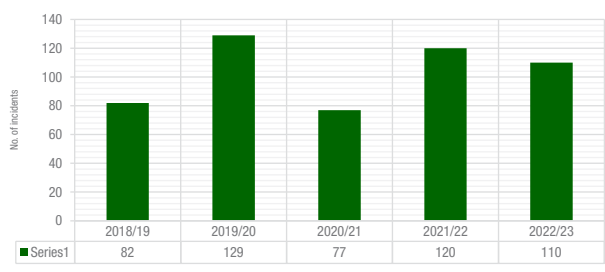
Our challenges to achieving our goals and targets were:

- Low-lying houses are prone to flooding in extreme wet weather which is becoming quite regular.
- As a result of cost challenges in the year, a capital budget earmarked for the replacement of a high percentage of houses still under asbestos roof sheets had to be suspended.
- Lack of funding for upgrading of wastewater treatment facilities to address effluent compliance with legislation. The investment required for this is very heavy and currently prohibitive.

**FIGURE 15 - Alco-test positive cases**



**FIGURE 14 - Fire Incidents Over 5-year period**

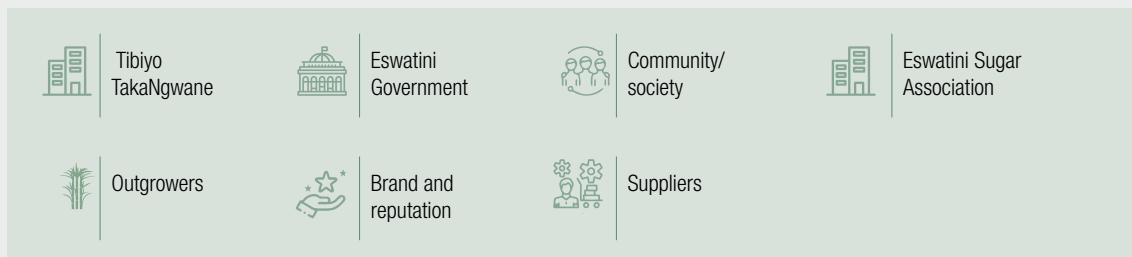


We put a substantial amount of effort into waste management as part of our activities aimed at improving sustainability of the business and the environment.





## 5.6 SOCIAL AND RELATIONSHIP CAPITAL



### Stakeholder Relations

#### Stakeholders

Strong and mutually respectful relationships with our diverse group of stakeholders is critical to the success and performance of our business. We engage with a wide variety of stakeholders on a regular basis. This engagement informs our thinking and decision-making, promotes mutually beneficial outcomes and manages the risks present in our business.

We continually monitor and affirm our social licence to operate, which we define as broad acceptance of our activities, through our stakeholder engagement. We have identified nine key stakeholder groups based on their importance to the Corporation and the influence they have on our business. Our stakeholder engagement programmes are tailored to suit the needs and expectations of each group.

Our stakeholders:

- Employees
- All Communities along our fence line
- Farmers (Growers)
- Human rights bodies
- Government and regulatory bodies (Ministry of Agriculture, Minister of Labour and Social Security, Environmental Regulator)
- Customers
- Tenants
- Teachers
- Suppliers

Part of our stakeholder engagement plan is to understand the issues important to our stakeholders and how RES can utilise the inputs from the stakeholders to enhance the value-creation process.

Education is our priority both as our corporate responsibility, but also as the RES employee value proposition. During this year we spent a total of E2 million on transporting children to and from school from across the RES villages.



Category	Material Issue	Material Issues Description	Stakeholder	What does RES want from the stakeholder?	What's important to the Stakeholder
Neighborhood	Increasing levels of poverty	Characterised by poor water and sanitation, high unemployment, inadequate health services, lack of facilities in schools, poor infrastructure (access roads to communities). If not addressed this could lead to high crime rates	Communities	<ul style="list-style-type: none"> <li>Understanding that RES is a neighbour that is open to mutual partnership and value sharing</li> <li>Better stakeholder satisfaction for mutual benefit</li> <li>Peace and stability</li> <li>Youth inclusion in development</li> <li>Understand that funding is not unlimited</li> </ul>	<ul style="list-style-type: none"> <li>Inclusion in decision making</li> <li>Positive response to all their requests</li> <li>Timely responses to requests</li> <li>Quick follow through to accepted requests</li> </ul>
	Land issues	Unhappiness over historical land allocations	Vuvulane farmers	<ul style="list-style-type: none"> <li>Understanding that RES is not the land allocation authority</li> <li>Understand that their success is also a success for RES and vice versa</li> </ul>	Resolution of land allocation issues
			Human rights bodies	<ul style="list-style-type: none"> <li>Appreciation and understanding that RES complies with all human rights conventions in relation to all surrounding community land issues</li> <li>Understanding that RES is not the land allocation authority</li> </ul>	Compliance to human rights and adherence to social ethics
	Unhappiness over historical relocations	Khuphuka, Mafucula, Shewula, Mnjoli	<ul style="list-style-type: none"> <li>Appreciate that relocations were not managed by RES but that RES fulfilled its role</li> <li>Understanding that RES is a neighbour that is open to mutual partnership and value sharing</li> <li>Support the idea of a sustainable partnership for mutual benefit</li> </ul>	<ul style="list-style-type: none"> <li>Economic empowerment e.g., farming, jobs</li> <li>Assistance with infrastructure development</li> <li>Want to be prioritized for employment and CSI opportunities</li> <li>Recognition and acknowledgement of community leadership structures</li> </ul>	
			Human rights bodies	Knowledge on how we engage with neighbouring communities	Compliance to human rights and adherence to social ethics
			Ministry of Agriculture	Clarify all matters relating to historical relocations for the communities' appreciation	Peace and stability for conducive business environment to enable sustainability
ESG	Environmental, Social and Governance issues	Our business is a by-producer of waste which is ultimately emitted into the environment which is shared with other stakeholders	Communities that share environment with us	<ul style="list-style-type: none"> <li>Understand that RES is committed to protecting the environment</li> <li>Actively participate in environmental protection initiatives</li> </ul>	Pollution free environment
			Environmental regulator	Support RES and communities in efforts to comply	Compliance
			Customers	Sustainable sales	High ESG compliance index
			Board	Support for implementation of ESG strategy	Successful implementation of ESG strategy
	Climate change as witnessed through extreme weather events	Board	Support for implementation of Climate Change Mitigation Strategy	Successful implantation of strategy	

## 5.6 SOCIAL AND RELATIONSHIP CAPITAL - *continued*

### Stakeholder Relations - *continued*

Category	Material Issue	Material Issues Description	Stakeholder	What does RES want from the stakeholder?	What's important to the Stakeholder
Customer Satisfaction	Real estate management issues	Affordable residential and commercial rental rates	Tenants	Compliance with lease agreements and general housing rules	Affordable and competitive rental rates
		Recognition and respect as part of RES Estate Community		Improved stakeholder relationship and satisfaction	<ul style="list-style-type: none"> <li>Stakeholder vs tenant relationship</li> <li>Improved communication and timely critical updates</li> </ul>
		Efficient and timely maintenance of properties		Adherence to maintenance rules, SLAs, regulations and procedures	Prioritised and standard treatment of all tenants
	Grower satisfaction	Timely availability of seed cane, Land preparation and planting equipment, Expanding revolving fund beyond Vuvulane, Annual review of transport subsidy for long distant farmers, Efficient harvesting & Bulk purchasing	Out growers	Increased volumes of cane delivered to the mills, Outgrowers sustainability & Change in the industry structure	Efficient service delivery, timely and positive response to all outgrowers' requests
		There is an issue of inconsistent punctuality of payments for sucrose due to RES system glitches	Growers	Customer satisfaction feedback, with understanding of the contractual obligations	Timely payments
Govt. Estate Schools	Schools issue	Teachers at schools have an expectation that RES will provide free housing	Teachers	<ul style="list-style-type: none"> <li>Appreciate the level of assistance extended to teachers in the form of housing subsidy and bonuses</li> <li>Education excellence</li> <li>Harmonious partnership with teachers and school leadership</li> <li>Compliance with housing lease agreements</li> </ul>	<ul style="list-style-type: none"> <li>Favourable treatment from RES</li> <li>Provision of affordable accommodation and transport</li> <li>Clarity on policies</li> <li>Engagement prior to implementing policies</li> </ul>
			Swaziland National Association of Teachers (SNAT)	Favourable treatment of their members	
Human Capital Acquisition	Increased rate of TRP application declined at Committee stage, which has a negative impact on our Talent Strategy as RES	At less than 1% of expatriates employed, the TLC insists on zero %. There is less appreciation from some members of the TLC on why some positions would have an expatriate as opposed to a local, hence the increase level of declined applications that we are experiencing of late , when applying for TRPS	Minister of Labour and Social Security Principal Secretary Training & Localisation Committee (TLC)	<ul style="list-style-type: none"> <li>Ministry's understanding and acceptance of what drives the industry and RES business model in terms of international skills requirements</li> <li>Labour Migration policy should be in place</li> <li>Appreciation of the Talent strategy wherein at times we would need to borrow that skill as RES to remain competitive, as a local company competing globally</li> </ul>	100% local staff complement by imposing one-size-fits-all on localisation and training
Supplier Issues	Sharply increasing interest in getting business with RES	Not getting or not getting enough business. There's a sharp increase in the number of businesses interested in RES tenders, more than the business can absorb resulting in disappointment	Current & potential suppliers	<ul style="list-style-type: none"> <li>Understanding that RES is an equal opportunity company</li> <li>Appreciation that RES tender system is not on a rotational basis</li> <li>We are guided by our tender process</li> <li>Operational requirements and ROI</li> </ul>	Fair access to business opportunities

## Communication



The corporate communication office is responsible for information dissemination in the business. We have various internal and external platforms for this. Internal channels include face-to-face meetings, lunches with the managing director, the managing director's walkabout, management brief, memos, news boards, digital billboards, podcasts and Chumana – a bulk SMS channel.

To increase our footprint with external audiences and to building our brand, RES subscribes to Facebook and LinkedIn. The RES Website is also part of the means to engage with our external stakeholders.

During the reporting period, we implemented a news bulletin platform (podcast style) which was initially audio bulletins of current activities and initiatives taking place in the business. We now have improved this platform to include video, which

will be published through screens that are strategically placed around the business, as well as on WhatsApp.

A challenge during 2022/23 was the disengagement among communication champions, now advocates, created a gap. We have relaunched the communication champion system, with communication advocates, who have been retrained to ensure more consistent content sharing and more efficient updating of the newsboard system.

### Goals and targets

- Consistent and timeous delivery of communication through our communication channels, i.e., the Management Brief
- Deploying different campaigns to address topical issues in the business, e.g., The Big Picture
- Increasing our social media footprint

- Increasing and encouraging employee feedback
- Ensuring that timeous communication occurs
- Conduct annual communication survey, as well as the Management Brief

With the many challenges that we faced not only as a company, but the country as well, communication was instrumental in ensuring that employees are regularly informed on the status of the flooding, and updating employees about safety during the political unrest.

## 5.6 SOCIAL AND RELATIONSHIP CAPITAL - *continued*

### Corporate Social Investment

#### Inputs from other capitals



The people doing the work, funds, internal and external relationships, building material sourced internally for the construction of structures required by stakeholders and the land constructed upon

#### Highlights



- The positive response internally on the requirement to be aligned on the need to focus on fence line communities as a priority
- Cooperation from community leaders in the initiation of new engagement platforms between RES and its communities, although still at its infancy
- Some traction on the conversations about historical land issues – land allocation and relocation, as highlighted in the 2022 Stakeholder plan
- Charity golf tournament hosted over two days vs usual one day as a result of increased interest, thus generating E132 000 more than the prior year

#### Lowlights



Influx of community requests following introductory engagements, particularly infrastructure requests primarily provided by Government. This highlighted need for further engagement to clarify/ determine viable development interventions. RES petitioned by one of the aggrieved communities due to historic land issues

#### Specific outputs during the reporting period were:



Number of market shelter beneficiaries – 4 shelters, 60 women



Number of community soccer beneficiaries – approximately 300 participants



Water projects beneficiaries – 580 people



Beneficiaries of the sanitation project – 120 people



Indigenous trees rescued from new land expansion and donated to government's Department of Forestry for replanting – 100 trees



Annual RES Siyakha 1800 Youth Soccer programme – approximately 4 000 participating children

The CSI department is responsible for building social capital by implementing activities and programmes that enhance social value, particularly through fostering positive company relations with communities and other stakeholders, corporate philanthropy, and internal and external community social welfare.

For 2022/23, the strategic focus was placed on neighbouring or fence line communities. Therefore, activities are aimed at creating and formalising engagement with communities in order to inform partnerships that will collectively address issues tailored by differing areas. A community perception survey was deployed to assist in developing a community engagement strategy. Alongside that, a women empowerment initiative, community soccer sponsorships, traditional leaders' lunch with

the managing director and senior management and a community sanitation project were successfully carried out.

Specific outputs during the reporting period were:

- Conducting courtesy leadership meetings with communities
- Hosting a lunch engagement with community leaders
- Community perception survey
- Crime prevention soccer tournament
- Community sanitation initiative
- Women empowerment project
- Donation of rescued indigenous trees for replanting
- Development of a corporate stakeholder engagement plan and subsequent tracking and reporting

During the next reporting period, we will focus on the development of a comprehensive community engagement strategy to inform CSI initiatives, projects, and programmes as informed by the community perception survey report.

One of our major challenges was the delayed completion of the perception survey due to political unrest disruptions.





Community Soccer Sponsorship

7 Market Shelters for  
neighbouring communities  
10 Boreholes  
Soccer tournament  
Free Swimming Lessons  
and more



Khuphuka Market Shelter



Indigenous Trees Donation to Department of Forestry for replanting

We stand by  
our obligation  
to contributing  
to the socio-economic  
development  
of the country



Lusoti primary teachers education excellence award



Community Soccer Sponsorship



**Because  
we care**



Maphiveni Sanitation Building Material Donation

## 5.6 SOCIAL AND RELATIONSHIP CAPITAL - *continued*

### Procurement

<p><b>Highlights</b> </p> <p>Review of the key commercial documents – tender policy and terms and conditions of purchase for goods and services</p>	<p><b>Lowlights</b> </p> <ul style="list-style-type: none"> <li>• Interruptions on the supply of coal which led to stock-outs and poor-quality coal The increased export coal market also resulted in sharp increases in the delivered price of coal</li> <li>• There were serious disruptions in the supply of vehicle fuel, which threatened the operations. Some key transporters could not honour their obligations</li> </ul> <p>due the lack of fuel in the country. Ad hoc transporters who had fuel, had to be sourced to supplement contracted hauliers</p> <ul style="list-style-type: none"> <li>• The number of vendor applications who failed on responsiveness increased from 43% to 49%, which necessitated the introduction of a vendor application document check list</li> </ul>
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During the reporting period we embarked on a couple of projects, which included the launch of an electronic auction system. The system was designed in such a way that internal and external bidders would be able to view items and offer bids. The adjudication of the bids is automatic, and it is designed to handle allocation of winning bids by the highest offer price or of allocation winning bids through random selection. The random selection is used when items on offer are sold at a fixed price, such as the redundant boiler or evaporator tubes.

Another project, which was launched was the deployment of an electronic platform for issuing requests for proposal documents. The platform makes it easier for tenderers to receive documents through cloud link, instead of sending documents through email, which has size limitations.

We also reviewed the Tender Policy and the Terms and conditions of purchase for goods and services.

The supplier application webpage was improved to include a document compliance checklist to assist potential suppliers to cross-check the completeness of their applications in terms of the required documents to be attached. The vendor assessment criteria were also published to assist potential suppliers to understand how their applications will be assessed.

1% of the total spend was saved through negotiations in tender pre-award, annual contract reviews and spot purchases.

#### Goals and targets for 2022/23

The vendor master was cleaned up to remove suppliers who have not been active for more than 12

months. Notices were sent to the remaining active vendors to update their registration documents in preparation for the periodic vendor assessment which will be in two folds. First assessment and classification exercise will be conducted off-site using the standard vendor evaluation criteria and supplier spend analysis. The second part will be on-site assessment of all vendors who have been classified as critical based on the off-site exercise.

#### Goals and targets for 2023/24

1. Periodic off-site and on-site supplier assessment
2. Drafting and publishing of an updated supplier manual. This will assist both existing suppliers and potential suppliers to understand the internal processes and policies in the supply chain.

## Outgrowers

### Inputs from other capitals

- Staff – the human resource needed to provide extension service, farm management service and pump maintenance
- Infrastructure – vehicles and tractors required for land preparation, replanting and pump maintenance
- Equipment – implements for land preparation, planting and pump servicing
- Relationships – with growers, directors for managed farms and other stakeholders providing service to growers
- Funds – to pay salaries and day-to-day running costs for the office
- Water – for irrigating the sugarcane crop

### Highlights

- Good rains which helped in reducing electricity costs and further increased dam levels
- All outgrowers were able to finish harvesting even though some finished very late in the season

### Lowlights

- Rain disturbances during harvesting
- Increased incidence of theft on growers' farms. Items stolen include electric motors, electric cables, fuel (diesel), agrochemicals (fertilizer & herbicides) and irrigation equipment e.g., sprinklers
- Increased crop damage by pests and diseases

RES provides extension service to all sugarcane growers, paying particular attention to small and medium scale growers, as well as farm management services to growers who, for various reasons, cannot manage the farms on their own. We also assist with pump maintenance services and provide a transport subsidy to long-distance growers, who are mainly in Malkerns and Sidvokodvo.

Specific challenges during the reporting period:

- Climate change challenges that come with storms, hailstorms, frost damage on cane, and new pests and diseases.
- Financial challenges in some farmer companies, which forced some growers to stop irrigating when the power supply was suspended. Some growers were unable to pay suppliers and employees' wages.
- Social conflicts among growers, which resulted in stopping critical operations on the farms.

The 2023/24 plan includes the development of a turnaround strategy for Umbane (Pty) Ltd, Hhohho and Kusile.

### Grower outputs and targets

Issue	Target 2022/23	Achieved	Target 2023/24
Increase TSH for outgrowers	13.5	13.5	13.8
Reduce burn-to-crush time	48 hours	59.08 hours	48 hours
Improve SLA audit score	80%	Audit is on-going	81%
Replanting to ensure outgrowers' sustainability	667 ha	659 ha	657 ha
Improve revolving fund utilization	87%	103%	88%
Improve transport subsidy	-	-	96%
Corporate governance trainings	-	-	250 Shareholders



# 1 373 023

Tonnes cane from Growers



# 190 116

Tonnes sucrose from Growers

Committed to creating  
and maintaining  
sustainable and  
mutually beneficial  
relationships with  
all our stakeholders



# SECURING VALUE THROUGH GOOD GOVERNANCE

RES is committed to best corporate governance practices and is guided by the code of corporate practice and conduct contained in the King Reports on Corporate Governance and other international guidelines on corporate governance.



Governance  
overview



Board  
committees



Our executive  
management

# OUR BOARD OF DIRECTORS

## RES SUBCOMMITTEES

Risk, Social and Ethics Committee

Remuneration Committee

Committee On Non-Executive Directors' Remuneration

Audit Committee



**DR AT DLAMINI**  
Chairman



**MS BUSANGANI MKHALIPHI**  
Member



**CHIEF ZIBUSE NDLANGAMANDLA**  
Member



**MR JAMES GULE**  
Member



**MR ROBERT FIELD**  
Member

### Dr A.T Dlamini, Chairman

Dr Absalom Themba Dlamini is the Chairman. He is the Managing Director of Tibiyo TakaNgwane, and a former Prime Minister of the Kingdom of Eswatini. He has held executive positions in various local institutions, such as the Central Bank of Eswatini, Eswatini National Provident Fund and the Industrial Development Company of Eswatini. He currently serves on other boards including Ubombo Sugar Limited, Mananga Sugar Packers and Royal Villas. He has received awards and honours from His Majesty King Mswati III, the President of the Republic of China in Taiwan and the African Lifetime Leadership Award in Nigeria.

*MBA, BCom*

### Ms Busangani Mkhalihi, Member

Busangani G. Mkhalihi is employed by the Ministry of Finance as Director of Public Enterprises Unit. She also worked for the Ministry of Agriculture under the Monitoring and Evaluation Unit. She serves on the Board of Directors of the Eswatini Royal Insurance Corporation, as well as the Asset Liability Matching & Investment and Risk Committees.

*IMBA, BCom, Dip. Accounting and Business Studies*

### Chief Zibuse Ndlangamandla, Member

Chief Zibuse Ndlangamandla is the traditional leader of Manyandzeni community in the Shiselweni District, Eswatini. He is responsible for providing strategic direction on the community's economic and social development matters. He is also a businessman and a farmer.

*Dip. Accounting*

### Mr Jameson Gule, Member

Jameson Gule currently serves as Tisuka TakaNgwane director. He has held several managerial positions, including being the former General Manager Corporate Affairs at Tibiyo TakaNgwane, prior to which he was Managing Director of The Eswatini Observer. He has also served as a director on the boards of The Eswatini Observer, Maloma Colliery Ltd, Eswatini Cane Growers Executive Committee, ESA Finance and the Eswatini Sugar Industry Board.

*MBA, CIS, Diploma in Business Studies, Dip. Farm Management, Cert. Finance Management*

### Mr Robert Field, Member

Robert Field is the Chief Financial Officer of RCL Foods Limited, a position he has held since July 2004. Prior to that he spent four years as the Commercial Director of Robertsons Homecare Proprietary Limited. Robert qual-

ified as a Chartered Accountant CA (SA) with Deloitte in 1996. He has spent his entire career within the Finance and commercial domain in the consumer goods industry.

*BCom (Hons), Chartered Accountant SA*

### HRH Princess Lomajuba, Member

HRH Princess Lomajuba is currently a director of the Eswatini Electricity Company, the Firearms Licensing Board and the Minerals Management Board. She previously worked as an Assistant Manager at Shoney's Restaurant in the United States where she honed her skills in the hospitality industry.

*BSc in Hotel, Restaurant and Tourism Management*



**HRH PRINCESS LOMAJUBA**  
Member



**MR ANDREW WESTERMEYER**  
Member



**MR GERHARD VAN DER WALT**  
Member



**MR SYLVA OKOLIEABOH**  
Member



**MR ZOMBODZE MAGAGULA**  
Member



**MR NICK JACKSON**  
Executive Member



**MR MIKE SHONGWE**  
Member

**Mr Andrew Westermeyer, Member**

Andrew Westermeyer has held various financial and commercial positions in RCL Foods and is currently the Financial Director for Sugar. After qualifying as a Chartered Accountant CA (SA) in 2002 he spent a year on secondment with Deloitte in Luanda, Angola.

*BCom (Hons), Chartered Accountant SA*

**Mr Gerhard van der Walt, Member**

Gerhard van der Walt is the Financial Director of RCL Foods Consumer (Pty) Ltd. He has more than 30 years' experience in the auditing, financial and commercial environment. He has considerable knowledge of the sugar industry and has been involved in several big capital and expansion projects. He also played a key role in the design and implementation of several grower financing schemes. He represents RCL Foods Sugar and Milling (Pty) Limited on several boards.

*BCom (Hons), Chartered Accountant SA*

**Mr Zombodze Magagula, Member**

Zombodze Magagula practices Law under the style Mlangeni and Company Attorney. He is also a consultant for United Holdings and its subsidiaries (insurance group of companies), a member of the Investment Committee of the Public Service Pensions Fund (PSPF), a member of the Board of Trustees of Sibaya Provident and Pensions Fund, and a Member of the Board of Directors of Standard Bank. He also serves on the Council of the University of Eswatini.

*LLB, LLM (Insurance Law), Master's in Sports Organisation Management, Post-grad. Dip (International Law)*

**Mr Nick Jackson, Executive Member**

Nick Jackson is the Managing Director and is the only executive Board member. He also serves on several other boards, including NERCHA, Mananga Sugar

Packers, the Eswatini Sugar Association and Business Eswatini. Prior to joining RES, he was the CEO of the Guyana Sugar Corporation in the Caribbean.

*BSc (Hons) Biochemistry*

**Mr Mike Shongwe, Member**

Mike Shongwe is a former career banker and is now a businessman and Eswatini franchisee of PostNet SA. He retired as Head of SBSA Community Banking Fund, a broad-based black economic empowerment (BBBEE) initiative after 38 years of commercial/retail banking, including seven years as Executive Director of Inhlanyelo 'Seed Capital' Fund. He has served on various boards and committees, including at inception a director of FINCORP, chairman of SEDCO and member of the government task force appointed to review and propose a framework for SME financing in Eswatini.

*MDP, Dip Creation and Development of SMEs*

**Mr Sylva Okolieaboh, Member**

Mr Sylva Okolieaboh serves on the Board since March 2023. He is a Financial Management Practitioner and a Programmer, currently serving as the Acting Accountant General of the Federation of Nigeria. His areas of interest are programming Budgeting and Accounting software.

*MSc (Public Financial Management), BSc Accountancy, Fellow of the Institute of Chartered Accountants of Nigeria (ICAN)*



## 6.1 GOVERNANCE OVERVIEW

During the year under review, the Board executed all its scheduled activities as set out in the Board Charter.

The RES Board has a unitary structure, comprising 11 non-executive directors (including one elected exclusively by small shareholders) and one executive director. The directors are not regarded as independent within the definition of King IV, as they are all shareholder appointees. We are of the opinion that this does not affect the Board's independence, as all non-executive directors exercise independent judgment in all Board deliberations in accordance with policies concerning directors' conduct. These policies are aimed at ensuring that directors perform their fiduciary duties diligently in the best interests of the Corporation and its stakeholders.

We review and enhance our governance structures and practices on an ongoing basis. Our aim is to incorporate recommendations on good governance that suit our circumstances and contribute to delivering sustainable growth in the interest of all stakeholders.

Corporate governance is the responsibility of both the Board and executive management, with a culture of good governance embedded throughout the organisation. The ultimate responsibility for good corporate governance rests with the Board of Directors.

The Board endorses the principles of fairness, responsibility, transparency, and accountability contained in the King Reports. At RES we aim at demonstrating how our practices are in accordance with these principles and contribute to the achievement of good governance outcomes.

In circumstances where application of any of the recommended King IV principles has been found to be unsuitable for the Corporation's circumstances, we put other controls in place, where necessary, to ensure good governance.

The Board follows a stakeholder-inclusive approach in its decision-making processes, having due regard to the interests of shareholders and other stakeholders. Concern for sustainability as a business imperative guides us in the formulation of our strategy.

The Policy on Powers Reserved for the Board of Directors and Delegated Authority has been maintained unchanged, and the Board has continued to delegate certain responsibilities on an ad hoc basis.

### Board responsibilities

The Board functions in terms of a Board Charter, which defines the Board's continued objective of providing ethical business leadership. The Charter regulates among others, the role of the Board as the custodian of corporate governance, the fiduciary duties and responsibilities of the Board and individual directors towards the Corporation.

We do not implement formal evaluation of the performance of Board members. However, performance is monitored and tracked through annual work plans formulated in accordance with the Board charter and subcommittee terms of reference. The Board is satisfied that during the year under review, it effectively carried out its responsibilities in accordance with the Board Charter.

The Board meets quarterly, and, when necessary, special meetings are convened from time to time. Members of the Executive Committee attend Board meetings, when relevant matters are discussed, to ensure comprehensive reporting to directors.

Management provides regular briefings on material issues to the Board. This enables the Board to monitor operational and financial performance of the business, key risk matters and major Corporation initiatives on an ongoing basis.

Mr Sylva Okolieaboh has replaced Mr Idris Ahmed who has retired as board member with effect from March 2023. We welcome Mr Okolieaboh on the Board and wish him a productive and pleasant period on the Board.

### Remuneration

Directors' emoluments are disclosed in the financial statements.



## Focus areas and highlights for the Board for the year 2022/23

The overall target of the Board is to provide Governance that supports and creates value at a profit (for shareholders/tax contributions), planet (environmental stewardship) and people level (socio-economic upliftment of our people and stakeholders)

FY2022/3 Focus and Delivering Value	FY2023/4 Focus
<ul style="list-style-type: none"> <li>We continued to provide leadership and direction on activities that are under the company's control, with focus on safeguarding the health and wellbeing of our employees and securing the sustainability of our business</li> <li>Providing strategic scrutiny of the long-term business plan embracing all aspects of the business and ensuring its relevance amidst the ever-changing environment</li> <li>Continued monitoring of execution of RES's strategy. In line with our defined strategic themes, we continued with our focus on cost optimisation and improving efficiencies through various cost management initiatives, innovation and technology, new products/markets (i.e., investigating ethanol business opportunities) and organisational culture (driven by the Human Capital division)</li> <li>Overseeing major capital investments/projects: Phase III of the Mhlume 440tch expansion project which was completed on time and within budget. Phase IV works were started but had to slow down and push back some of the expansion projects in light of the company's difficult trading conditions</li> <li>Information and Technology Governance oversight: To enhance efficiencies, the Board supported the digital transformation of the business and the use of technology to improve overall business performance. Focussed oversight in relation to design and implementation of the next ERP</li> <li>Applied good governance practices: Reviewed and approved RES Board charter, subcommittee terms of reference, Legal and Regulatory Compliance Policy, Code of Ethics, Directors' Code of Conduct and Corporate Citizenship Policy. Ensured ongoing management of conflict of interests</li> <li>Ensuring directors' continuing professional development – corporate governance training</li> <li>Stakeholder engagement, especially with suppliers/customers industry players, Government and neighbouring communities. Material issues mainly related to managing scarce expat skills critical for the expansion. Engagements with the Competition Commission in pursuit of the business' strategic objective to expand its portfolio of assets (acquisitions)</li> <li>Ensuring value creation for RES stakeholders: Paid dividend to shareholders, albeit lower than the dividend paid in the prior year, meeting our responsibilities as a responsible corporate citizen (empowering and supporting local businesses through local procurement wherever possible, corporate social investment aimed at improving the livelihood of neighbouring communities), rewarding employees for their contribution towards sustainable growth and profitability of the business/ensuring the health and safety of company employees and other social partners</li> <li>Operational and financial resilience amidst challenges in the form of natural/climate related disasters, social unrest, war in Ukraine, interest rates escalation and high inflationary cost increases</li> <li>Debt-to-equity review and revised dividend payment profile to support the long term sustainability of the business, through cost and cashflow management</li> </ul>	<ul style="list-style-type: none"> <li>Continue to provide oversight and support on strategy implementation and identify areas of risk and opportunity in leveraging growth, improvement and value creation</li> <li>Closely monitor management action plans to contain costs, capital allocation and improve operating performance</li> <li>Review and monitor ongoing optimisation of the RES business portfolio</li> <li>Value add for shareholders- payment of dividends and stakeholders</li> <li>Continued focus on and monitoring the company's digital transformation and mitigation of cyber security risk</li> <li>Monitor and respond to developments in the sustainability and climate-related financial reporting landscape to ensure RES has the appropriate resources and controls to meet stakeholder requirements</li> <li>Support management in improving efforts aimed at achieving and sustaining a safe working environment</li> <li>Provide oversight and monitor management's response plans to key strategic focus areas such as sustainable energy generation, (to mitigate the risk of electricity supply) related risks and opportunities</li> <li>Provide guidance to management and monitor mitigation of climate-related risks</li> <li>Sustainability performance and reporting, particularly regarding ESG issues and focus on meeting sustainability expectations/ requirements for funding green projects</li> <li>Maintain strong and collaborative relationships with the government and regulatory bodies</li> <li>Directors' continuing education – to ensure the board has an adequate mix of skills, experience and attributes necessary to support the Company's strategy and agile response to the VUCA world</li> </ul>

## 6.1 GOVERNANCE OVERVIEW - *continued*

### Outcomes, highlights, lowlights and challenges

#### Outcomes achieved



- Human capital was enhanced by progress made in creating a diverse and talented workforce and created career opportunities for our employees (through our investment in training and development)
- Paid a dividend to shareholders, albeit below the prior year's dividend paid to shareholders
- The use of cash flow generated by our operations to fund a portion of the growth projects
- By paying our taxes we create financial value that the government can convert into social value
- By complying with legislation and regulations and adhering to good corporate governance practices we protect our licence to operate, and we preserve value (positive reputation)
- Social Capital - Through our corporate social investment activities, RES contributed to improved quality of life for neighbouring communities (access to clean water, market shelters)
- Natural capital - Approval of renewable energy project which will have long-term impact for the environment



#### Highlights



- Acquisition of a stake in Enviro Applied Products
- Ethanol business performance
- Resilience of the business, despite adverse trading conditions



#### Lowlights



- Deferment of a portion of the 2022/23 approved growth projects
- Deterioration in safety performance (high DIFR), especially the death of seven contractor employees in a bus accident
- Disappointing production and financial performance (low profitability/high production costs)
- Interruption to operations due to bad weather and social unrest
- Negative impact on financial capital due to lower production and cost increases driven by inflation



#### Main challenges



- High interest rates
- Unfavourable climatic conditions
- Strained relations with neighbouring communities that threatened the water pipeline project
- Russia and Ukraine conflict continued to negatively impact costs (Higher procurement expenses)
- Increasing inflation on input prices





## 6.2 BOARD COMMITTEES

### BOARD SUB COMMITTEES

#### Risk, Social and Ethics Committee

ZR Magagula - *Chairman*  
 Chief ZN Ndlangamandla  
 N Jackson  
 MSM Shongwe  
 S Okolieaboh (*appointed in March 2023*)

#### Remuneration Committee

AT Dlamini - *Chairman*  
 R Field  
 ZR Magagula

#### Audit Committee

IG van der Walt - *Chairman*  
 B Mkhalihi  
 JN Gule  
 A Westermeyer

#### Committee on non Executive Directors' Remuneration

AT Dlamini - *Chairman*  
 NM Jackson  
 L Masango

### Board and Board Committee attendance 2022-23

Board Member	Nature of Meeting							
	Board		Audit		Risk		RemCo	
	SM	AM	SM	AM	SM	AM	SM	AM
Dr AT Dlamini <sup>1</sup>	4	3	-	-	-	-	2	2
Chief ZN Ndlangamandla	4	4	-	-	3	3	-	-
IG van der Walt <sup>2</sup>	4	4	4	4	-	-	-	-
ZR Magagula <sup>3</sup>	4	4	-	-	3	3	2	2
MSM Shongwe	4	4	-	-	3	3	-	-
JN Gule	4	4	4	4	-	-	-	-
NM Jackson <sup>4</sup>	4	4	-	-	3	3	-	-
R Field	4	4	-	-	-	-	2	2
B Mkhalihi	4	4	4	4	-	-	-	-
I Ahmed <sup>5</sup>	3	-	-	-	-	-	-	-
HRH Princess Lomajuba	4	4	-	-	-	-	-	-
A Westermeyer	4	4	4	4	-	-	-	-
A Adeyemi <sup>6</sup>	-	3	-	-	-	-	-	-
S Okolieaboh <sup>7</sup>	1	1	-	-	-	-	-	-

#### Legend

**SM:** Number of scheduled meetings held during the period in which the director was a member of the Board and/or Board committee.

**AM:** Number of scheduled meetings attended by directors as a member of the Board and/or Board committee – Not applicable to alternate directors.

- Board and Remuneration Committee Chairman
- Audit Committee Chairman
- Risk, Social & Ethics Committee Chairman
- Managing Director
- Retired in March 2023
- Alternate to I Ahmed; attended three meetings in his stead and retired in March 2023
- Appointed as I Ahmed's replacement in March 2023

## 6.2 BOARD COMMITTEES - *continued*

### Current and Future Focus of Board Committees

#### AUDIT COMMITTEE

##### Mandate

To assist the board of directors in exercising its oversight role with respect to:

- preparation of accurate financial reports and statements in compliance with International Financial Reporting Standards,
- internal and external audit,
- applicable regulatory requirements,
- internal financial controls,
- financial risk management, and
- safeguarding RES assets

##### FY2022/3 Focus and Delivering Value

- Considered and recommended Board approval of Interim and Annual Financial Statements for the reporting period
- Monitored effectiveness, objectivity, independence and quality of external auditor
- Approved SNG Grant Thornton's 2022/23 external audit plan and satisfied itself as to the appropriateness of key audit risks identified
- Considered and approved the risk based Annual Internal Audit Plan and monitored the effectiveness of the Group Internal Audit function with regards to execution of its plan, coverage and overall performance
- Interrogated actions taken by management with respect to adverse internal and/or external audit findings
- Ongoing monitoring of financial risks and compliance with company approved financial risk management policies, i.e., Treasury and Hedging Policy
- Monitored the Company's compliance with legal requirements, with particular focus on compliance with tax legislation, Company law as well as adherence to International Financial Reporting Standards and reports on good corporate governance, particularly the King Reports
- Received reports on new and/or proposed legislation which has an impact on the company as well as a litigation status report
- Satisfied itself as to the appropriateness of the accounting treatment of biological assets
- Considered the nature and extent of non-audit services provided by the external auditor
- Satisfied itself as to the adequacy of expertise, resources and experience of the Finance function

##### FY2023/4 Focus

- Continue to focus on ensuring the effectiveness of RES's financial systems, processes and internal financial controls
- Monitor management's implementation of relevant changes to International Financial Reporting Standards
- Review of new IFRS standards with an impact on RES and take steps towards implementation preparedness and to ensure that all material risks are addressed
- Monitor the organisation's control environment
- Monitor legislative and regulatory developments with a risk impact on RES. Interrogate matters relating to legislative and regulatory risks across the Group and monitor the action plans in place to ensure compliance with the various regulatory environments
- Continue to review relevant submissions and reports issued by assurance providers – internal and external
- Review RES's Internal Audit Charter
- Assess external auditor independence
- Determine adequacy of the Finance resources
- Focus on Committee's responsibilities with respect to Integrated Reporting and ESG matters
- Compliance with regulatory requirements including ESE, technical IFRS, as well as ERS requirements
- Monitoring RES's working capital requirements, liquidity and solvency

## RISK, SOCIAL AND ETHICS COMMITTEE

### Mandate

To assist the Board in:

- setting the tone for an ethical organisational culture,
- overseeing risk management,
- ensuring that management has in place policies, processes and procedures to manage the significant risks to which the company is exposed, and
- exercising oversight on safety and health in the workplace, environment and quality issues

### FY2022/23 Focus

- Reviewed the top risks and considered management's action plans to mitigate risks contained in the enterprise-wide risk register
- Monitored RES's practices and manner in which the company protects, enhances the natural environment in which it operates to ensure sustainability of the business
- Interrogated fraud and corruption reports and adequacy of corrective action taken
- Received and considered management reports on risks affecting delivery of RES's strategy
- Monitored and reviewed company's performance on occupational health and safety &, quality management systems
- Overseeing the management of technology and information and monitored the company's digitalisation programme, which saw the successful implementation of key IT projects
- Oversight and review of the governance of risks facing RES, especially in view of social unrest in RSA/ Eswatini, the Covid-19 pandemic and Ukraine crisis
- Leveraged technology and digitalisation as a strategic enabler
- Oversight of management's efforts on management of new ways of working developed in response to covid 19 pandemic and future working trends
- Assessed management's strategy to strengthen stakeholder relations in the pursuit of harmonious coexistence with neighbouring communities
- Oversight and focus on ensuring technology and digitalisation are appropriately applied to improve efficiencies and costs

### FY2023/24 Focus

- Continue monitoring risks to achievement of RES's strategic objectives. Specific attention will be given to health and safety to reduce the DIFR, business continuity, security of company assets in light of arson attacks triggered by social unrest, talent management to ensure availability of skills for expansion in the context of challenges encountered with expatriates' work permits; impact of the Ukraine crisis on operations and implementation of Growth projects
- Improve our corporate reporting on ESG matters
- Ongoing monitoring of fraud and corruption reports
- Ongoing monitoring of ethical conduct and whistle blowing reports
- Cyber security risk mitigation
- Implementation of Digital Transformation and ERP upgrade project
- Ensure appropriateness of IT spend and benefits realisation in line with the company's P3M framework
- Track developments in environmental and sustainability legislation and best practices and monitor compliance action plans
- Embedding an ethical culture across the business
- Monitor management activities to strengthen stakeholder relations and create sustainable and impactful value for neighbouring communities
- Monitor and review the Group's commitment to being a responsible corporate citizen, particularly in the context of ESG matters
- Monitor and evaluate the effectiveness of the cybersecurity strategy and critical risks facing the business regarding technology, the automation of processes and digitisation

## COMMITTEE ON NON-EXECUTIVE DIRECTORS' REMUNERATION

### Mandate

To consider and review non-executive directors' remuneration

### FY2022/3 Focus and Delivering Value

Reviewed Non-Executive Directors' remuneration

### FY2023/4 Focus

Ensuring non-executive directors' remuneration is fair and reasonable and suitable for RES's circumstances

## 6.2 BOARD COMMITTEES - *continued*

### Current and Future Focus of Board Committees - *continued*

#### REMUNERATION COMMITTEE

##### Mandate

To assist the board of directors through recommending remuneration strategies that ensure a proper balance in attracting, rewarding and motivating human capital to drive the Group's long-term strategy and sustainable performance whilst creating shareholder value

##### FY2022/3 Focus and Delivering Value

- Approved cost of living adjustments for executives
- Succession planning
- Oversight on executives KPIs/performance

##### FY2023/4 Focus

- Oversight of succession planning at executive and MD level
- Monitor overall company performance vis-à-vis payment of short/long term incentive bonus
- Executives KPIs and ensure inclusion of sustainability performance targets
- Talent risk management given challenges with retention of critical expat talent
- Monitor the development of measurable ESG performance targets and their implementation

#### Board Induction and Development

RES is committed to the continuing development of its directors and to supporting them in building on their expertise and developing a more detailed understanding of their responsibilities.

Newly appointed directors undergo an induction programme to facilitate their understanding of the sugar industry, business environment and markets in which the company operates, as well as information on directors' roles and responsibilities in terms of regulatory requirements and best practice (King Reports on Corporate Governance). This programme also includes information on Group structure and long term business strategy, financial and non-financial performance, reciprocal expectations, corporate policies and procedures, and familiarisation through site visits and consultation with senior management.

Open dialogue is encouraged between individual Board members and the MD and other members of the management team to enable directors to gain a better understanding of the Corporation and its operations.

Directors receive briefings on new legal developments and changes in the risk and the general business environment on an ongoing basis.

#### Internal Audit

RES manages significant risks affecting the Group and the business environment in which it operates by maintaining internal controls and systems designed to provide reasonable assurance against material misstatement or loss.

The internal audit function monitors the system of internal control and reports its findings and recommendations to management and the Audit Committee. The purpose, authority and responsibility of the Internal Audit function are formally defined in the Board-approved Internal Audit Charter. The annual audit plan is based on an assessment of risk areas identified by internal audit in liaison with management as well as areas highlighted by the Audit Committee.

The work undertaken during the year included reviews of high risk areas which include:

- Fixed assets
- Procure to pay
- Sugar receiving
- Warehouse and dispatch
- Ethanol marketing & logistics
- Cane production, harvesting and haulage operations
- Stores operations.

Fraud awareness and prevention initiatives continued.

#### Shareholder Engagement

The Corporation is committed to communicating and engaging with shareholders, and pursues this interaction in line with the King VI principles on stakeholder management. Shareholders are provided with an update on the Corporation's performance at the Annual General Meeting at which shareholders have the opportunity to ask questions.

The Corporation also undertakes proactive engagement with institutional shareholders on a continuous basis and we employ a variety of both formal and informal engagement processes to ensure alignment with the interests of shareholders and to enable an understanding of their views.

#### Ethics

Our fundamental policy of conducting business with honesty, integrity and in accordance with the highest legal and ethical standards, is central to our operations. The Board's Code of Conduct guides the ethical and behavioural standards to which the Exco adheres in carrying out its duties

and responsibilities in a manner that is consistent with effective corporate governance practices.

RES records its pledge to promote and enforce ethical business practices and standards throughout the Corporation in its approved Code of Ethics, its guide in day-to-day decision-making processes. All employees are expected to comply with the principles and ethical standards defined in the Code as well as with various other policies and procedures which support it. These include, among others, policies on conflict of interest, “whistle-blowing” and fraud prevention.

The Corporation does not engage in or accept or condone any illegal acts in the conduct of its business and operates a “whistle-blowing” line managed by an independent firm of auditors.

This line provides an impartial facility for all stakeholders to anonymously report fraud, statutory malpractice and other crimes, unsafe behaviours, deviations from procurement policies or any other deviation from ethical conduct. All matters received via the line are investigated, appropriately resolved and reported upon to the Risk, Social and Ethics Committee.

**Controls**

The Corporation conducts a number of reviews to determine the effectiveness of its internal controls, procedures and systems. Reviews undertaken during the year relate to:

- Information management environment
- Reliability and integrity of financial and operating information
- Safeguarding of assets, including fraud prevention, and effective use of the Corporation’s resources

No material internal control weaknesses were noted from these reviews. Corrective action was taken as and when control deficiencies or opportunities for improvement in the systems were identified. Based on these reviews, there is reasonable assurance that an effective system of internal controls and risk management is in place.

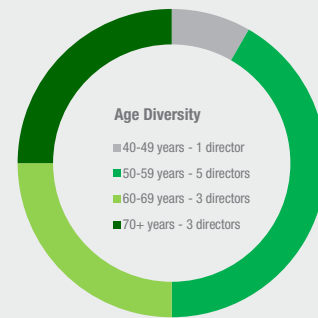
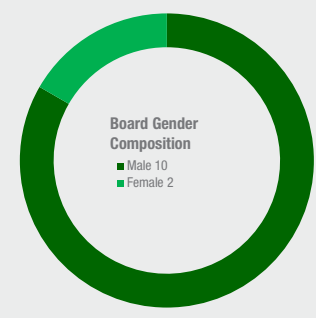
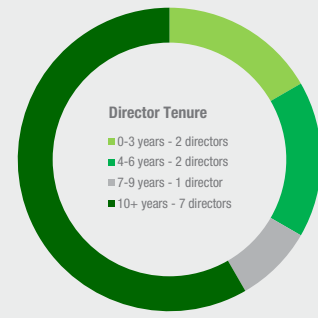
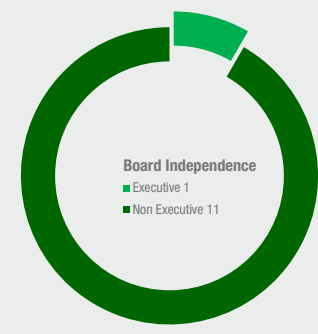


**6.3 BOARD COMPOSITION**

**Board skills and expertise**

For effective functioning of the Board and its Committees, it is critical that the Board includes the necessary skills and expertise. Between the various Board members, the Board possesses skills and expertise in:

- Executive and strategic leadership
- Finance, Investments/Mergers, and acquisitions
- Operations management
- Sugar industry/ethanol business
- Corporate governance
- Human capital, talent development and industrial relations
- Banking
- Sustainability
- Environmental management/climate change
- Risk/compliance management
- Stakeholder management
- Board experience in a listed company
- International trade/business
- Diplomatic relations management
- Public relations/communication





## 6.4 OUR EXECUTIVE MANAGEMENT

On the Executive level, key management decisions are made by the Managing Director (MD), who in terms of the Policy on Matters Reserved for the Board and Delegated Powers has been delegated authority on a wide range of matters in relation to financial, strategic, operational, governance, risk and other functional issues.

The MD has in turn delegated authority to senior management committees (which include Exco, the Tender Committee, the Risk Management Executive Committee and the IT Steering Committee) and individual members of the management team who assist the MD in guiding and controlling the overall direction of the business and monitoring business performance. Where necessary, ad hoc management committees are put in place to focus on and monitor issues of strategic importance to the Corporation. The MD, however, remains accountable to the Board for all authority delegated to him.

The senior management committees and/or senior managers act to:

- Translate and implement the Corporation's strategic direction in an operational plan,
- Monitor its successful implementation and the achievement of performance in accordance with agreed-upon budgets and timelines,
- Oversee human development and succession planning in order to develop future leaders for RES,
- Allocate human resources throughout the Corporation, and
- Ensure that appropriate IT systems exist to support business operations and to provide useful management information to facilitate effective decision-making.

Regular management meetings, including monthly Exco meetings, are conducted to monitor these aspects in order to address day-to-day operational challenges, strategic business issues, sustainability and strategic project developments.

## OUR EXECUTIVE MANAGEMENT TEAM



**MR NICK JACKSON**  
Managing Director



**MR MUHAWU MAZIYA**  
General Manager Commercial





**MR PATRICK MYENI**  
General Manager Operations



**MRS BONISIWE MASUKU**  
Group Human Capital Manager



**MR DUMISANI DHLIWAYO**  
General Manager Finance

**Mr Nick Jackson - Managing Director**

Nick Jackson is the Managing Director. He serves on several boards, including those of NERCHA, Mananga Sugar Packers, the Eswatini Sugar Association and Business Eswatini. Prior to joining RES, he was the CEO of the Guyana Sugar Corporation in the Caribbean.

*BSc (Hons) Biochemistry*

**Advocate Muhawu Maziya - General Manager Commercial**

Advocate Muhawu Maziya's exposure spans across disciplines and industries such as Law, Academia, Insurance, Sugar, Ethanol, Maize, Financial Services, Regulation and Alternative Dispute Resolution. He has served as Director at Nedbank Eswatini and Newera, respectively. He is Chairman of Eswatini Royal Insurance Corporation and has been Chairman of the National Maize Corporation, The Insurance and Retirement Funds Board and the Financial Services Regulatory Authority, respectively. He serves on the ESA Council and various subsidiary boards of RES. He has been Head of Law (UNESWA), and Deputy Executive Director (FSE&CC) and is a published author.

*Dip. J. Dip. IR, BA Law, LLB, LLM, Advocate*

**Mr Patrick Myeni - General Manager Operations**

Patrick Myeni joined RES as a Trainee in 1981, was appointed Section Manager in 1987 and moved up the ranks to General Manager Agriculture in 2007. He was appointed Chairman of the Eswatini Electricity Company Board of Directors in April 2023. He also serves on a number of committees, including Eswatini Fuel Pricing, National Adaptation Strategy and Eswatini Sugar Association Council.

*BSc, MBL, MSc Agric Mechanisation*

**Mrs Bonisiwe Masuku - Group Human Capital Manager**

Bonisiwe Masuku served as General Manager, HR & Administration at the Central Bank of Eswatini from 2017, prior to which she was Head Human Capital at Standard Bank Eswatini for almost six years. She has almost 20 years' HR experience and has worked for FSE&CC (now Business Eswatini), EPTC, Peak Timbers, ENPF, ESWADE. She is currently a Board member of Eswatini National Petroleum Company, Financial Services Regulatory Authority, and was a part-time lecturer for UNESWA from 2015 – 2019.

*MBA, PDM HR, PGCE, BA*

**Mr Dumisani Dhlwayo - General Manager Finance**

Dumisani Dhlwayo joined RES as a Financial Manager in 2005 responsible for the business planning and reporting functions of the Corporation. In this role he gained invaluable 'coalface' experience of the integrated business. Prior to joining RES, he worked at KPMG, Dunlop Tyres and Deloitte. He is a member of a number of bodies, including the Eswatini Sugar Industry Council, Mananga Sugar Packers (Pty) Limited and Quality Sugars.

*BCom (Hons), CA(Z), CA(SA), MBA*

A large industrial facility, possibly a refinery or chemical plant, is shown under construction at dusk. The structure is complex, featuring multiple levels of scaffolding, pipes, and structural steel. In the foreground, there are several large, cylindrical storage tanks and a semi-trailer. The sky is dark, and the overall scene is dimly lit, with some lights visible on the facility. A semi-transparent white text box is overlaid on the left side of the image, containing the text: "We continue with our strategic initiative to increase the capacity of the factories".

We continue with  
our strategic  
initiative to  
increase the  
capacity of  
the factories



# ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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# ABRIDGED DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The Directors have pleasure in presenting their abridged report together with the abridged consolidated financial statements for the year ended 31 March 2023.

## General review of operations

The Group's principal activities are the growing and milling of sugar cane, the manufacture of sugar, and the manufacture of ethanol from molasses. The results of operations are disclosed in the attached abridged consolidated financial statements. Full disclosures are available in the consolidated and separate financial statements on the RES website.

The financial performance for the financial year ended 31 March 2023 reflects trade under adverse climatic conditions and disruptions with unprecedented winter rains that forced the extension of the season into an un-ideal rainy season. Combined with cane cutter strikes, the crushing season extended into early February 2023. Despite the mills processing higher cane, sugar volume was 1% lower than for 31 March 2022, due to lower sugar recoveries. The recoveries were affected by the longer burn-to-crush times as a result of wet harvesting activities.

Operating costs were significantly higher, due to the inherent inefficiency embedded in harvesting and crushing under the wet winter and summer conditions. The geopolitical impact of cost inflation due to the Russia/Ukraine conflict was present throughout the financial year, exacerbating an already difficult trading period. Cost containment measures were initiated for both operating and capital expenditures.

In March 2023 the company acquired a 35% share interest in Enviro Applied Products (Proprietary) Limited at a price of E28.471 million. Enviro Applied Products is in the business of producing and selling liquid fertilizer and is located within the Lowveld of Eswatini.

As at the date of these financial statements, extension of lease agreements for land leased from Tibiyo TakaNgwane were at an advanced stage and await signature. Subsequent to year end, the lease agreements were all signed for an initial lease period of 25 years with an option for renewal for another 25 years.

## Dividends

The following dividends have been declared:

- A first interim dividend for the year ended 31 March 2023 of 53.5 cents (2022 – 125.0 cents) per share which was paid in November 2022;
- During the current financial there was no second or final dividend declared for the year ended 31 March 2023 (2022 - 67.9 cents) per share.

## Board structure

The Board comprises of one executive and eleven non-executive directors.

### Directorate

The directors of the Company during the year were:

#### Directors

A T Dlamini	(Chairman)
N M Jackson	(Managing Director)
R Field	
HRH Princess Lomajuba	
J N Gule	
I Ahmed	(Resigned - 31 March 2023)
Z R Magagula	
B Mkhaliphi	
Chief Z N Ndlangamandla	
M S M Shongwe	
I G van der Walt	
A Westermeyer	
S Okolieaboh	(Appointed - 31 March 2023)

#### Alternates

M Ndlela	(to J N Gule)
A Ngcobo	(to A T Dlamini)
A Adeyemi	(Resigned - 31 March 2023) (to I Ahmed)
U O Osakwe	(Appointed - 31 March 2023) (to S Okolieaboh)

### Secretary and registered office

#### Secretary

L S Masango

#### Registered Office

Simunye Sugar Estate  
P O Box 1 Simunye

### Auditors

SNG Grant Thornton Chartered Accountants (Eswatini)  
Umkhiwa House, Lot 195, Kal Grant Street, Mbabane

### Bankers

Standard Bank Eswatini Limited  
Nedbank (Eswatini) Limited  
First National Bank of Eswatini Limited

### Transfer secretaries

SNG Grant Thornton (Advisory) (Eswatini) (Proprietary) Limited  
P O Box 331 Mbabane, H100

# ABRIDGED DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

## Management structure

### Managing Director

N M Jackson\*

### Commercial

M I Maziya\* General Manager Commercial  
S Kunene Stores Manager  
S Saxena Head of Distillery  
J Shiba Purchasing Manager  
Z Zulu Logistics and Marketing Manager

### Operations

P Myeni\* General Manager - Operations  
Vacant Head of Agriculture  
Vacant Agricultural Manager - Services  
M Gama Agricultural Manager - Production  
B Shongwe Agricultural Manager - Water Resources  
V Malubane Agronomy Manager  
J Tfwala Factories Manager  
O Marais Engineering Services and Projects Manager

### Finance

D V Dhlwayo\* General Manager – Finance  
M Zwane Financial Manager – Business Planning & Reporting  
T Sifundza Financial Manager – Financial Management

### Human Resources

B Masuku\* Group Human Capital Manager  
B A Maziya Head: Human Resources Operations  
Vacant Head: Learning and Talent  
Dr R Shoshore Head: Medical and Wellness Services  
Vacant Employee Relations Manager  
M Masuku Remuneration & Human Capital Systems Manager

### Governance, Risk and Compliance

L Masango Head: Governance, Risk and Compliance

### Information Technology

R Coombe Group IT Manager

### Office of Strategy Management

P M Dlamini Head of Strategy

### Public Affairs

S Nyembe Group Public Affairs Manager  
I Fakudze Property Services Manager

\*Members of the Executive Committee (Exco)

## Material events after year-end

No matter, which is material to the financial affairs of the Company and Group, has occurred between the reporting date and the date of approval of the financial statements.



**Dr A T Dlamini**  
(Chairman)



**N M Jackson**  
(Director)

# ABRIDGED INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

The Group auditors, SNG Grant Thornton Chartered Accountants (Eswatini), have issued an unmodified audit report on the consolidated and separate financial statements for the year ended 31 March 2023 from which this information has been extracted.

A copy of their audit report on the consolidated and separate financial statements is available for inspection on the RES website.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Group 2023 E'000	Group 2022 E'000
<b>Assets</b>		
Property, plant and equipment	2 628 966	2 228 442
Goodwill	286 481	286 481
Intangible assets	49 739	50 863
Investments in subsidiaries	-	-
Equity accounted investees	212 744	194 643
Derivative assets	2 006	-
Deferred tax assets	8	33
<i>Total non-current assets</i>	<b>3 179 944</b>	<b>2 760 462</b>
Inventories	214 345	174 558
Biological asset - growing cane	745 029	816 272
Biological asset - livestock	19 522	18 623
Trade and other receivables	392 263	330 687
Derivative assets	3 160	-
Taxation prepaid	24 154	21 259
Cash and cash equivalents	38 597	71 903
<i>Total current assets</i>	<b>1 437 070</b>	<b>1 433 302</b>
<b>Total assets</b>	<b>4 617 014</b>	<b>4 193 764</b>

	Group 2023 E'000	Group 2022 E'000
<b>Equity</b>		
Share capital	128 639	128 639
Share premium	632 379	632 379
Preference share redemption reserve	78 104	78 104
Retained earnings	1 890 231	1 763 243
<i>Total equity</i>	<b>2 729 353</b>	<b>2 602 365</b>
<b>Liabilities</b>		
Deferred tax liabilities	609 743	546 652
Loans and borrowings	474 427	286 489
Employee benefit liabilities	93 303	98 300
Derivative liabilities	-	2 399
<i>Total non-current liabilities</i>	<b>1 177 473</b>	<b>933 840</b>
Trade and other payables	418 158	394 677
Short term employee benefit liabilities	74 701	92 965
Derivative liabilities	-	2 352
Bank overdraft	89 558	-
Current portion of loans and borrowings	127 133	76 890
Current tax liabilities	638	25 257
Dividends payable	-	65 418
<i>Total current liabilities</i>	<b>710 188</b>	<b>657 559</b>
<b>Total liabilities</b>	<b>1 887 661</b>	<b>1 591 399</b>
<b>Total equity and liabilities</b>	<b>4 617 014</b>	<b>4 193 764</b>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Group 2023 E'000	Group 2022 E'000
Revenue	4 146 053	3 627 535
Cost of sales	(3 433 460)	(2 858 510)
Change in fair value of biological assets	(70 344)	67 802
<b>Gross profit</b>	<b>642 249</b>	<b>836 827</b>
Other income	87 100	78 824
Distribution expenses	(10 575)	(8 382)
Administration expenses	(487 242)	(520 967)
Impairment loss on trade receivables	(99)	(637)
<b>Operating profit</b>	<b>231 433</b>	<b>385 665</b>
Finance income	16 100	20 693
Finance costs	(24 181)	(31 678)
<b>Net finance cost</b>	<b>(8 081)</b>	<b>(10 985)</b>
Share of profit of equity accounted associate companies (net of in-come tax)	18 338	28 617
<b>Profit before taxation</b>	<b>241 690</b>	<b>403 297</b>
Income tax expense	(63 942)	(105 315)
<b>Profit attributable to owners of the Company</b>	<b>177 748</b>	<b>297 982</b>
<b>Other comprehensive income (OCI)</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurements of defined benefit liabilities	1 083	6 400
Related deferred tax	(298)	(1 760)
<b>Other comprehensive income, net of tax</b>	<b>785</b>	<b>4 640</b>
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>178 533</b>	<b>302 622</b>
Basic and diluted earnings per share (cents)	184.5	309.3



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Share Capital E'000	Share Premium E'000	Preference Share Redemption Reserve E'000	Retained Earnings E'000	Total E'000
<b>2023</b>					
Balance at 1 April 2022	128 639	632 379	78 104	1 763 243	2 602 365
Profit	-	-	-	177 748	177 748
Other comprehensive income	-	-	-	785	785
Total comprehensive income for the year	-	-	-	178 533	178 533
Transactions with owners recorded directly in equity - Dividends	-	-	-	(51 545)	(51 545)
Balance at 31 March 2023	128 639	632 379	78 104	1 890 231	2 729 353
<b>2022</b>					
Balance at 1 April 2021	128 639	632 379	78 104	1 646 473	2 485 595
Profit	-	-	-	297 982	297 982
Other comprehensive income	-	-	-	4 640	4 640
Total comprehensive income for the year	-	-	-	302 622	302 622
Transactions with owners recorded directly in equity - Dividends	-	-	-	(185 852)	(185 852)
Balance at 31 March 2022	128 639	632 379	78 104	1 763 243	2 602 365

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Group 2023 E'000	Group 2022 E'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	449 178	493 453
Interest paid	(34 098)	(26 927)
Taxation paid	(28 638)	(67 861)
<i>Net cash generated by operating activities</i>	386 442	398 665
<b>Cash flows from investing activities</b>		
Finance income	16 100	20 693
Dividends received	23 458	17 780
Proceeds from sale of property, plant and equipment	742	812
Acquisition of property, plant and equipment	(647 629)	(567 676)
Acquisition of intangible assets	(11 106)	(3 950)
Acquisition of associate	(15 313)	-
<i>Net cash utilised in investing activities</i>	(633 748)	(532 341)
<b>Cash flows from financing activities</b>		
Proceeds from loans and borrowings	326 600	135 000
Repayment of borrowings	(86 576)	(54 947)
Repayment of lease liability	(1 995)	(2 191)
Dividends paid	(116 963)	(225 066)
<i>Net cash generated by/(utilised) in financing activities</i>	121 066	(147 204)
Net decrease in cash and cash equivalents	(126 240)	(280 880)
Cash and cash equivalents at beginning of year	71 903	354 244
Effect of exchange rate fluctuations on cash held	3 376	(1 461)
Cash and cash equivalents at year end	(50 961)	71 903

## ABBREVIATIONS AND ACRONYMS

<b>ACP</b>	Africa, Caribbean and Pacific
<b>ART</b>	Antiretroviral Treatment
<b>BOM</b>	Bills of Materials
<b>CDC</b>	Commonwealth Development Corporation
<b>CMP</b>	Comprehensive Mitigation Plan
<b>CMS</b>	Concentrated Molasses Stillage
<b>CSI</b>	Corporate Social Responsibility
<b>CXL</b>	An EU import duty on sugar
<b>DIFR</b>	Disabling Injury Frequency Rate
<b>EAP</b>	Employee Assistance Programme
<b>ECGA</b>	Eswatini Cane Growers Association
<b>EEA</b>	Eswatini Environmental Authority
<b>EEC</b>	Eswatini Electricity Company
<b>EIA</b>	Environmental Impact Assessment
<b>EIT</b>	Engineers-in-Training
<b>ENA</b>	Extra Neutral Alcohol
<b>ER</b>	Employee Relations
<b>ERM</b>	Enterprise Risk Management
<b>ERP</b>	Enterprise Resource Planning
<b>ERS</b>	Eswatini Revenue Authority
<b>ESA</b>	Eswatini Sugar Association
<b>ESG</b>	Environment, Social and Governance
<b>EU</b>	European Union
<b>EVP</b>	Employee Value Proposition
<b>FOB</b>	Free On Board
<b>GM</b>	General Manager
<b>HCRP</b>	Human Capital Rationalisation Project
<b>HR</b>	Human Resources
<b>IR</b>	Industrial Relations
<b>ISO</b>	International Sugar Organisation
<b>IYSIS</b>	Inyoni YaseSwatini Irrigation Scheme

<b>KPI</b>	Key Performance Indicator
<b>LAA</b>	Litres of Absolute Alcohol
<b>LDC</b>	Less Developed Country
<b>LTA</b>	Lost Time Available
<b>LTI</b>	Long-term Incentive
<b>LTM</b>	Long Term Mean
<b>MD</b>	Managing Director
<b>MLSS</b>	Ministry of Labour and Social Security
<b>MoU</b>	Memorandum of Understanding
<b>MSP</b>	Mananga Sugar Packers
<b>NERCHA</b>	National Emergency Response Council on HIV and Aids
<b>OSM</b>	Office of Strategy Management
<b>P3M</b>	Projects, Programmes and Portfolios Management
<b>PHC</b>	Primary Health Care
<b>PMS</b>	Performance Management System
<b>PoI</b>	Polarity
<b>PPP</b>	Public Private Partnership
<b>PSD</b>	Property Services Department
<b>SACU</b>	Southern African Customs Union
<b>SIA</b>	Sugar Industry Agreement
<b>SPV</b>	Special Purpose Vehicle
<b>STI</b>	Short-Term Incentive
<b>TCH</b>	Tonnes Cane per Hectare
<b>TSH</b>	Tonnes Sucrose per Hectare
<b>TCHR</b>	Tonnes Cane per Hour
<b>TOR</b>	Terms of Reference
<b>TRP</b>	Temporary Residence Permit
<b>VHP</b>	Very High Polarisation
<b>WWMMP</b>	Waste Water Management Master Plan
<b>YTD</b>	Year-To-Date



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