



The Impact of Illovo in Africa

SOCIO-ECONOMIC ASSESSMENT
Group Summary Report

May 2014

Introduction

Illovo Sugar (Illovo) is Africa's largest sugar producer, with agricultural and manufacturing operations in South Africa, Swaziland, Malawi, Mozambique, Zambia and Tanzania. All of these countries face considerable challenges in the form of poverty, unemployment, inequality and disease. The UN classifies Malawi, Mozambique, Zambia and Tanzania as among the world's least developed countries.

The Illovo Group has a significant impact in the communities and countries in which it operates. As Africa's largest sugar producer in a world market increasingly dominated by Brazil and India, Illovo creates valuable jobs and economic opportunities in rural communities across Africa. It is also helping to preserve the long-term sustainability and competitiveness of the wider sugar industry in the region.

To form a deeper understanding of its impact, Associated British Foods, which holds a 51.4% stake in Illovo, commissioned Corporate Citizenship to undertake a socio-economic impact assessment of Illovo's operations. This is a complex undertaking, however through this assessment ABF and Illovo have a clearer picture of their contribution to the economies, communities and individual livelihoods in Africa. The assessment is also a learning process and has highlighted opportunities for Illovo to enhance its positive social, economic and environmental impact.

Methodological note

This report summarises key findings from a detailed study undertaken by Corporate Citizenship. As part of the project, Corporate Citizenship reviewed financial and management information provided by Illovo, and conducted a series of site visits to Swaziland, Mozambique, Zambia and Malawi. These involved visiting Illovo's operations and surrounding communities, as well as interviewing senior management and key stakeholders affected by the business, including: sugarcane farmers, smallholder association representatives, employees, trade union representatives, local suppliers, doctors, teachers and other beneficiaries of Illovo's social investment spend. Corporate Citizenship also conducted its own desk-based research and analysis.

Key findings

In 2012/13, Illovo
<p>Contributed an estimated ZAR 18.5 billion (about £1.4 billion) in 2012/13 to African economies, including direct, indirect and induced economic impacts. This is equivalent to about 50% of the GDP of Malawi.</p>
<p>Employed over 31,000 people directly (including seasonal workers), supported an estimated 46,000 people through outgrowers, and supported further employment in the value chain and wider economy of at least 15,000 using the most conservative estimates. This rises to at least 66,000 when other (still conservative) estimates are applied. Illovo’s total employment impact is therefore estimated at between 92,000 and 143,000 people across the six countries.</p> <p>For every worker directly employed by Illovo, between 1.9 and 3.6 additional workers are supported in the wider economy. In Tanzania where there is a high reliance on outgrowers, this equates to approximately 7.8 additional workers for every Illovo employee in that country, while in South Africa it includes approximately 2.4 workers for every Illovo employee.</p>
<p>Supported the livelihoods of between 400,000 and 625,000 people across southern Africa. This is based upon average household sizes applied to total employment estimates.</p>
<p>Spent nearly ZAR 2 billion (£132 million) on employee wages, salaries and benefits. Employees received over 47% of Illovo’s value-added in 2012/13.</p> <p>Benefits extended to employees and immediate dependants include the provision of accommodation (e.g. electricity, sanitation services and potable water supplies); healthcare (including wellness programmes); and education-related benefits (including educational allowances and bursary schemes).</p>
<p>Paid direct and indirect tax totalling over ZAR 900 million (£67 million) across all six countries.</p>
<p>Spent 30% of its revenues (ZAR 3.4 billion/£252 million) with independent, outgrower farmers in 2012/13.</p> <p>Procuring cane from nearly 17,000 smallholder farmers, with smallholders supplying over 90% of outgrower cane in Malawi, and 70% in Tanzania.</p>
<p>Spent ZAR 4.9 billion (£364 million) on non-cane procurement suppliers in 2012/13. 64% was spent in-country, benefitting hundreds of small, local businesses. Much of the remainder was sourced through Illovo Group Procurement in South Africa.</p>
<p>Contributed ZAR 197 million (£15 million) on social benefits to employees and neighbouring communities, including health care, education, housing and other projects.</p>
<p>Generated 90% of total energy consumption from renewable sources. Generated surplus electricity in Swaziland which is supplied to the national grid.</p>

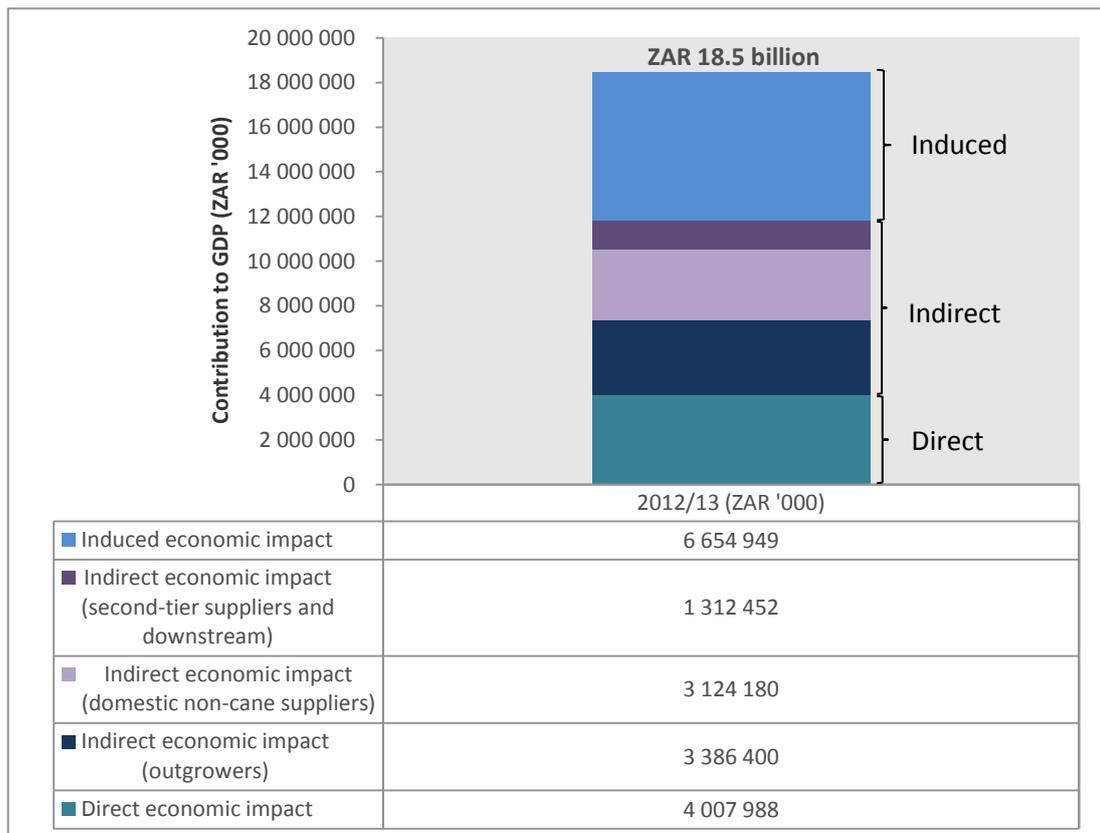
Illovo’s overall economic impact

Illovo grows, manufactures and sells sugar and its downstream products across Africa and overseas. The company impacts a wide range of stakeholders in its local communities and wider national economies, through three main channels:

- **Direct** impacts, through Illovo’s direct employment of workers on farms and in factories, as well as investments, tax payments, interest spending, shareholder dividends and other payments;
- **Indirect** impacts in the value chain in Africa, through purchasing sugar cane from farmers, payments to suppliers and distributors, as well as impacts on those selling Illovo products or using them in their businesses. Re-spending of the money paid by Illovo generates further economic activity and employment;
- **Induced** impacts, through spending by direct and indirect employees of Illovo, leading to increased consumption and employment elsewhere in the economy.

Illovo’s total economic impact in southern Africa, including direct, indirect and induced impacts on GDP in all six countries, is estimated at about ZAR 18.5 billion, as illustrated below.

Illovo Group total economic impacts in southern Africa (estimated), 2012/13



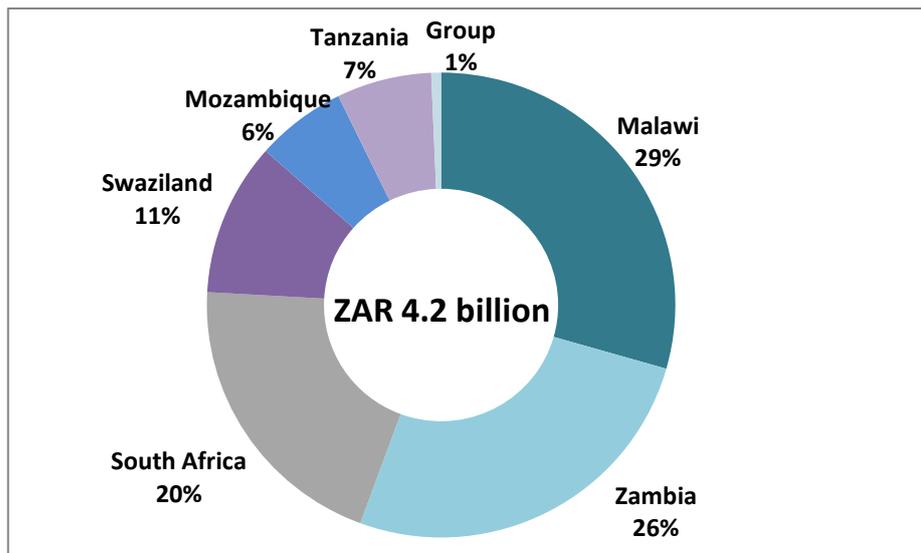
Direct impacts

Illovo’s direct impact on national economies is measured through its gross value-added, the standard measure of individual companies’ contributions to GDP. It is calculated as the difference between revenues and input costs, giving a measure of net output. The Group’s gross value-added in 2012/13 was ZAR 4.2 billion (38% of revenues), equivalent to nearly twice the size of Swaziland’s entire agricultural sector.

Illovo Group gross value-added, 2012/13

Revenue	ZAR 11,129 million	
Dividend income	ZAR 2 million	
Paid to outgrower farmers	(ZAR 3,386 million)	30%
Manufacturing costs	(ZAR 3,501 million)	32%
Total value-added	ZAR 4,244 million	38%

Illovo Group value-added by country, 2012/13

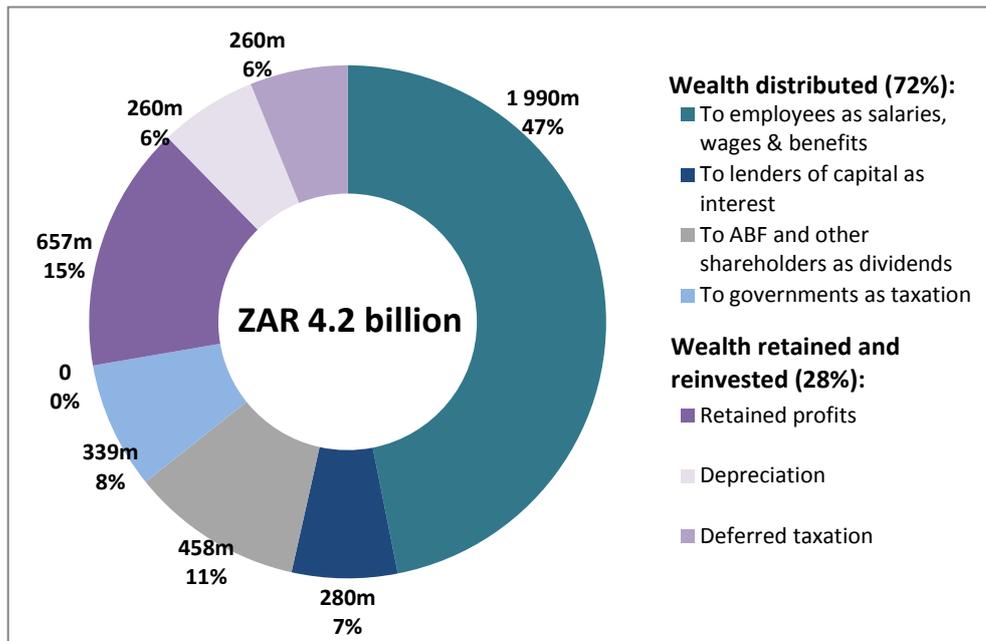


The wealth generated by Illovo benefits many stakeholders, including employees, governments and shareholders. In Tanzania and Swaziland, national governments hold significant stakes in Illovo subsidiaries, and a proportion of profits therefore go directly to the public finances of these countries. Employees are the single biggest beneficiaries of Illovo’s value-added, receiving 47% in the form of salaries, wages and benefits.

Illovo pays tax in every country where it operates. The Group pays corporate income tax in accordance with the policies of each country and in some cases this has resulted in tax relief for its major capital investment projects. Illovo also contributes indirectly to public finances through employment and sales taxes. Direct tax paid by Illovo across the six countries in 2012/13 totalled close to ZAR 340 million, with indirect taxes (including VAT and employee taxes) contributing an additional ZAR 560 million.

Dividends to Associated British Foods (which has a 51.4% stake in the company) account for over ZAR 200 million. Other major shareholders in both Illovo Group and the six subsidiary companies are located in southern Africa, including government pension funds and institutional investors. After dividends to ABF are subtracted, this leaves a total direct value-added contribution to African economies of about ZAR 4.0 billion.

Distribution of Illovo Group value-added, 2012/13



Wider impacts

The sugar industry in southern Africa is notable for its large multiplier effects. This is due to the relative labour intensity of production, compared to other agricultural crops such as maize and wheat, as well as the large number of smallholder farmers in the value chain. Sugar cane must be milled as soon as possible after harvesting in order to preserve its sucrose content, resulting in the widespread and rapid transmission of income. As well as consuming inputs such as fertiliser, fuel and mechanical equipment, sugar provides opportunities to sectors such as transport, retail, food processing and beverages.

Illovo’s impacts through its value chain significantly outweigh its direct impacts. The Group spent ZAR 3.4 billion (30% of its revenues) with independent, outgrower farmers in 2012/13, helping to support their livelihoods. It also spent ZAR 2.5 billion with domestic suppliers in the six countries, promoting further job creation amongst a range of support industries. Additional upstream and downstream value chain impacts, and the induced spending of both Illovo’s employees and the employees of its suppliers, have been

estimated by Corporate Citizenship using conservative multipliers based on a range of available studies of the sugar industry¹.

In total, Illovo's indirect contribution to African GDP is estimated at ZAR 7.8 billion, and its induced impact at ZAR 6.7 billion. Adding these to its direct contribution brings the estimate for Illovo's total economic contribution to ZAR 18.5 billion².

Investing for the future

The investments that Illovo makes in its business have a significant forward impact on employees, suppliers and wider communities. In 2012/13, Illovo invested ZAR 641 million in capital expansion projects, and ZAR 291 million in other projects, across all six countries. Major factory expansions have taken place in recent years in Swaziland, Zambia, South Africa and Mozambique. Such expansions create new employment opportunities whilst increasing Illovo's milling capacity and therefore increasing opportunities for local farmers to meet this additional demand. Investments that diversify Illovo's downstream products, such as a new distillery in Tanzania, can provide greater protection against challenges to Africa's sugar industry such as EU market deregulation and volatile world sugar prices. Illovo's investment in co-generation is leading to surplus renewable energy being sold to the national grid, helping to meet rising energy demands across Africa.

Swaziland: A long-term commitment

Illovo's subsidiary in Swaziland, Ubombo Sugar, has invested more than ZAR 1.6 billion in expanding its mill, with much of the increased demand for sugar cane being met through independent, small-scale growers. The investment has also played a vital role in securing funding for the LUSIP irrigation project that is making 11,500 hectares suitable for agriculture, enabling thousands more smallholder farmers to earn an income from sugar cane. Ubombo Sugar's investment is also enabling it to generate its own renewable energy supply. In 2012/13 it generated 82% of its total energy consumption and exported electricity to the national grid, as part of a commercial agreement with the Swaziland Electricity Company. When the expansion is fully complete, Ubombo Sugar will supply around 15% of the country's total power requirements.

Trade impacts

Across the Group, the majority of Illovo's sales are in domestic markets, helping to reduce its home countries' reliance on imports. Sugar is sold both for direct consumption and also

¹ Conningarth Economists (2013), *Growing the Sugar Industry in South Africa*; Imani-Capricorn (2001), *The Socio-Economic Contribution Of The South African Sugar Industry*; Kaliba et al. (2008), *Economic multipliers for Tanzania: implications on developing poverty reduction programs*

² As estimates of gross impacts, these figures do not take into account leakage and displacement effects, e.g. the fact that some suppliers' revenues and workers' earnings will be spent on imports, and that some employees would otherwise have been employed elsewhere in the economy. These effects are important, but are not usually estimated in reports of this kind.

to industrial consumers. In 2012/13, 63% of Illovo's sales volumes, primarily of sugar, were sold in one of the six countries in which the company operates.

Illovo also exports a significant amount of its production overseas, bringing inflows of foreign revenues to Africa. 24% of Illovo's sales in 2012/13, including speciality sugars and downstream products, were exported to the EU and USA under preferential trade agreements, while 9% went to neighbouring African countries. The remaining 4% was sold on the world market, which is characterised by generally lower prices.

Impact on employment and skills

For the rural communities surrounding its operations, Illovo is a major source of employment. It offers direct employment through full, part-time and seasonal jobs in its fields, factories and offices. It also offers indirect employment as a major buyer of sugar cane from outgrower farmers and a support for industries such as cane haulage, retail and food processing.

In total, direct, indirect and induced employment supported by Illovo Group is estimated to be at least 92,507 people across the six countries, when the most conservative multipliers are used. This rises to at least 143,386 people when other, still conservative, multipliers are applied³.

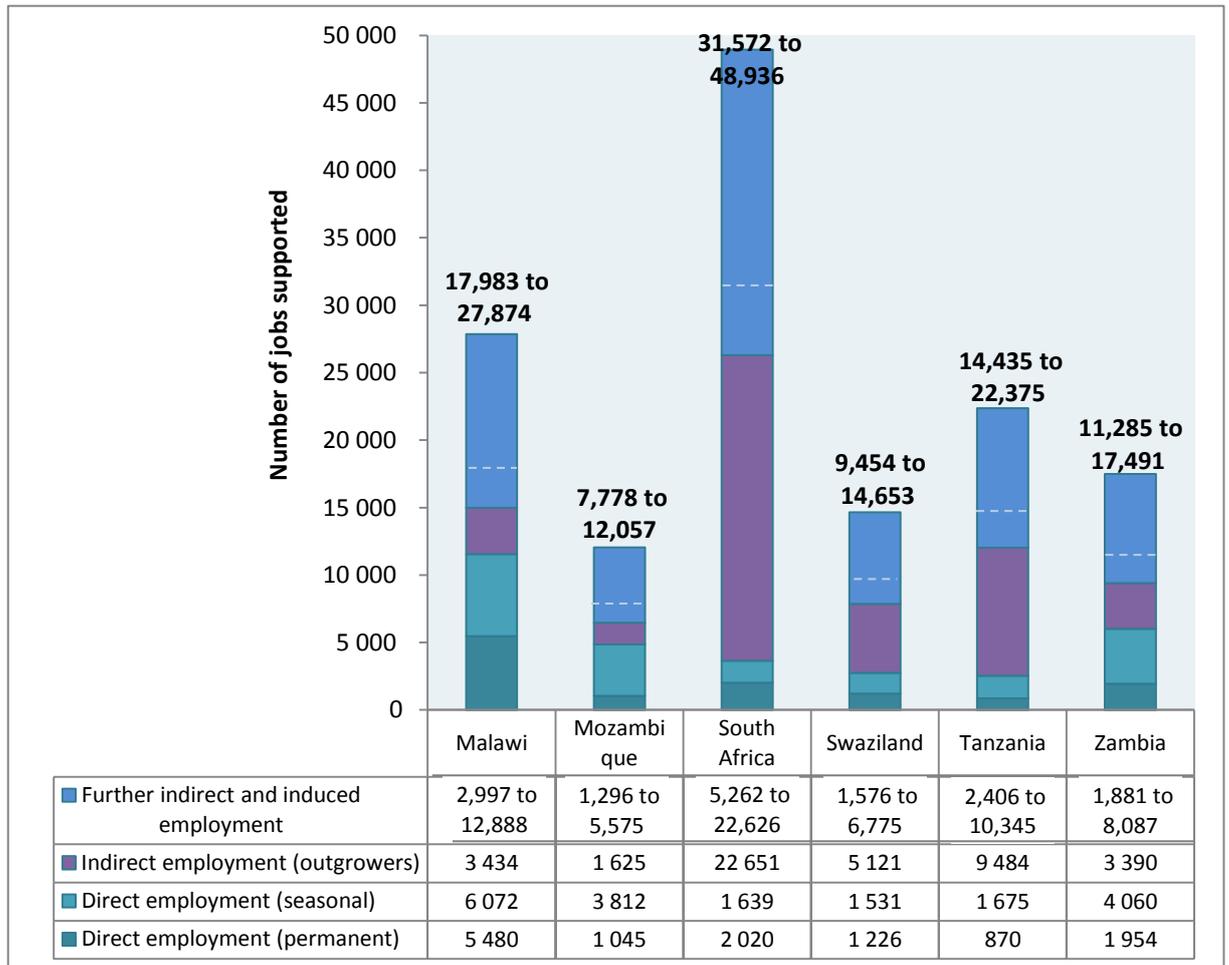
For every direct Illovo employee, between 1.9 and 3.6 additional workers are supported in the wider economy. This includes up to 12.4 workers for every Illovo employee in South Africa and up to 7.8 per Illovo employee in Tanzania, where there is a high reliance on outgrowers. These estimates are based on a range of conservative multipliers from external studies⁴, and may in fact understate Illovo's total employment impact, since some informal employment may not be accounted for.

In addition, as a result of the poor, rural areas in which the sugar industry is primarily based, the Group has a significant impact on workers' dependents (i.e. immediate and extended family). Based upon average household sizes, this equates to Illovo supporting the livelihoods of between 400,000 and 625,000 people across southern Africa.

³ As with the estimates of economic impact, these are estimates of gross impacts, and do not take into account leakage and displacement effects.

⁴ Conningarth Economists (2013), *Growing the Sugar Industry in South Africa*; Imani-Capricorn (2001), *The Socio-Economic Contribution Of The South African Sugar Industry*; McCarthy (2008), *The Broader Socio-Economic Impacts Of The SA Sugar Industry – An Overview*

Illovo Group: Total employment impacts (estimated), 2012/13⁵



Supporting employees

The direct employment opportunities offered by Illovo range from entry-level agricultural jobs through to highly skilled engineering posts. All permanent and seasonal workers receive basic salaries above the national minimum wage for their country, as well as a range of benefits that are also made available to the families of permanent employees. These benefits are targeted at improving livelihoods, protecting health and ensuring food security.

During 2012/13, the Group spent ZAR 85 million on employee accommodation, ZAR 18 million on educational support, including the running of schools in some countries, and ZAR 62 million on employee healthcare.

⁵ Direct employment figures may differ from those reported in the Illovo Integrated Report due to timing differences.

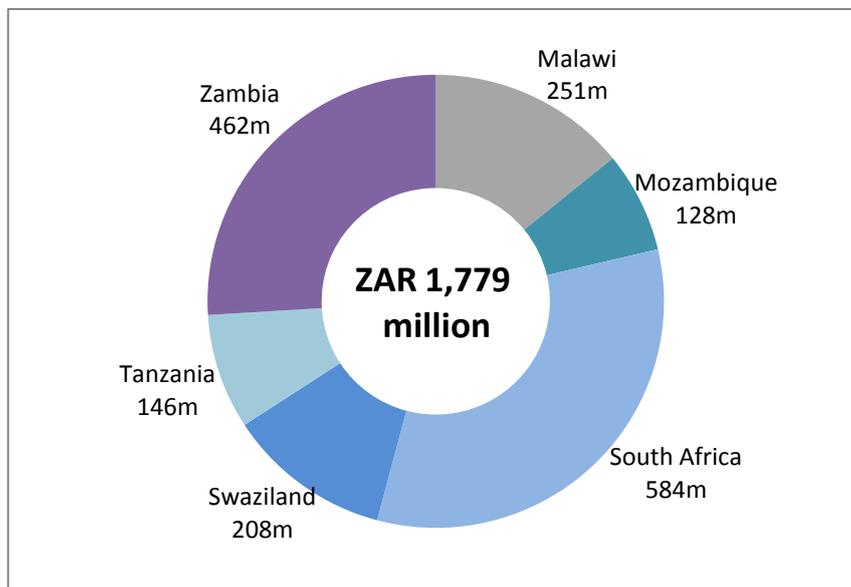
Employees at management level receive highly competitive remuneration packages, which are intended to prevent them migrating, with their valuable skills, to urban areas and overseas.

Illovo has an on-going investment plan to upgrade the condition of company housing provided to employees across the continent. Informed by the IFC and European Bank guidance note on workers’ accommodation, Illovo has developed a Group minimum standard for housing, and all phased improvement investment will be made in line with this benchmark.

All of Illovo sites have established hospitals and/or satellite clinics, and in some cases these are the only medical facilities for many miles. The Group’s hospitals provide free medical care for employees and their families. Other members of the community are also treated, either for a nominal fee or, in some locations, for free. Illovo runs employee health programmes for tackling HIV, Malaria and TB that are recognised as leaders in their fields. The Group’s HIV/AIDS strategy is closely aligned with the UNAIDS Triple Zero approach. In countries such as Swaziland, it has succeeded in virtually eliminating malaria from its estates.

Trade unions are active and recognised by Illovo in each country, providing an organised forum to promote employee interests.

Total spend on salaries, wages and other benefits



Developing local skills

Illovo invests heavily in training and development for its employees, focusing on closing skills gaps in the countries where it operates in order to ensure the long-term sustainability of its businesses. Such up-skilling also benefits the wider economy of each country. In 2012/13, Illovo spent a total of ZAR 57 million on training and development, up from ZAR 45 million in the previous year, with skills development opportunities available for employees at all levels.

Core training programmes include business familiarisation and health and safety courses. Occupational health and safety frameworks, resources and data are less established at a national level in some Southern African countries. According to a report by Work and Health in Southern Africa, countries in the region have ratified relatively few international conventions on occupational health and safety, and there are few systems in place to monitor their implementation and enforcement. Illovo's priority focus on health and safety led to 0.16 disabling incidents per 200,000 hours worked in 2012/13 – well below the company's target of 0.4.

Illovo's talent development initiatives include artisan-directed apprenticeships, three-year engineering courses and management programmes training a new generation of local leaders.

Training offered	Description	Number of employees
Apprenticeships and technical training	Providing structured formal technical trainee programmes, mainly from the engineering discipline.	203
Leadership and management development	Consisting of group based programmes, aimed at both first-line and upper management. Leadership development targets high potential middle, senior, general and executive managers identified via the succession planning process.	74
Other work based training and education	Assisting employees in need with opportunities to improve their personal job competencies and facilitate their future career development.	1059

The Group also actively pursues a policy of localisation when filling senior management positions. This is a long-term investment and while good progress has been made in some countries, Illovo is committed to investing further to continue to improve localisation rates.

Country	Malawi	Zambia	South Africa	Swaziland	Mozambique	Tanzania
% of local citizens in senior management	57%	67%	99%	56%	33%	41%

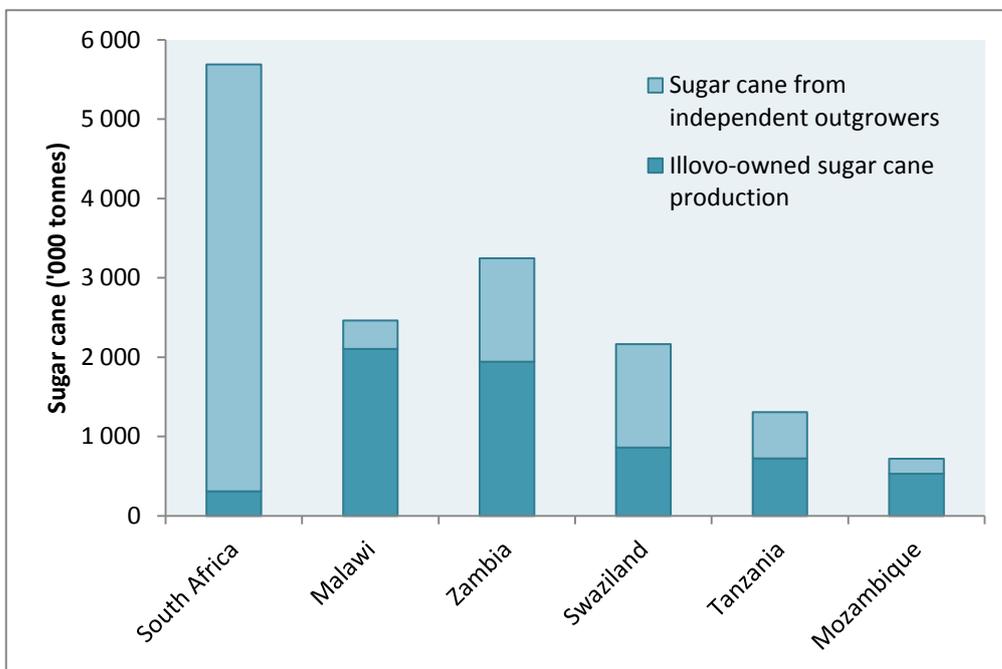


Indirect impact through the value chain

The nature of Illovo’s business means that it interacts with a full spectrum of individuals and businesses in African markets, through its value chain. Its companies purchase sugar cane from both smallholder farmers and large-scale commercial growers, it procures a broad range of support services from local businesses, and sells products to both individuals and global multinationals.

Illovo processed over 15 million tonnes of sugar cane during 2012/13. Of this, 58% was supplied by independent outgrowers rather than the Group’s own estates. This is estimated to provide indirect employment to over 45,700 people, supporting the livelihoods of about 195,000 people in total, based upon average household sizes.

Sugar cane production and purchases, 2012/13



Supporting smallholder livelihoods

In total, about 16,870 smallholder farms, each typically with less than 5 hectares of land under cane, supply Illovo with sugar cane. These account for a significant proportion of the cane sourced from outgrowers. For many smallholders, Illovo’s operations represent the only viable market for sugar cane. In South Africa, Illovo sources from over 5,000 smallholders, although they supply a small proportion of cane compared to commercial farms. In Malawi, nearly 1,900 smallholders supply over 90% of the outgrower cane supplied to Illovo. In Tanzania, over 6,300 smallholders supply about 70% of total outgrower cane. In total, the Group sources 17% of outgrower cane from smallholders, or 34% when South Africa is excluded. Illovo is undertaking several initiatives that aim to increase the proportion of sugar cane sourced from small and medium-sized growers.

The opportunity to supply sugar cane brings significant benefits to smallholders. Sugar earns relatively high market prices – for example, in Zambia sugar cane is estimated to provide farmers with an income of about \$1,500 per hectare, compared to about \$1,000 per hectare for maize, the staple crop. Farmers can use the additional income from sugar cane to fund consumption of food and other goods, as well as inputs such as fertiliser, which lead to greater yields and allow a greater variety of food crops to be grown. Associations and farmers often use a small proportion of land to grow food crops alongside sugar cane.

Besides providing a market for sugar cane, Illovo undertakes a broad range of initiatives to improve smallholder productivity. Operations in each country have dedicated outgrower departments, which support outgrowers in the ways listed below. Illovo is a key partner in several donor-funded irrigation projects that support the productivity of local smallholder farmers.

Types of outgrower support	Description
Seed cane incentives	Funds for planting on new, uncultivated land.
Transport subsidies	Supplementary payments to outgrowers located more than 50-60km from Illovo's mills.
Small-scale grower development costs	Supplementary payments to small growers for purchasing fuel and other inputs that compensate for a lack of bargaining power.
Other supplementary payments	Amounts paid to outgrowers to guarantee a steady supply of cane to Illovo's mills.
Cane ripener subsidies	Subsidies for chemical ripeners, which accelerate maturity and increase sucrose content.
Training schemes	Training and mentorship schemes for outgrowers, including technical assistance and business management support.
Guaranteed purchases	Illovo signs cane supply agreements with outgrower associations and smallholder schemes, through which it guarantees the price and quantity of sugar cane which it buys.
Access to inputs	Illovo provides seed, fertilisers and other inputs to smallholders to allow them to benefit from bulk discounts.
Access to finance	Illovo helps smallholders gain access to finance, including co-ordinating with local banks and in some cases providing loans directly to farmers. It has assisted with

	identifying and supporting with donor-funding opportunities.
Access to infrastructure	Outgrowers often benefit from infrastructure funded by Illovo, including roads and irrigation. They may also have access to schools and hospitals operated by Illovo, although usually for a fee.

In some communities, challenges related to land rights have arisen. Land rights issues are often historical, complex and vary by region. Illovo recognises the importance of these issues and follows a set of overarching principles. These include operating within legislative frameworks and land reform programmes set by government, operating in a culturally considerate manner, and consulting with communities, governments and NGOs.

South Africa: Supporting the Government’s land reform programme

In South Africa, new farmers receiving land under the Government’s land reform programme often lack the funds and expertise to grow crops on a large scale. According to some reports, up to 90% of land redistributed in the country since 1994 is no longer productive. Illovo has been appointed as a strategic partner of the Government’s programme. Its work with new smallholder farmers means that redistributed land in the company’s supply chain instead achieves about 94% of its potential.

Zambia: Pioneering support for smallholders

Illovo has been leading efforts to empower smallholder farmers in Zambia for three decades. Zambia Sugar, Illovo’s subsidiary, created the Kaleya Smallholders Company Limited (KASCOL) with other NGO and corporate partners in 1983 and this pioneering scheme now leases land to 160 smallholder farmers, some of whom are second- or third-generation descendants of the original participants. Zambia Sugar sold its 25% share in the company to create the Mazabuka Cane Growers Trust, which supports farmers in the region through a range of schemes. The Trust co-founded the Magobbo smallholder scheme with the EU in 2010, supporting 94 smallholder farmers through irrigation projects, training and capacity-building. The Magobbo scheme has produced extremely high yields and has significantly increased the incomes of many previously subsistence farmers.

Bringing Fairtrade products to market

In Malawi and Mozambique, Illovo purchases sugar cane from Fairtrade-accredited grower associations, and in countries such as Zambia, Swaziland and South Africa, the Group’s businesses are actively working with growers to help them secure Fairtrade certification. The Fairtrade scheme provides growers with an additional premium of \$60 (ZAR 511) per tonne of sugar cane supplied, for major investment in projects with a social, economic or environmental benefit. It also requires independent audits to ensure social and environmental best practices are followed.

Promoting local enterprise

Of the nearly ZAR 4.9 billion that Illovo companies spent on non-cane procurement in 2012/13, about 64% was spent in-country, including with hundreds of small, local businesses close to the Group's mills. Much of the remainder was sourced through Illovo Group Procurement in South Africa.

Illovo has policies that favour sourcing from local businesses, even when they may be more expensive than alternatives. However, local suppliers often struggle to deliver the scale and quality required by a global multinational, and in countries such as Tanzania this results in a large proportion of non-cane procurement being supplied from elsewhere. Illovo has started to take steps to help build the capacity of local suppliers, including creating systems of preferred suppliers, building stronger relationships with local trade associations and facilitating better access to finance.

Working in partnership to raise standards

Illovo collaborates with outgrowers and other suppliers to promote ethical business practices. The Group has a common framework of standards covering areas such as working conditions and hours, living wages, freedom of association, non-discrimination, non-child labour, environmental management programmes, and anti-bribery and corruption and these are set out in contracts with non-cane suppliers.

Impact on wider communities

The most significant impact that Illovo has on the communities surrounding its operations comes through the provision of direct and indirect employment in areas where very few other opportunities exist. This increases the economic security of people in rural areas, helping to preserve rural communities in countries where rural to urban migration is often high.

In addition to these impacts, Illovo provides essential support for local community services, often filling gaps in local infrastructure. Providing access to potable water is a particular priority. The Group's companies also invest in community projects, sometimes in partnership with governments, NGOs and other bodies, sometimes directly. In Malawi, Illovo produced around 370 tonnes of maize on its own land in 2012/13, to help address severe food shortages experienced in the local area. Maize was supplied to about 5,000 households, 6,000 orphans and several hundred physically challenged people.

In some communities, Illovo funds local government hospitals in addition to providing its own medical facilities. It also funds maintenance and equipment for local schools or community organisations such as local radio.

In Malawi and Zambia, the Group's products are contributing to improving public health: all sugar for direct consumption is fortified with Vitamin A, in support of government strategies to tackle micronutrient deficiencies.

Tanzania and Malawi: Innovative vehicles for community investment

In Tanzania and Malawi, Illovo companies have adopted a Trust model to help channel investment from development agencies and industry partners into the local community. The Group's Tanzanian subsidiary Kilombero Sugar Company Limited has established the Kilombero Community Charitable Trust, which supports the development of vital local infrastructure including electricity, drinking water, roads, health services and schools. In Malawi, Illovo has helped to set up the Kaombe Community Farm Trust in collaboration with the local community. The Trust Farm sells sugar cane to Illovo's Nchalo mill with profits invested in local community projects. One future project is the establishment of a rural health clinic, jointly funded by the Trust Farm, Illovo and donors.

Impact on the environment

The cultivation of sugar cane brings with it risks of negative environmental impacts, including pressure on potentially scarce water resources and the risk of damage to land quality and biodiversity through over-use of fertilisers and pesticides.

At the same time, sugar cane presents unique opportunities for environmental efficiencies. Most significantly, bagasse, a residue of the sugar cane milling process, provides a highly effective source of bio-renewable energy. Illovo already generates 90% of the energy that it consumes from renewable sources. And there are plans to expand this through investment in co-generation, which will enable Illovo to supply surplus energy to national grids.

Water is a core input and Illovo recognises the need to focus on water efficiency to ensure the sustainability of the business. It already invests in leading-edge water-efficiency technology, and where possible, pursues rainfed-only irrigation practices.

Illovo follows local legislation and international environmental best practices. It applies standards such as NOSA and ISO14001, and all new developments undergo a comprehensive Environmental Impact Assessment. Illovo has adopted sustainable farming guidelines based on those of the South African Sugarcane Research Institute (SASRI), and is working to ensure compliance across all of its operations.

Swaziland: Driving water efficiencies through new technology

Ubombo Sugar in Swaziland has converted its irrigation systems to centre pivots, which significantly reduce the total amount of water required. The ZAR 84 million investment has reduced water use per season by around 23% and energy use by 20%, whilst increasing cane yields by 14 tonnes per hectare.

Looking ahead

Through this assessment, it is evident that Illovo has significant positive impacts in the communities in which it operates. However, Illovo recognises there is more it can do. Corporate Citizenship has identified the following opportunities, which are being carefully considered by the Group, in order to enhance its positive social, economic and environmental impact. Many of the recommendations involve formalising existing practices.

Stakeholder engagement

Establishing a more formalised approach to stakeholder engagement defined by key principles and guidance at the Group-level, which can be adapted and implemented locally at each site.

Community investment

Conducting community needs assessments at each site to form a deeper understanding of local challenges and needs. Findings from the assessment can be used to identify priority areas for Illovo's social investment efforts.

Improving measurement of social investment across the Group through adopting a consistent community investment measurement framework.

Gender diversity

Developing a more strategic approach to gender issues through identifying social investment programmes focusing on women's empowerment.

Investing in training and mentoring of women in the value chain and building partnerships with local organisations.

Local sourcing and enterprise development

Establishing a more focused strategy to build capacity of local suppliers. This could involve identifying further opportunities across the value chain, offering mentoring and training in business skills, and promoting greater access to finance.

Exploring partnerships with NGOs and local organisations to deliver greater impact.

Smallholder farmers

Continuing to dedicate resources to developing successful small-grower schemes.

Continuing to support Fairtrade, exploring whether to set targets in this area.

Water

Conducting water footprint assessments across all sites, using the findings to develop local risk-based water strategies.

Exploring collaborations with communities, suppliers, customers and NGOs on water issues.

Strategic sustainability framework

Considering a sustainability framework that builds on Illovo's existing strategy and identifies overarching focus areas, which can be adapted at local-level.

Communication of policies

Publicly communicating key policy statements on issues that Illovo already has a position and is taking action.

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