

Illovo Sugar Africa

Ubombo Sugar Limited Socio-Economic
Impact Assessment

Internal Management Report

October 2017

Contents

Executive Summary	1
Introduction.....	3
Section 1: Generating economic value.....	5
Section 2: Creating employment opportunities	12
Section 3: Supporting farmer livelihoods	17
Section 4: Investing in communities	21
Section 5: Promoting environmental sustainability.....	23

Executive Summary

Ubombo Sugar Limited (Ubombo Sugar) is a significant contributor to Swaziland’s economy. It plays an important societal role, supporting significant direct and indirect employment in rural areas, providing financial support, technical assistance and capacity building to smallholder farmers, and supporting the government of Swaziland’s development agenda. Ubombo Sugar is also continuing to reduce its environmental impacts.

This report is an update of a study carried out in 2014 by Corporate Citizenship. It sets out key findings from an assessment of Ubombo Sugar’s socio-economic impacts. The main findings are summarised in the table below. Forward-looking recommendations for the business are provided in a separate, consolidated report on Illovo Group.

In 2016/17, Ubombo Sugar’s socio-economic impacts in Swaziland included:

- Generating economic value**
- Ubombo Sugar is one of three sugar producers in Swaziland and accounts for 38% of the country’s sugar production. Sales revenues have grown over the last three years, despite declining production.
 - Ubombo Sugar’s total economic impact – including direct, indirect and induced impacts – is estimated at ZAR 3.1 billion for 2016/17. This includes ZAR 574 million in direct impacts (gross value added), and the remainder through multiplier effects within the supply chain and wider economy.
 - Swaziland’s national development agency, Tibiyo Taka Ngwane, owns a 40% stake in Ubombo Sugar, receiving dividends on behalf of the Swazi Nation. Indirect taxes, collected on behalf of the government, amounted to ZAR 228 million. However, Ubombo Sugar did not make a taxable profit in 2016/17, so did not make any direct tax payments.
 - Ubombo Sugar also made payments of ZAR 1.0 billion to Swazi suppliers, paid ZAR 408 million in salaries, wages and benefits to employees, and made capital investments of ZAR 34 million during the year under review.

- Creating employment opportunities**
- Ubombo Sugar is estimated to support at least 7,363 jobs in Swaziland. For each of Ubombo Sugar’s 3,249 direct employees, at least 1.3 jobs are estimated to be supported through outgrower communities and wider multiplier effects throughout the economy.
 - Ubombo Sugar paid ZAR 408 million in salaries, wages and benefits to employees in 2016/17. The company actively monitors remuneration against local and international benchmarks, with the lowest-paid employee earning 203% of Swaziland’s sectoral minimum wage in 2016/17.
 - We estimate the direct jobs provided by Ubombo Sugar alone contribute to supporting the livelihoods of over 15,000 people once families and dependents are taken into account. This is based on an average household size of 4.7 people in Swaziland.

Supporting farmer livelihoods

- Ubombo Sugar’s supply chain includes 190 registered growers, including both smallholder associations and individual farmers, who in total supplied 1.3 million tonnes of cane in 2016/17. 65% of the sugar cane used by Ubombo Sugar is supplied by independent farmers; the remaining 35% comes from the company’s own farmed land.
- Ubombo Sugar is estimated to support 2,886 jobs through outgrower farmers. In addition, the company provides technical and capacity-building support to outgrowers, as well as support with Fairtrade certification.

Investing in communities

- Ubombo Sugar’s community investments totalled over ZAR 3.08 million in 2016/17. Over 95% of this was spent on education and the rest spent on healthcare initiatives.
- Ubombo Sugar supports the Community Outreach programme, a service rendered by the Ubombo-owned hospital, which provides preventative, curative and rehabilitative services to community members at affordable rates.

Promoting environmental sustainability

- Ubombo Sugar is committed to responsible land practices, and trains outgrowers on environmental best-practice.
- 96% of Ubombo Sugar’s energy consumption is provided from renewable sources, primarily bagasse. Ubombo Sugar was responsible for only 9% of the Illovo Group’s total carbon emissions in 2016/17, equating to 60,496 tCO₂e.
- Around 78% of water withdrawals in Ubombo Sugar’s non-cane operations are recycled and returned to source. In response to water scarcity issues, Ubombo Sugar is currently exploring the potential for installing drip irrigation to further improve its water-to-sugar ratio.

Responsible practices in the market place

- Ubombo Sugar Ubombo is committed to produce safe products for all its customers. The company’s manufacturing and despatch processes are certified to the FSSC 22000 Food Safety System, and the company’s Food Safety Policy is reviewed on an annual basis.
 - Ubombo Sugar’s production is marketed and distributed by the Swaziland Sugar Association (SSA). The SSA determines sugar prices on the basis of pricing in the regional and world markets, and also regulates the division of proceeds between growers and millers.
-

Introduction

Illovo Sugar Africa (Pty) LLtd (Illovo), a wholly-owned subsidiary of Associated British Foods plc (ABF), is Africa's biggest sugar producer with extensive agricultural and manufacturing operations in six African countries: Malawi, Tanzania, Mozambique, Swaziland, Zambia and South Africa.

As a significant employer, producer of sugar distributed to largely domestic markets and purchaser of agricultural raw materials, Illovo positively shapes the socio-economic fabric of the economies and communities of which it is part.

About this report

In 2014, ABF commissioned Corporate Citizenship, an independent sustainability consultancy, to undertake a socio-economic impact assessment of Illovo's operations to form a deeper understanding of its impacts. Management reports of the findings were published for all six countries as well as a group consolidated report. These reports are available on Illovo's [website](#).

This report, for the financial year to March 2017, is an update of the study carried out three years ago. It sets out key findings from Corporate Citizenship's assessment and focuses on Illovo's direct socio-economic impact in Swaziland, as well as its indirect and wider impacts through its value chain (outgrowers, suppliers and customers).

Reports for Illovo's operating countries and a group consolidated report have also been developed. Forward-looking recommendations to improve the company's local impacts have been provided to Illovo's senior management.

Methodology

Corporate Citizenship's process for this project involved analysing financial and management information provided by each Illovo country team. This was followed by site visits to South Africa, Malawi and Zambia, to visit the operations and their surrounding communities, as well as interview senior management and key stakeholders affected by the business. The stakeholders interviewed varied by country but included sugarcane farmers, small-holder 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, but did not visit Swaziland or speak to representatives of Ubombo Sugar.

The data presented within this report is based on internal financial and management information provided by key personnel within Illovo and has not been audited by Corporate Citizenship.

A detailed methodological note on our approach to estimating total economic impact and employment is available separately (Appendix 1).

Illovo Sugar Africa in Swaziland

Illovo operates in Swaziland through its subsidiary, Ubombo Sugar Limited. Ubombo Sugar is one of three sugar producers in Swaziland and accounts for 38% of the country’s sugar production. The company’s combined total sugar output of more than 215,000 tonnes is marketed and distributed by the Swaziland Sugar Association (SSA).

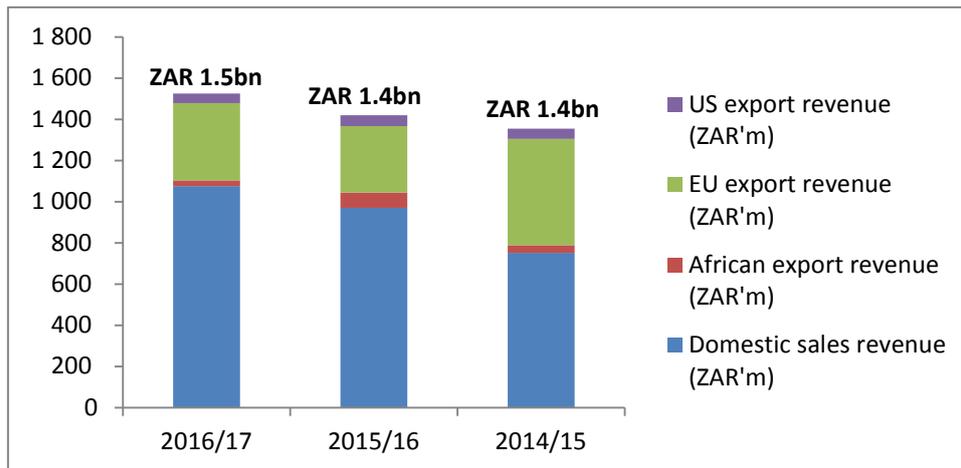
Illovo holds 60% of the issued share capital in Ubombo Sugar with the remaining shares held on behalf of the Swazi nation by Tibiyi Taka Ngwane, Swaziland’s national development agency.

The company operates an agricultural estate, factory and sugar refinery, located in the southeast of the country, and produces raw and refined sugar.

A major factory expansion and power co-generation project, commissioned in April 2011, allows the Ubombo operation to produce sufficient co-generated electricity from renewable resources to cater for its own operations and also export power to the Swaziland national grid on a commercial basis. In 2016/17, this accounted for 3% of Ubombo Sugar’s revenues.

Swaziland Country Data (2016 est.) ¹	
Economic Indicators	
GDP (purchasing power parity)	\$10.9 billion
GDP per capita (PPP)	\$9,800
Annual GDP growth rate	-0.6%
Labour Market Indicators	
Population	1.45 million
Labour force	295,200
By occupation	Agriculture 10.7% Industry N/A Services N/A
Population location (2015)	Rural 78.7% Urban 21.3%
Unemployment rate ²	25.3%
Poverty Indicators	
Population living below \$1.90 per day (2011 PPP) ³	42.0%
Rural population living below national poverty line (2009) ⁴	73.1%
Adult literacy rate	87.5%
Life expectancy at birth	51.6 years

Ubombo Sugar: Breakdown of sales of sugar in the marketplace



¹ [CIA World Factbook for Swaziland](#)

² World Bank (2016), [Unemployment, total \(% of total labor force\) \(modeled ILO estimate\)](#)

³ World Bank (2011), [Poverty headcount ratio at \\$1.90 a day \(2011 PPP\) \(% of population\)](#)

⁴ World Bank (2010), [Rural poverty headcount ratio at national poverty lines \(% of rural population\)](#)

Section 1: Generating economic value

Headline messages:

- Ubombo Sugar's total economic impact – including direct, indirect and induced impacts – is estimated at ZAR 3.1 billion for 2016/17. This includes ZAR 574 million in direct impacts (gross value added), and the remainder through multiplier effects within the supply chain and wider economy.
- Ubombo Sugar is estimated to support at least 7,363 jobs in Swaziland. For each of Ubombo Sugar's 3,249 direct employees, at least 1.3 jobs are estimated to be supported through outgrower communities and wider multiplier effects throughout the economy.
- Swaziland's national development agency, Tibiyo Taka Ngwane, owns a 40% stake in Ubombo Sugar, receiving dividends on behalf of the Swazi Nation. Indirect taxes, collected on behalf of the government, amounted to ZAR 228 million. However, Ubombo Sugar did not make a taxable profit in 2016/17, so did not make any direct tax payments.
- Ubombo Sugar also made payments of ZAR 1.0 billion to Swazi suppliers, paid ZAR 408 million in salaries, wages and benefits to employees, and made capital investments of ZAR 34 million during the year under review.

Overview

- Ubombo Sugar makes a valuable contribution to Swaziland's economy. Due to the relative labour intensity of sugar production, compared to other agricultural crops, as well as the large number of smallholder farmers in the value chain, the economic multiplier effects are significant. Much of this is felt by the rural populations, who grow and harvest the sugar cane, as well as the supporting industries that supply to Illovo and small local businesses that have grown around the sugar estates (e.g. transportation, retail and food).
- Ubombo Sugar produced 215,000 tonnes of sugar (14% of the group's total sugar production) in 2016/17. Sugar production has declined by about 14% over the last three years, as droughts have caused declining yields of sugar cane.
- At the same time, revenues have increased over the last three years, due to increased price and the diversion of sugar from the EU to higher-paying markets. Revenues were nearly ZAR 1.6 billion in 2016/17, compared to the ZAR 1.3 billion for 2012/13 reported in our last study. Ubombo Sugar is investing in future growth, and payments to Swazi suppliers and the government are increasing.
- Ubombo Sugar's contribution to the economy of Swaziland has been estimated below in terms of gross value added. The company has impacts on a wide range of stakeholders in the local community and the wider economy, through three main channels:

- o **Direct** impacts, through Ubombo Sugar’s direct employment of workers on farms and in factories, as well as tax payments, interest spending, dividends to shareholders (including the national development agency), investments and other payments;
 - o **Indirect** impacts in the value chain, through sourcing sugar cane from farmers and payments to suppliers and distributors, as well as impacts on those selling Illovo products or using them in their businesses;
 - o **Induced** impacts, through spending by direct and indirect employees, leading to increased consumption and employment elsewhere in the economy.
- Additional, secondary impacts that result from Ubombo Sugar’s presence in Swaziland include the provision of infrastructure such as roads, water, schooling and healthcare. These are described in this report, but are not quantified financially.

Creating economic value

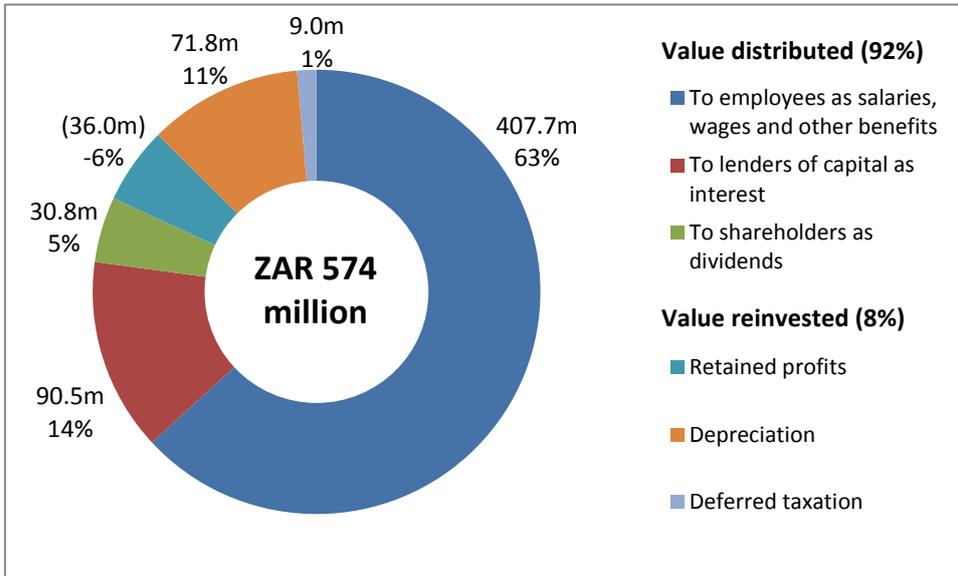
- Ubombo Sugar’s direct contribution to the economy of Swaziland, measured in terms of gross value added, was ZAR 574 million in 2016/17. This number is calculated as the difference between revenues and outgoings, and is a measure of the company’s contribution to GDP. 92% was distributed to stakeholders – including employees, government and other shareholders – while 8% was retained in the business.
- The sugar industry in southern Africa is noted in a number of studies for its large multiplier effects⁵. Ubombo Sugar’s total economic impact – including direct, indirect and induced impacts – is estimated at ZAR 3.1 billion for 2016/17. This is the equivalent of about 6.1% of Swaziland’s GDP⁶, or about 93% of the size of Swaziland’s agricultural sector⁷.

⁵ This is due to the relative labour intensity of production as well as the large number of smallholder farmers in the value chain. Sugar cane must be milled as soon as possible after harvesting, meaning significant economic impacts are felt by rural populations. As well as consuming inputs such as fertiliser, fuel and mechanical equipment, sugar provides opportunities to sectors such as transport, retailing and hospitality, food and beverages. For further details, see Appendix 1.

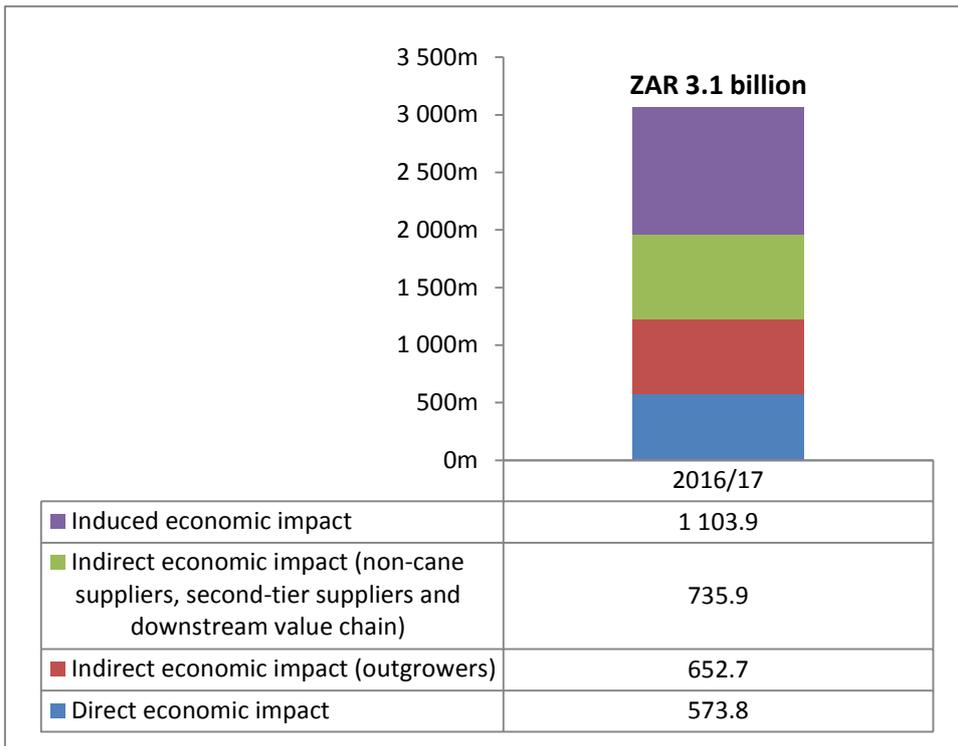
⁶ [IMF World Economic Outlook Database](#), South Africa gross domestic product, current prices, 2016

⁷ [CIA World Factbook for Swaziland](#), GDP - composition, by sector of origin

Ubombo Sugar: Direct economic impact, 2016/17 (distribution of gross value added)



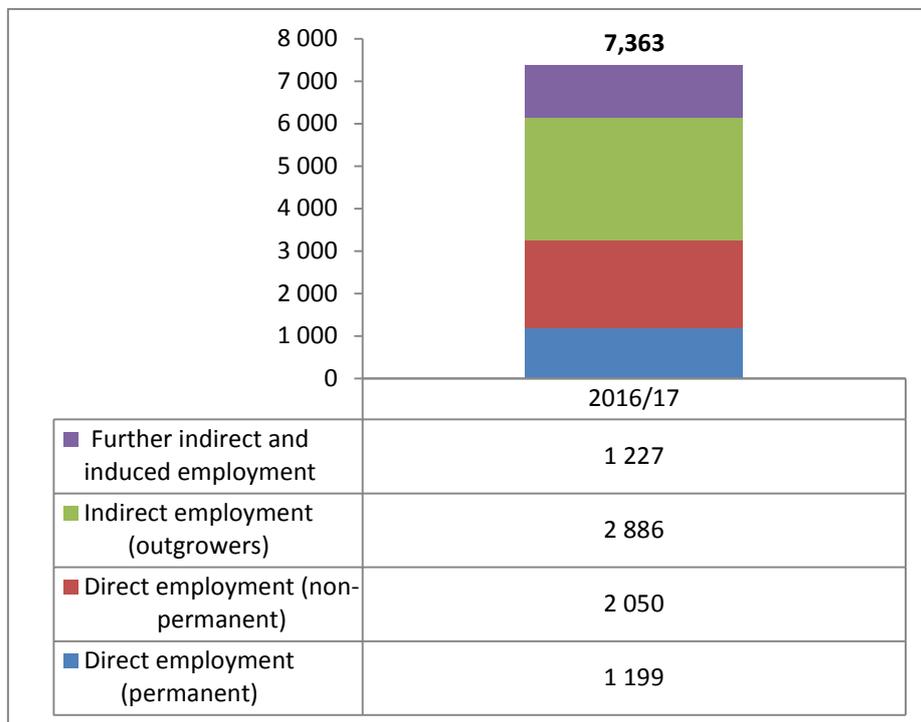
Ubombo Sugar: Total economic impacts in Swaziland (estimated), 2016/17



Total employment impacts

- While Illovo’s direct employment impact is important, it also has a significant indirect employment impact, with many more jobs supported in the value chain.
- Ubombo Sugar is estimated to support at least 7,363 jobs in Swaziland. This includes permanent employment of 1,199, non-permanent employment of 2,050 (including peak seasonal/fixed contract), and an estimated 2,886 people whose employment is supported through outgrower farms. In addition, indirect and induced employment, based on a conservative multiplier for the sugar industry, is estimated to be at least 1,227⁸.
- In other words, for every direct employee of Ubombo Sugar, at least 1.3 workers are supported through outgrower communities and in the wider economy.
- Based on an average household size of 4.7 people in Swaziland (see Appendix 1), Ubombo Sugar is estimated to contribute to supporting the livelihoods of at least 10 people for every direct employee of the company. The amount to which Illovo supports livelihoods will vary between households – for some, such as direct employees and outgrowers, Ubombo Sugar may well be the main contributor to household income, while in others Ubombo Sugar’s support will be a factor among many.

Ubombo Sugar: Total employment impacts in Swaziland (estimated), 2016/17



⁸ See Appendix 1 for further explanation of the multipliers used.

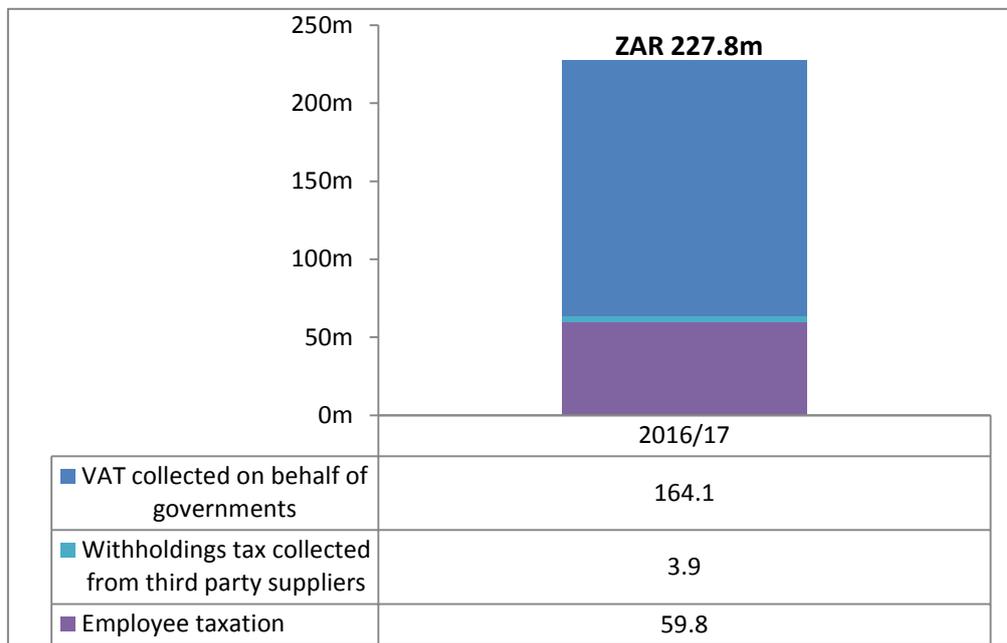
Investing in the future

- Ubombo Sugar invested ZAR 1.3 billion in expanding its operation in 2011. The expansion increased the factory's capacity by 25%. This investment was pivotal in securing donor funding for the nearby Lower Usuthu Smallholder Irrigation Project (LUSIP), which involved the construction of a dam funded by the EU and the development of up to 11 500 hectares of irrigable land for smallholder farmers, more than half of which has been dedicated to sugar cane cultivation.
- A further expansion to the factory is currently under consideration, in order to crush the additional delivery of cane that will result from the completion of the LUSIP II Extension Project, which is developing further irrigable land.
- Since the last assessment in 2014, Ubombo Sugar has spent ZAR 162 million on capital investments. This includes ZAR 47 million in a shared value project at St. Philip's, through which the company, community and government have come together to develop a 450 hectare sugar cane farm.
- Ubombo Sugar has also made a number of investments in environmental projects, including the upgrade of factory effluent ponds, portable water purification plants, and mobile weighing pads for waste.
- Ubombo Sugar has committed ZAR 29 million to the first phase of a project to convert existing irrigation systems to drip irrigation, which is more effective and efficient in terms of water use.

Contributing to public finances

- Ubombo Sugar did not make a taxable profit in 2016/17, and therefore did not make any direct tax payments to the government. However, indirect tax payments, including sales tax (VAT) and employee taxes, amounted to ZAR 228 million. This compares to the ZAR 132 million of tax payments made in 2012/13, reported in our previous study.
- As a shareholder in Ubombo Sugar, the national development agency also receives dividends from Ubombo Sugar through its 40% stake in the company (see above).

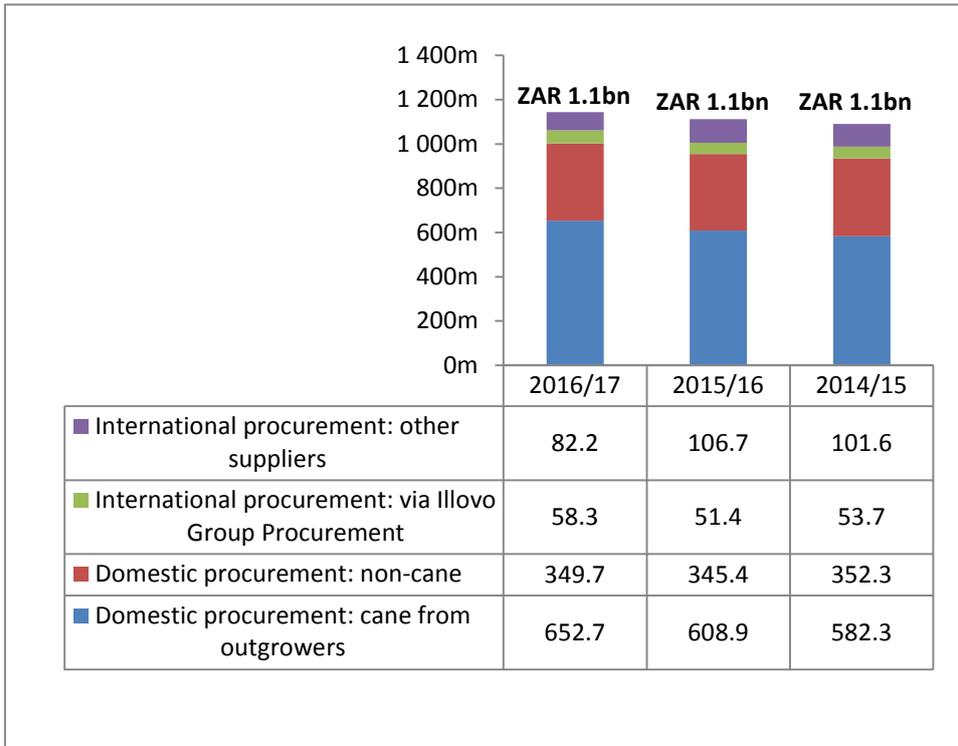
Ubombo Sugar tax contribution, 2016/17



Spending with suppliers

- In 2016/17, Ubombo Sugar spent over ZAR 1.1 billion with suppliers. 88% of this was spent with suppliers in Swaziland. Ubombo Sugar spent over ZAR 300 million more with Swazi suppliers in 2016/17 than in 2012/13.
- Spending with Swazi suppliers includes ZAR 653 million (57%) on sugar cane from outgrower farmers (see Section 3), and ZAR 350 million (31%) with other Swazi (non-cane) suppliers. Some of the biggest categories of non-cane sourcing from Swazi suppliers include agricultural inputs, fuel, food and building supplies.
- Ubombo Sugar promotes the purchasing of goods and services from local suppliers, but no preferential terms are offered.

Ubombo Sugar supplier spending, 2014/15 - 2016/17



Section 2: Creating employment opportunities

Headline messages:

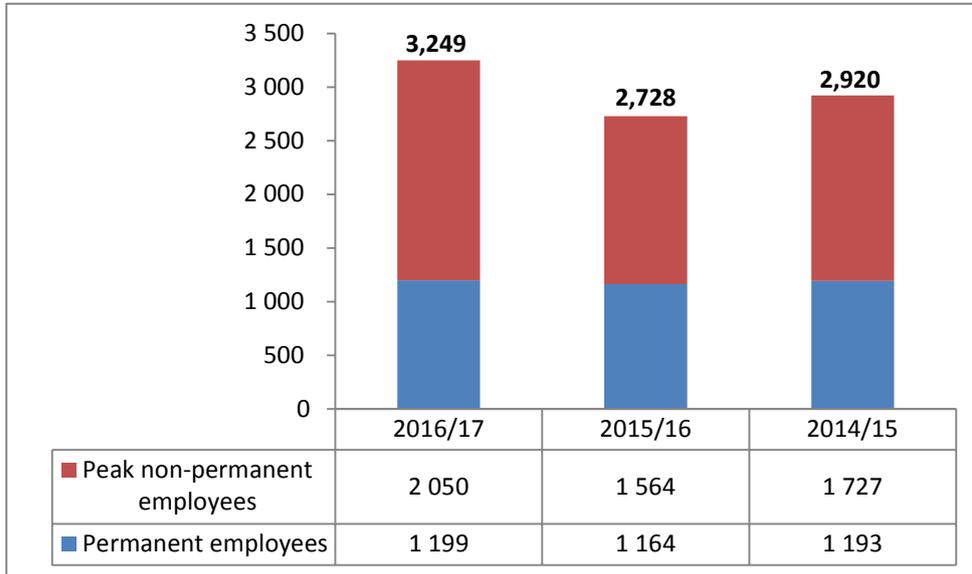
- Ubombo Sugar employs 3,249 people directly in Swaziland, of which 1,199 are permanent and 2,050 are non-permanent. Based on average household sizes, we estimate that through this direct employment alone, Ubombo Sugar contributes to supporting the livelihoods of over 15,000 employees and dependents.
- Ubombo Sugar paid ZAR 408 million in salaries, wages and benefits to employees in 2016/17. The company actively monitors remuneration against local and international benchmarks, with the lowest-paid employee earning 203% of Swaziland's minimum wage in 2016/17.
- Ubombo Sugar provides healthcare and housing on its estate to employees and their dependents, and has a comprehensive health and safety management system in place. The lost time injury rate has decreased over the last three years.

Overview

- Our assessment finds that Ubombo Sugar continues to be an important direct and indirect employer in Swaziland. What is also important is the quality of jobs provided. For example, ensuring that employees receive a fair wage, have representation and collective bargaining rights, as well as access to training and development to help them progress in their careers.
- Ubombo Sugar provided employment for 1,199 permanent employees and 2,050 seasonal workers at peak periods in 2016/17. Illovo Sugar Africa is committed to ensuring employees receive a fair wage, and since our last assessment has started to conduct annual market salary surveys to ensure pay and benefits in each country are monitored. Ubombo Sugar provides a comprehensive range of benefits, going above and beyond statutory requirements. The company values its seasonal workers and takes measures to ensure its labour standards and working conditions protect their human rights.

Direct employment

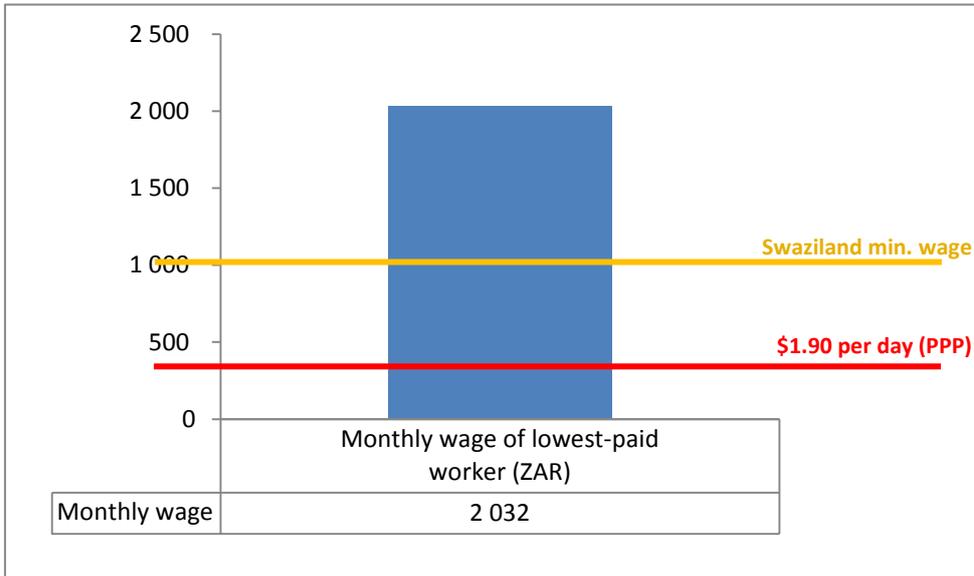
Ubombo Sugar: Direct employment, 2016/17



- The 3,249 people directly employed by Ubombo Sugar in 2016/17 includes 1,199 permanent employees, and 2,050 peak non-permanent/seasonal employees. Permanent employment by Ubombo Sugar has remained constant over the past three years, while the number of non-permanent employees has increased.
- We estimate the direct jobs provided by Ubombo Sugar contribute to supporting the livelihoods of over 15,000 people once families and dependents are taken into account. This is based on an average household size of 4.7 people in Swaziland⁹.
- Ubombo Sugar paid a total of ZAR 408 million to employees in 2016/17, which is spread across direct salaries and wages and other benefits. All employees are compensated above the standard minimum wage, with the entry wage standing at 203% of the local minimum wage last year, and significantly higher than the World Bank poverty line of \$1.90 dollars per day.
- Ubombo Sugar has a collective bargaining agreement in place with its workers' trade union. Negotiations have focused on benefits such as a living-out package and education allowance for workers, as well as a long service award for returning seasonal employees

⁹ See Appendix 1 for an explanation of the multipliers used.

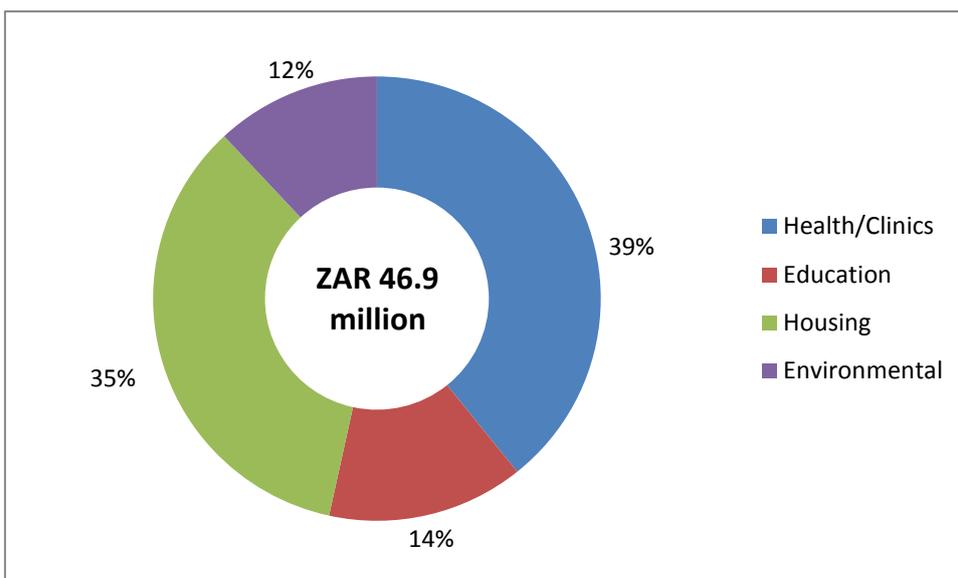
Ubombo Sugar: Monthly minimum wages, 2016/17



Employee livelihoods

- Ubombo Sugar employees are entitled to a number of different benefits in addition to their salaries. 15,688 employees and dependents benefited from Ubombo Sugar’s health facilities in 2016/17, and 1,386 employees were accommodated in company housing.
- In total, the benefits provided to employees in Swaziland in 2016/17 sum to nearly ZAR 47 million.

Ubombo Sugar: Employee benefits 2016/17



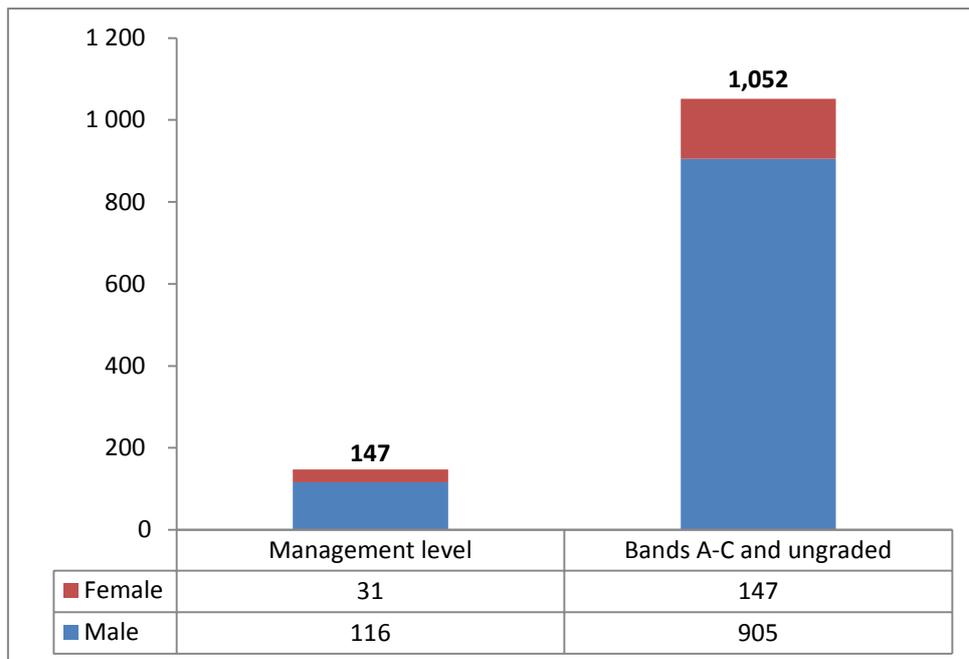
Human rights and labour standards

- Through established collective bargaining agreements with the union, employees are able to raise grievances through formal means. All of Ubombo Sugar’s employees have access to collective bargaining agreements.
- Monthly consultative meetings are held between union representatives and Ubombo Sugar’s management, to discuss business and employee matters. Meetings are also held at shop-floor level.
- The company has a comprehensive health and safety management system in place. The lost time injury frequency rate has decreased from 0.18 LTIs per 200,000 hours worked in 2014/15 to 0.08 in 2016/17, which is well below the target of 0.15 set by the Group.
- All of Ubombo Sugar’s employees are required to read, sign and adhere to the Illovo’s Code of Conduct and Business Ethics, which includes policies on child labour, forced labour and other human rights issues.

Gender diversity

- Ubombo Sugar has 178 permanent female employees, representing 15% of the total permanent employee base, and 21% of management positions.
- Ubombo Sugar supports career development for women within the business through study programmes. A number of women are currently pursuing study via these programmes.

Ubombo Sugar: Permanent workforce by role and gender, 2016/17



Training and development

- Ubombo Sugar invested ZAR 8.3 million in training and development in 2016/17, engaging 2,159 employees. The company sends a number of employees each year to Illovo's Technical Academy at Illovo South Africa's Eston Mill, and also currently has 20 apprentices within various industrial roles.
- Other training programmes include fire safety and first aid, as well as first-line management training. An Illovo Group-branded development programme is provided to managers, with the aim of building skills for the continued growth of the company.

Section 3: Supporting farmer livelihoods

Headline messages:

- Ubombo Sugar’s supply chain includes 190 registered growers, including both smallholder associations and individual farmers, who in total supplied 1.3 million tonnes of cane in 2016/17. 65% of the sugar cane used by Ubombo Sugar is supplied by independent farmers; the remaining 35% comes from the company’s own land.
- Ubombo Sugar is estimated to support 2,886 jobs through outgrower farmers. In addition, the company provides technical and capacity-building support to outgrowers, as well as support with Fairtrade certification.

Overview

- Some of Ubombo Sugar’s most significant economic and social impacts are made through the agricultural supply chain. Ubombo Sugar’s purchases of sugar cane support employment and incomes in rural areas, where 73% of the Swazi population lives below the national poverty line¹⁰.
- 65% of the sugar cane used by Ubombo Sugar is supplied by independent farmers from the areas surrounding the company’s mills – the remaining 35% comes from the company’s own land.
- Since our last report, Illovo has increased its strategic focus on outgrowers through a new “optimise outgrowers” scheme. Each country is developing a strategic action plan on outgrower development. While this is still in its early stages, the initiative will help Illovo to develop a longer-term approach to securing its future supply of cane and improving outgrower livelihoods.

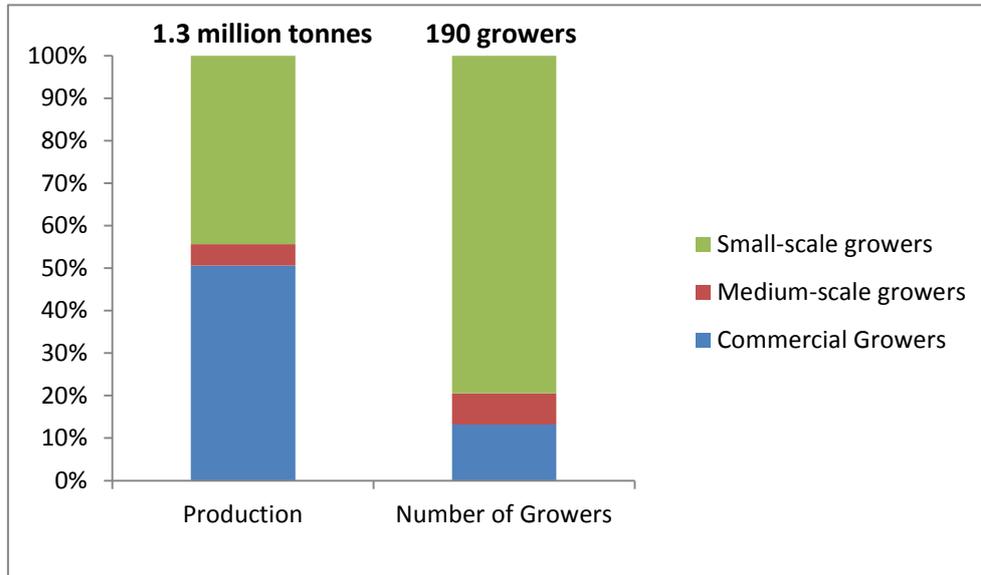
Outgrower sourcing

- Ubombo Sugar sources from 190 registered growers in the local region, who in total supplied 1.3 million tonnes of cane in 2016/17. This includes 151 small-scale growers (both farmer associations and individual farmers), growing cane on less than 50 hectares of land.
- Together, smallholders account for about 44% of outgrower production. An additional 5% is supplied by 14 medium-scale growers (50 to 1,000 hectares), with the remaining 51% supplied by 25 large-scale commercial farms (over 1,000 hectares). One of these large farms, accounting for 43% of outgrowers’ total area under cane, is owned by the national development agency, Tibiyo Taka Ngwane.

¹⁰ World Bank (2010), [Rural poverty headcount ratio at national poverty lines \(% of rural population\)](#)

- Since 2009, the proportion of cane supplied by smallholder farmers has grown significantly, thanks to large-scale development projects such as the LUSIP irrigation project. In 2009, smallholders represented 12% of outgrower area under cane. As of 2017, this has risen to 24%, and is expected to grow to 29% over the next ten years.

Ubombo Sugar: Outgrower sourcing, 2016/17



Supporting outgrower employment

- Ubombo Sugar supports significant indirect employment through outgrower farmers. The number of jobs has been estimated, using employment on Ubombo Sugar’s own farms as a proxy, at 2,886¹¹.
- Based on an average household size of 4.7 people in Swaziland (see Appendix 1), the company is estimated to contribute to supporting the livelihoods of 13,566 people through its sourcing of sugar cane from outgrowers in Swaziland.
- In general, sugarcane is noted for its contribution to female employment¹². In Ubombo Sugar’s case, a number of donor-funded smallholder projects have requirements on the proportion of growers who are women. However, the company has not been able to estimate the total proportion of female growers.

Payments to outgrowers

- Ubombo Sugar pays outgrowers according to the sucrose content of their delivered cane. The division of proceeds from the milled sugar is regulated by the Swaziland Sugar Association (SSA). In 2016/17, outgrowers received an average of ZAR 507 per

¹¹ Combining Ubombo Sugar’s permanent agricultural employment of 438 with fixed-term, casual and peak seasonal agricultural employment of approximately 1,355 gives an estimate of 0.21 jobs per hectare harvested. This compares with estimates by the South African sugar industry and Conningarth Economists (see Appendix 1) of between 0.17 and 0.23 jobs per hectare.

¹² Levin and Mhamba (2007) – see Appendix 1.

tonne of sugarcane. In addition, growers more than 60km from the mill receive a transport subsidy.

- In 2016/17, Ubombo Sugar sourced over 34,000 tonnes of Fairtrade-accredited sugar cane (about 2.7% of the total cane from outgrowers). Fairtrade-accredited growers receive the Fairtrade premium of ZAR 600 per tonne of refined sugar – equating to about ZAR 60 per tonne of cane.
- Ubombo Sugar estimates that workers on outgrower farms receive a wage of about ZAR 38.5 per day.
- For smallholders supplying the mill, Ubombo Sugar estimates that sugar cane accounts for more than 80% of incomes. As part of the grant-funded LUSIP project, a baseline study was conducted beforehand on farmer incomes. A follow-up survey will be used to determine the impact of the new cane development on smallholder incomes.

Supporting smallholder farmers

- Ubombo Sugar provides cane supply support and extension services to smallholders, at an annual cost of about ZAR 8 million. This includes technical and engineering support, including training on issues such as irrigation management and harvesting logistics, as well as record-keeping and other business management support.
- Ubombo Sugar’s extension officers also provide support in preparation for Fairtrade-certification audits, liaising with SSA (Swaziland Sugar Association) and the audit and certification body for Fairtrade Standards, FLOCert. The company conducts follow-up visits with farmer associations to ensure that audit findings are addressed correctly, in order for them to retain their certifications.
- Outgrowers also receive access to Ubombo Sugar’s healthcare facilities, at nominal cost.
- Ubombo Sugar has an agreement in place with a number of financial institutions so that smallholders who have secured loans have repayment deducted from the proceeds they receive for their cane.

Human rights and labour standards

- The seasonal nature of the agricultural industry means a heightened risk of labour abuses such as low wages or dangerous working conditions. Ubombo Sugar estimates that about 70% of outgrower workers are seasonal or migrant labourers. In order to mitigate human rights risks, all Illovo cane procurement staff have been trained in the Illovo Code of Conduct, land rights and human rights. This is applied in grower engagements, and grower union leadership have been specifically informed of Illovo’s policies.
- The Illovo Group Code of Conduct and Business Ethics is written in line with the UN Guiding Principles on Business and Human Rights, the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. It

commits Illovo to supporting and respecting human rights, and requires all suppliers to do the same.

- Ubombo Sugar’s outgrowers are periodically audited on labour and human rights issues by particular customers, who request audits via the SSA. Fairtrade-accredited grower co-operatives are also assisted to understand and embed human rights principles through the process of certification.

Land rights

- Since our last assessment, the issue of land rights has continued to rise in importance, both globally and in southern Africa in particular. Illovo has responded by developing a more formalised approach through the development of its [Guidelines on Land and Land Rights](#), which commit Illovo to a zero tolerance approach to land grabs, and require that all suppliers do likewise.
- Illovo has brought in external stakeholders as part of a Land Policy Roundtable committee. Illovo is working in partnership with NGO experts, such as Landesa, a non-profit organisation that partner with governments and local organisations to secure legal land rights for the world’s poorest communities and Malawi’s LandNet, a network of local organisations and international NGOs which deals with land issues, to establish leading practices on land rights.
- A new project launched in 2016 in partnership with Landesa, the Commitment to Practice project (C2P), aims to enhance and pilot the Grow Africa Analytical Framework for Land Based Investments, a due diligence framework for land rights assessments on Illovo’s estates and supply chain in Mozambique, Malawi and Swaziland.
- The Swaziland Sugar Association (SSA) requires proof of land ownership/lease from all growers before they receive their allocation of the sucrose quota. During the development of new land for outgrowers, Ubombo Sugar works with project partners to ensure that any land disputes are settled.

Section 4: Investing in communities

Headline messages:

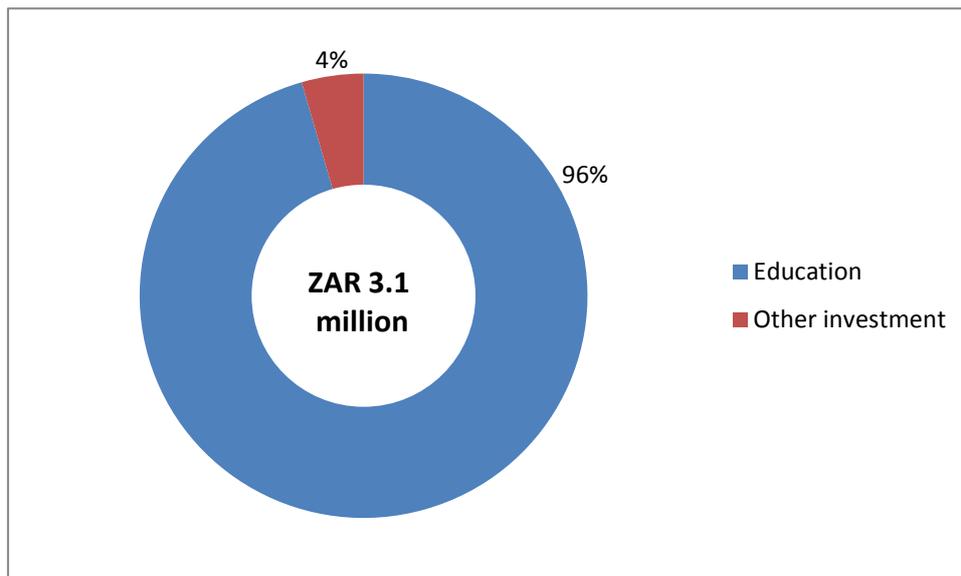
- Ubombo Sugar’s community investments totalled over ZAR 3.08 million in 2016/17, mostly on education and healthcare initiatives.
- Ubombo Sugar supports the Community Outreach programme, a service rendered by the Ubombo-owned hospital, which provides preventative, curative and rehabilitative services to community members at affordable rates.

Overview

- Ubombo Sugar invested over ZAR 3 million in supporting the local communities in and around its operations in 2016/17. Almost all of this (96%) is spent on education projects with a small proportion spent on other ad-hoc community initiatives. Employee-related benefits (Section 2) and outgrower development spending (Section 3) are excluded from this total.
- Stakeholders have raised a number of key issues faced by the communities in and around Ubombo Sugar’s operations. Primary concerns include access to clean water, sanitation and the scarcity of accommodation.

Community citizenship & social investment

Illovo Swaziland: Total investment in the community, 2016/17



- Ubombo Sugar has increased its total investment in community projects over the last year from ZAR 2.9 million in 2015/16 to ZAR 3.1 million in 2016/17. 96% of this expenditure went towards education initiatives. Support for ad-hoc initiatives increased from almost ZAR 35,000 in 2015/16 to over ZAR 137,000 in the last reporting year.
- Ubombo Sugar supports the Community Outreach programme, a service rendered by the Ubombo-owned hospital to nearby communities in partnership with the government and other healthcare partners and stakeholders. The Outreach programme offers preventative, curative and rehabilitative services to community members at affordable rates. The community, which consists of up to 150,000 people, is also able to access free HIV/AIDS and TB screening and treatment. As a result, the hospital has seen a 65% reduction in the number of new HIV and TB infections, 70% increased uptake of family planning services and the uptake of child welfare services has increased by 95%. There has been a 97% eradication of malaria cases in communities and awareness and screening on various cancers increased as well.
- Ubombo Sugar directly supports its neighbouring communities by providing sewer treatment facilities, potable water supply and maintaining purification plants. The company has been the principal developer of infrastructure in the area, including public roads that pass through its estate, housing, schools, and health and recreational facilities. The company has also provided a community water tap for the Mangwaneni Community, an informal settlement.
- In support of education, Ubombo Sugar provides donations to three local schools in the community and provides other indirect support including housing, utilities and land. School enrolment in the three schools is about 1,800 students, who benefit from this support.

Section 5: Promoting environmental sustainability

Headline messages:

- Ubombo Sugar is committed to responsible land practices, and trains outgrowers on environmental best-practice.
- 96% of Ubombo Sugar’s energy consumption is provided from renewable sources, primarily bagasse. Ubombo Sugar was responsible for only 9% of the group’s total carbon emissions in 2016/17, equating to 60,496 tCO₂e.
- Around 78% of water withdrawals in Ubombo Sugar’s non-cane operations are recycled and returned to source. In response to water scarcity issues, Ubombo Sugar is currently exploring the potential for installing drip irrigation.

Overview

- Since our last assessment, Illovo has continued to focus on embedding high standards of environmental sustainability into the business, underpinned by a culture of continuous improvement. Promoting environmental best practice is closely linked with Ubombo Sugar’s social and economic impacts. Environmental issues have a direct impact on the quality and productivity of land, and affect the livelihoods of farmers, workers and the wider community.
- Sugar cane cultivation is associated with a number of environmental impacts, in particular water, a resource that must be carefully managed. Ubombo Sugar and its outgrowers have been affected by droughts in recent years, impacting production. Ubombo Sugar is currently exploring the potential for installing drip irrigation, which is more effective and efficient in terms of water use.
- Sugar cane offers excellent opportunities for the production and use of renewable energy, generated using bagasse – the renewable fibrous residue that remains after sugar cane crushing – and other biomass. By producing its own renewable energy, Ubombo Sugar can cut costs, mitigate the impacts of climate change, and gain additional revenue by selling surplus energy back to the national grid.

Land & biodiversity

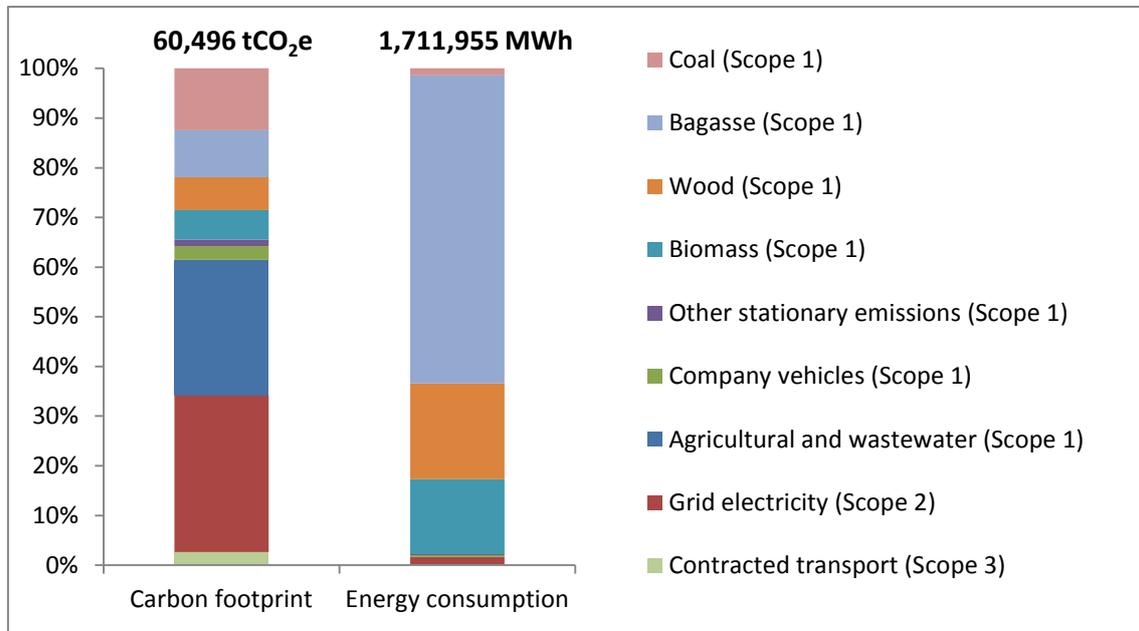
- Ubombo Sugar is committed to responsible land practices. The company has policies to prefer the use of biodegradable chemicals, minimise erosion and runoff, and to rehabilitate degraded land.
- Outgrower farmers are trained on environmental best-practice by Ubombo Sugar’s extension officers, and also receive training through the Swaziland Sugar Association (SSA) on drought impact mitigation, irrigation scheduling and climate change resilience.

- Ubombo Sugar maintains biodiversity corridors through its estates, including the Mhlosinga Nature Reserve, a private reserve owned by the company which supports a number of indigenous flora and wildlife species.

Energy and climate change

- A number of studies have predicted positive impacts of climate change on sugarcane yields in southern Africa. However, these also note the uncertainty of predicting future rainfall patterns, such as more intense rainfall with longer dry spells¹³. For Ubombo Sugar, there are significant benefits in the short- and medium-term from improving the energy and water security of company operations and suppliers.
- The opportunities for renewable energy generation afforded by the sugar production process allow Ubombo Sugar to minimise its carbon footprint. Energy use primarily takes place during the cane-crushing season, meaning that the company has a ready supply of renewable fuel. 96% of Ubombo Sugar’s energy consumption is provided from renewable sources – primarily bagasse (553,000 tonnes in 2016/17), supplemented by wood and other biomass.
- Ubombo Sugar was responsible for only 9% of the Illovo Group’s total carbon emissions in 2016/17. To reduce emissions, the company has installed wet scrubber systems in boilers, and monitors transport emissions on a monthly basis.
- The company exported 54,452MWh of electricity to the national grid, accounting for 3% of revenues in 2016/17.

Ubombo Sugar: Carbon footprint and energy consumption, 2016/17

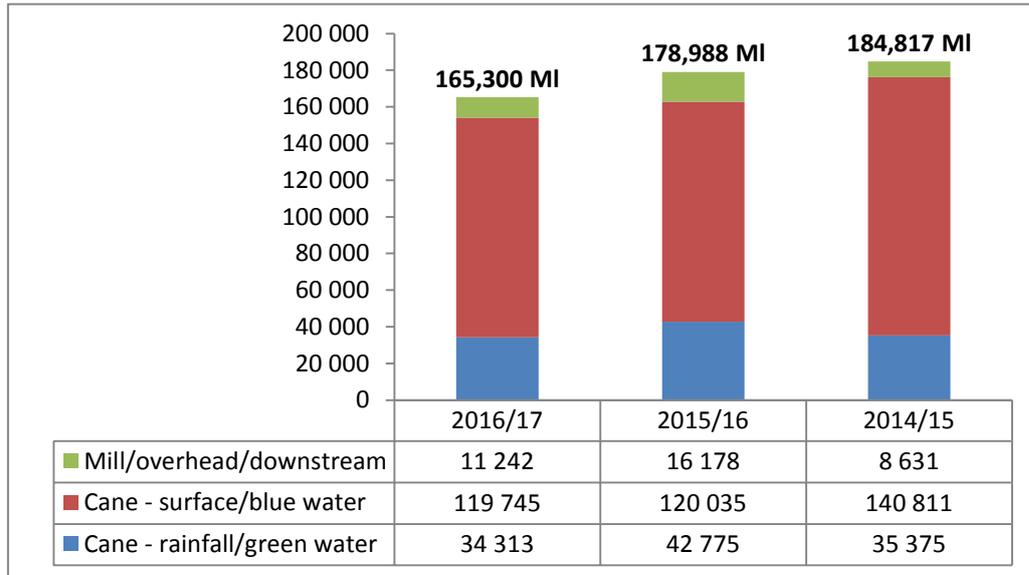


¹³ See Jones MR and Singels A (2014), *A preliminary assessment of mid-century climate change impacts on sugarcane production in South Africa*.

Water and waste

- Water is a vital resource both for Illovo’s operations and surrounding communities, meaning that responsible management is a business imperative. Total water consumption has fallen over the last three years¹⁴, reflecting regular droughts which have impacted on water availability.

Ubombo Sugar: water consumption (megalitres), 2014/15 - 2016/17



- In addition to the water used in Ubombo Sugar’s own operations, the company supplies water to local communities, villages and schools, and is investing ZAR 1.3 million per annum in portable water purification plants.
- Ubombo Sugar has introduced a water footprint assessment in order to understand the severity of water-related risks and develop a strategy for managing and mitigating these. It is updated on a monthly basis.
- The water consumption footprint of Illovo’s factories is generally neutral, with most water requirements for the sugar manufacturing process sourced from the cane itself. Much of the additional water is recycled and used for irrigation, in order to reduce the requirement for water abstraction. In 2016/17, Ubombo Sugar’s mills and other non-cane operations withdrew 51,887 megalitres of water. Of this, approximately 78% was recycled and returned to source.
- Ubombo Sugar has implemented procedures for waste management and segregation of waste. There is an ongoing initiative to identify local recyclers for the different waste streams.

¹⁴ It is important to note that while all of the water used on KSCL’s farms is accounted for as water “consumption”, in reality much of it is returned to the same catchment. This therefore reflects a level of over-reporting on water consumption, as noted in Illovo’s environmental assurance statements.

Contact

Website: www.corporate-citizenship.com

Twitter: @CCitizenship

LinkedIn: [Corporate Citizenship Company](#)

London Office

Corporate Citizenship
5th Floor, Holborn Gate 26
Southampton Buildings
London, WC2A 1PQ
United Kingdom
E: mail@corporate-citizenship.com
T: +44 (0) 20 7861 1616

New York Office

Corporate Citizenship 241 Centre
Street, 4th Floor
New York, NY10013
United States
E: info@corporate-citizenship.com
T: 1 212 226 3702

Santiago Office

Corporate Citizenship
Av. Kennedy 5735
Oficina 1503
Santiago, Chile
E: chile@corporate-citizenship.com
T: +56 2 3224 3569

Melbourne Office

LBG Australia & New Zealand
Corporate Citizenship
20-22 Albert Road
South Melbourne, VIC 3205
Australia
E: simon.robinson@corporate-citizenship.com
T: + 61 (3) 9993 0452

San Francisco Office

Corporate Citizenship
1885 Mission Street
San Francisco, CA, 94103
United States
E: info@corporate-citizenship.com
T: 1 415 656 9383

Singapore Office

Corporate Citizenship
2 Science Park Drive
Ascent Building, 02-06
Singapore, 118 222
E: Singapore@corporate-citizenship.com
T: +65 6822 2203