

# Illovo Sugar

Zambia Sugar Plc Socio-Economic Impact  
Assessment

Internal Management Report

October 2017

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# Executive Summary

Zambia Sugar is a significant contributor to the country'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 Zambian government's development agenda.

This report is an update of a study carried out three years ago by Corporate Citizenship. It sets out key findings from an assessment of Zambia Sugar's socio-economic impacts, and provides forward-looking recommendations for the business. The main findings are summarised in the table below.

**In 2016/17, Zambia Sugar's socio-economic impacts in Zambia included:**

**Generating economic value**

- Zambia Sugar is Zambia's leading sugar producer, accounting for about 83% of the country's sugar production. Revenues have grown over the last three years, with an increasing proportion of sales into African markets.
- Zambia Sugar's total economic impact – including direct, indirect and induced impacts – is estimated at ZAR 5.3 billion in 2016/17. This includes ZAR 1.4 billion in direct impacts (gross value added), and the remainder through multiplier effects within the supply chain and wider economy.
- Zambia Sugar's total direct tax payments in 2016/17 amounted to ZAR 28.7 million, while indirect taxes totalling ZAR 302 million were collected on behalf of the government. Zambia Sugar also made payments of ZAR 3.2 billion to Zambian suppliers, paid ZAR 651 million in salaries, wages and benefits to employees, and made capital investments of ZAR 283 million.
- Zambia Sugar's ZAR 1 billion refinery project was officially opened by President Edgar Lungu in July 2016, who commended the company for its long-term commitment to the economy of Zambia.

**Creating employment opportunities**

- Zambia Sugar is estimated to support at least 11,474 jobs in Zambia. For each of Zambia Sugar's 6,310 direct employees, at least 0.8 jobs are estimated to be supported through outgrower communities and wider multiplier effects throughout the economy.
- Zambia Sugar paid ZAR 650.7 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 109% of the Zambia minimum wage in 2016/17.
- We estimate that the direct jobs provided by Zambia Sugar contribute to the livelihoods of 34,074 people once families and dependents are taken into account. This is based on an average household size of 5.4 people in Zambia's Southern Province<sup>1</sup>.

<sup>1</sup> See Appendix 1 for an explanation of the multipliers used.

**Supporting farmer livelihoods**

- Zambia Sugar’s supply chain includes 402 outgrower farmers, in total supplying about 1.4 million tonnes of cane every year. 46% of the sugar cane used by Zambia Sugar is supplied by independent farmers; the remaining 54% comes from the company’s own farmed land.
- Smallholder farmers (growers of sugar cane on less than 40 hectares of land) account for 13% of outgrower production. Zambia Sugar sources from 385 smallholders, represented by three smallholder associations.
- Zambia Sugar is estimated to support 3,252 jobs through outgrower farmers. In addition, the company provides significant technical and capacity-building support to outgrowers. This includes support with Fairtrade accreditation, as well as the provision of infrastructure and training on environmental management.

**Investing in communities**

- Zambia Sugar’s community investments totalled ZAR 1.1 million in 2016/17. About a quarter of this is spent on education, while other spending includes health and infrastructure projects.
- Zambia Sugar is working with local and global partners on shared value initiatives that aim to tackle the community issues that were raised through engaging with stakeholder groups.

**Promoting environmental sustainability**

- Zambia Sugar manages all of its own farms according to the SusFarMS conservation guidelines, and is also providing training on SusFarMS to outgrowers.
- 91% of Zambia Sugar’s energy consumption is provided from renewable sources, primarily bagasse. Zambia Sugar was responsible for 12% of the Illovo Group’s total carbon emissions in 2016/17, equating to 86,066 tCO<sub>2</sub>e.
- Around 80% of water withdrawals in Zambia Sugar’s non-cane operations are recycled and returned to source. In response to water scarcity issues, a five-year water strategy is being implemented by Zambia Sugar, including transition to drip irrigation where feasible.

**Responsible practices in the market place**

- To ensure that its products remain affordable, Zambia Sugar is evaluating the possibility of offering smaller pack sizes..

Our full recommendations for further enhancing Zambia Sugar’s impacts are set out at the end of the report. These include a programme of focussed engagement amongst community stakeholders, particularly outgrower communities; a more structured approach to assessing and prioritising community needs; improving business understanding and opportunities amongst outgrower communities; more strategic interventions around shared value, and enhancing training and awareness on gender and human rights.

# Introduction

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Illovo Sugar Africa (Pty) Limited (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 has the opportunity to positively shape the socio-economic fabric of the economies and communities which it is part of.

## 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 ended 31 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 Zambia, 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 also 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 beneficiaries of Illovo's social investment spend. Corporate Citizenship also conducted its own desk-based research and analysis. Case studies are based on site visits and interviews.

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 in Zambia

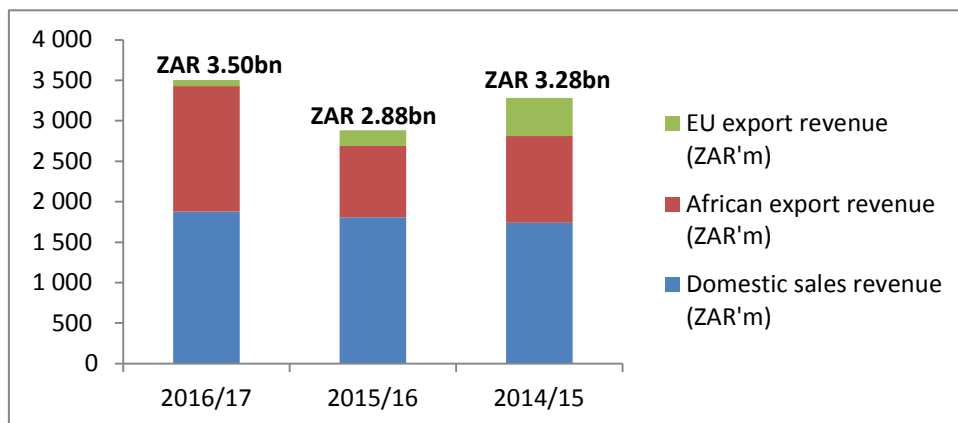
Illovo Sugar operates in Zambia through its subsidiary, Zambia Sugar plc. Zambia Sugar is the group’s second-largest sugar producer with a total annual sugar production capacity of 450,000 tonnes. As Zambia’s leading sugar producer, it cultivates sugar cane and manufactures refined sugar and Vitamin A-enriched raw sugar under the Whitespoon brand name for local consumer markets and non-fortified refined sugar for industrial customers. The company also produces speciality sugars for export to the EU and syrup for local consumer markets.

Zambia Sugar is listed on the Lusaka Stock Exchange, with 76% of shares held by the Illovo Group and the balance by institutional and private investors.

The company’s corporate office is located in Lusaka, while its cane estate and sugar factory are located in Nakambala, southwestern Zambia. Zambia Sugar operates the largest-capacity factory in the Illovo Group.

In 2016/17, 54% of sales were in the domestic market, with other African markets accounting for an additional 42% of sales.

### Zambia Sugar: break down of sales of sugar in the marketplace



Zambia Country Data (2016 est.) <sup>2</sup>	
<b>Economic Indicators</b>	
GDP (purchasing power parity)	\$65.17 billion
GDP per capita (PPP)	\$3,900
Annual GDP growth rate	3%
<b>Labour Market Indicators</b>	
Population	15.5 million
Labour force	7.1 million
By occupation (2004)	Agriculture 85% Industry 6% Services 9%
Population location (2015)	Rural 59.1% Urban 40.9%
Unemployment rate <sup>3</sup>	7.53%
<b>Poverty Indicators</b>	
Population living below \$1.90 per day (2011 PPP) <sup>4</sup>	64.4%
Rural population living below national poverty line (2010) <sup>5</sup>	77.9%
Adult literacy rate	63.4%
Life expectancy at birth	52.5 years

<sup>2</sup> [CIA World Factbook for Zambia](#)

<sup>3</sup> World Bank (2016), [Unemployment, total \(% of total labor force\) \(modeled ILO estimate\)](#)

<sup>4</sup> World Bank (2011), [Poverty headcount ratio at \\$1.90 a day \(2011 PPP\) \(% of population\)](#)

<sup>5</sup> World Bank (2010), [Rural poverty headcount ratio at national poverty lines \(% of rural population\)](#)

The increasing proportion of sales to the African market since our last assessment reflects the change in Illovo's business strategy as it looks to sell more of its products within the African continent. This is in anticipation of a shrinking EU market following EU reforms to the Common Agricultural Policy (CAP).

## A unique operating context

Although Zambia is one of the most urbanised countries in sub-Saharan Africa, about 60% of the country's population live in rural areas and about 85% of Zambia's rural population rely on agriculture for their livelihoods. Zambia's economy has taken a hit over the last couple of years due to several factors including a downturn in GDP and lower global copper prices, which have resulted in high interest rates, high inflation and a weaker currency. In addition, poorly-timed rains led to reduced agricultural income for the rural poor and increased food prices in 2015.<sup>6</sup>

Both economic and weather conditions are improving; however, the business still faces a challenging operating climate. As the Zambian government seeks to secure support from the International Monetary Fund (IMF), conditions of this support related to reforming subsidies in the energy and agriculture sectors, will have an impact on business costs. During our visit, Rebecca Katowa, Managing Director of Zambia Sugar, highlighted the rising costs of electricity, fuel, and water tariffs in particular.

Despite these challenges, Zambia Sugar has demonstrated its long-term commitment to the country by continuing to invest and create opportunities for inclusive growth. In 2015, Zambia Sugar expanded its operations with a new food-grade sugar refinery, which has doubled the company's capacity to produce refined sugar. This development, applauded by the President of Zambia, has positioned the business for growth and helped to instil confidence in the economy. The new sugar refinery has also allowed the company to be nimble in its response to changing market forces. As EU markets recede, Zambia Sugar has been able to shift volumes to supply local and regional markets.

As the largest agricultural producer in Zambia and the second largest private sector employer, stakeholders have high expectations of Zambia Sugar to alleviate the economic and social burdens of rural communities. During our site visit to Zambia Sugar's operations, Corporate Citizenship met with a variety of Illovo stakeholders, including employees, small scale and commercial farmers, members of industry associations, union leaders, local government representatives and retailers. The interviews provided a picture of the company's engagement with its stakeholders in response to both business and broader development challenges as well as its wide-ranging impacts in other areas. The company's approach has included:

- Strengthening engagement with key stakeholders and in some cases leading advocacy on cross-cutting issues such as water tariffs.
- Upholding a policy to procure from Zambian suppliers if they fall within a competitive margin of 10%, as long as they meet quality standards and provide after-sales support.

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<sup>6</sup> [The World Bank in Zambia](#)

- Creating opportunities for more smallholder farmers to advance from subsistence farming to supplying the company. This has been possible due to the refinery expansion.

As recovery continues, Zambia Sugar will have to strike the right balance between running a viable and sustainable business, taking a strategic approach to managing stakeholder relationships and maintaining community support.



# Section 1: Generating economic value

## Headline messages:

- Zambia Sugar's total economic impact – including direct, indirect and induced impacts – is estimated at ZAR 5.3 billion in 2016/17. This includes ZAR 135 billion in direct impacts (gross value added), and the remainder through multiplier effects within the supply chain and wider economy.
- Zambia Sugar is estimated to support at least 11,474 jobs in Zambia. For each of Zambia Sugar's 6,310 direct employees, at least 0.8 jobs are estimated to be supported through outgrower communities and wider multiplier effects throughout the economy.
- Zambia Sugar's total direct tax payments in 2016/17 amounted to ZAR 28.7 million, while indirect taxes totalling ZAR 302 million were collected on behalf of the government. Zambia Sugar also made payments of ZAR 3.2 billion to Zambian suppliers, paid ZAR 651 million in salaries, wages and benefits to employees, and made capital investments of ZAR 283 million.
- Zambia Sugar's ZAR 1 billion refinery project was officially opened by President Edgar Lungu in July 2016, who commended the company for its long-term commitment to the economy of Zambia.

## Overview

- Zambia Sugar makes a valuable contribution to Zambia'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).
- Zambia is Illovo Group's second-biggest country of operations, producing 359,000 tonnes of sugar (24% of the Group's total sugar production) in 2016/17.
- Revenues in 2016/17 were ZAR 3.5 billion – up from ZAR 2.9 billion the previous year. Zambia Sugar is making significant investments in future growth, and payments to Zambian suppliers and the government are increasing. However, operating profits have fallen each of the past two years, due to falling domestic sales volumes, as well as droughts and power interruptions which have affected production. Profits after finance costs and taxation were negative in 2016/17, mainly reflecting the costs arising from the company's investment in a new sugar refinery, which were affected by persistently high interest rates.
- Zambia Sugar's contribution to the economy of Zambia 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:

- **Direct** impacts, through Zambia Sugar’s direct employment of workers on farms and in factories, as well as tax payments, interest spending, shareholder dividends, investments and other payments;
  - **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;
  - **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 Zambia Sugar’s presence in Zambia include the provision of infrastructure and services such as power, roads, water, schooling and healthcare. These are described in this report, but are not quantified financially.

## Creating economic value

- Zambia Sugar’s direct contribution to the economy of Zambia, measured in terms of gross value added, was ZAR 1.35 billion 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. 99% was distributed to stakeholders – including employees, shareholders and the government – while just 1% was retained in the business, due to declining profits and high finance costs in 2016/17 (see above).
- The sugar industry in southern Africa is noted in a number of studies for its large multiplier effects<sup>7</sup>. Zambia Sugar’s total economic impact – including direct, indirect and induced impacts – is estimated at ZAR 5.3 billion for 2016/17. This is the equivalent of about 1.7% of Zambia’s GDP<sup>8</sup>, or about 18.6% of the size of Zambia’s agricultural sector<sup>9</sup>.

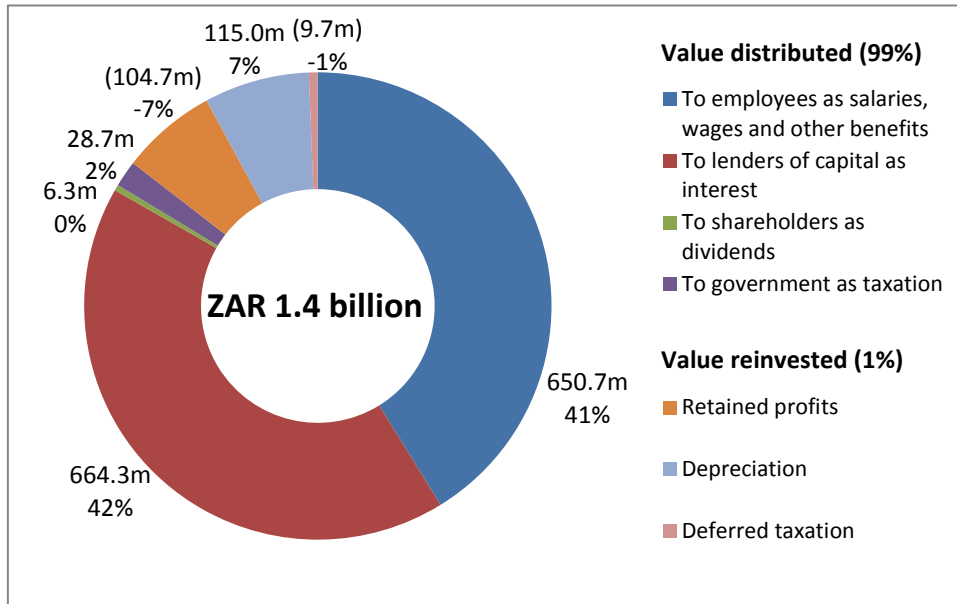
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<sup>7</sup> This is due to the relative labour intensity of production as well as the large number of smallholder farmers in the value chain. Sugar cane must be milled as soon as possible after harvesting, meaning significant economic impacts are 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.

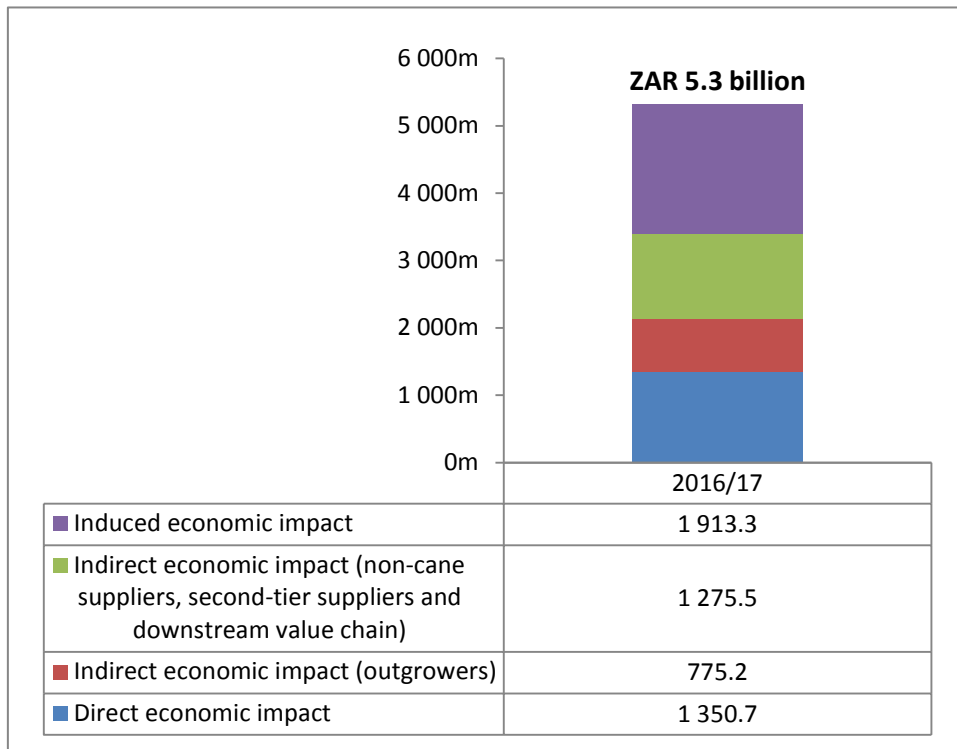
<sup>8</sup> [IMF World Economic Outlook Database](#), South Africa gross domestic product, current prices, 2016

<sup>9</sup> [CIA World Factbook for Zambia](#), GDP - composition, by sector of origin

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



**Zambia Sugar: Total economic impacts in Zambia (estimated), 2016/17**

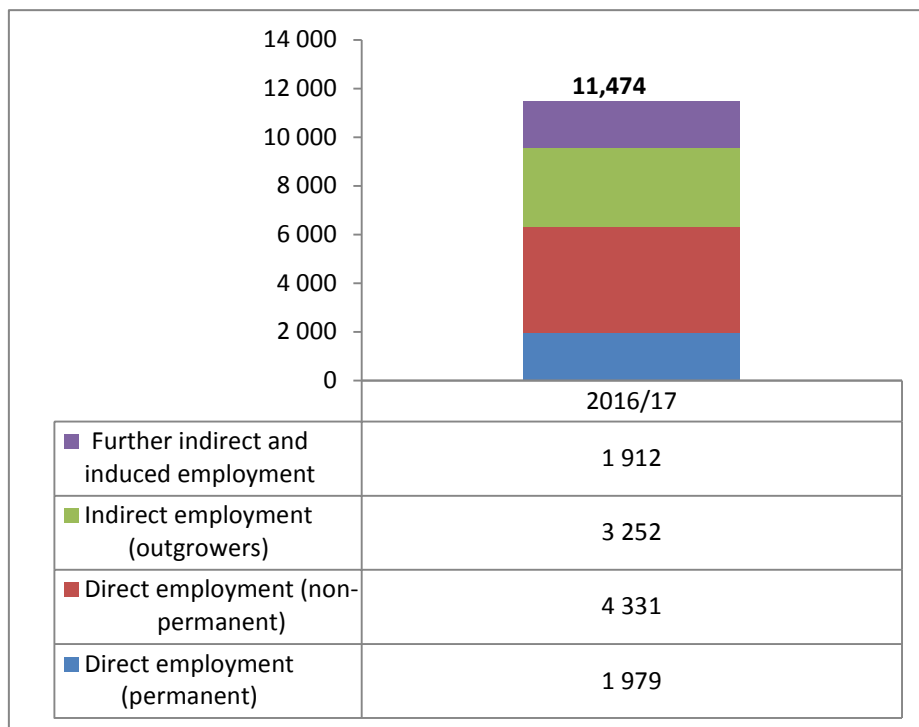


**Total employment impacts**

- While Zambia Sugar’s direct employment impact is important, it also has a significant indirect employment impact, with thousands more jobs supported in the value chain.

- Zambia Sugar is estimated to support at least 11,474 jobs in Zambia. This includes permanent employment (including Nanga Farms) of 1,979, non-permanent (including peak seasonal/fixed contract) employment of 4,331, and an estimated 3,252 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 1,912<sup>10</sup>.
- In other words, for every direct employee of Zambia Sugar, at least 0.8 workers are supported through outgrower communities and in the wider economy.
- Based on an average household size of 5.4 people in Zambia’s Southern Province (see Appendix 1), Zambia Sugar is estimated to contribute to supporting the livelihoods of at least 9 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, Zambia Sugar may well be the main contributor to household income, while in others Zambia Sugar’s support will be a factor among many.

**Zambia Sugar: Total employment impacts in Zambia (estimated), 2016/17**



### Investing in the future

- Since the last assessment, Zambia Sugar has spent nearly ZAR 1.2 billion on capital investments. This is a nearly tenfold increase on the ZAR 129 million invested between 2010 and 2013, covered in our last study.

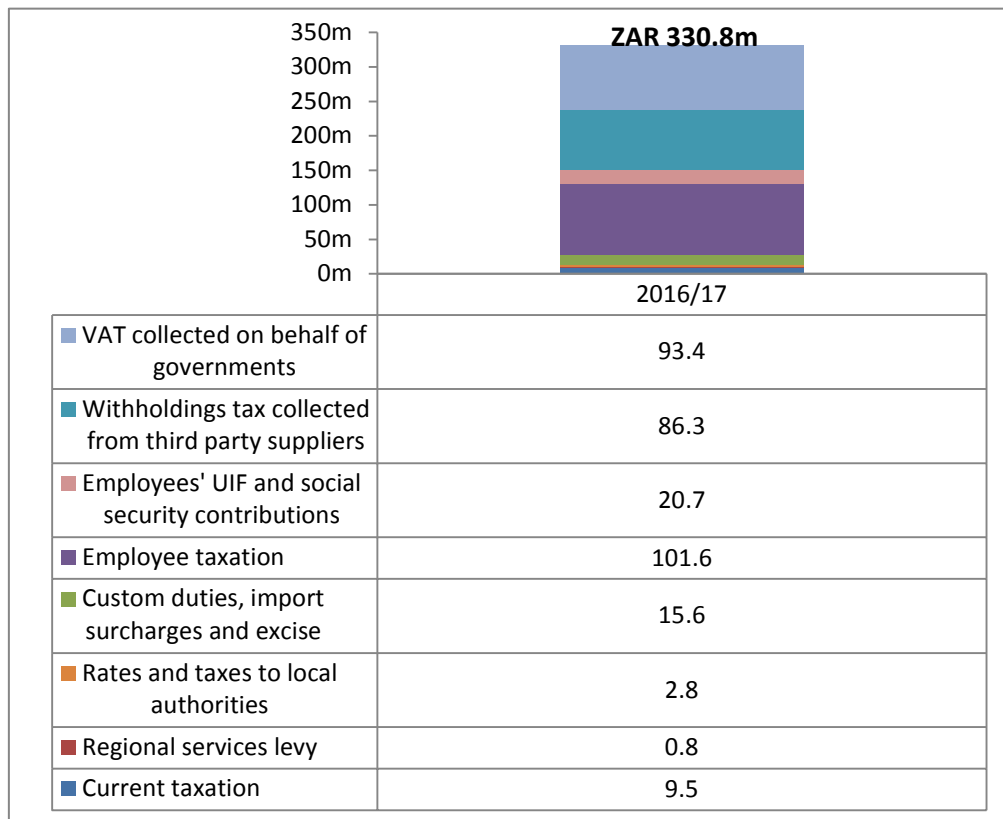
<sup>10</sup> See Appendix 1 for an explanation of the multipliers used.

- In particular, Zambia Sugar’s capital expenditure includes a ZAR 1 billion investment in the “Product Alignment and Refinery Project”. This included a new sugar refinery, which increased capacity from 50,000 to 90,000 tonnes of sugar, as well as enhancements made to the existing factory to increase throughput and sugar quality. The refinery was officially opened by President Edgar Lungu in July 2016, who commended the company for its long-term commitment to the economy of Zambia.
- The project is the first investment on this scale that Zambia Sugar has made since 2008/9, when the company carried out a major expansion of its factory and estate, and also acquired an 85% stake in nearby Nanga Farms.
- Zambia Sugar’s investment pipeline includes the potential construction of a potable alcohol distillery, which would diversify the company’s sources of income and increase local employment, as well as a proposed new warehouse.

## Contributing to public finances

Zambia Sugar’s total direct tax payments in 2016/17 amounted to ZAR 28.7 million, while indirect taxes totalling ZAR 302 million were collected on behalf of the government. Indirect taxation includes sales tax (VAT) and employee taxes. The total represents a 270% increase on total tax payments just four years previously (as reported in our last study), reflecting growing revenues and profits.

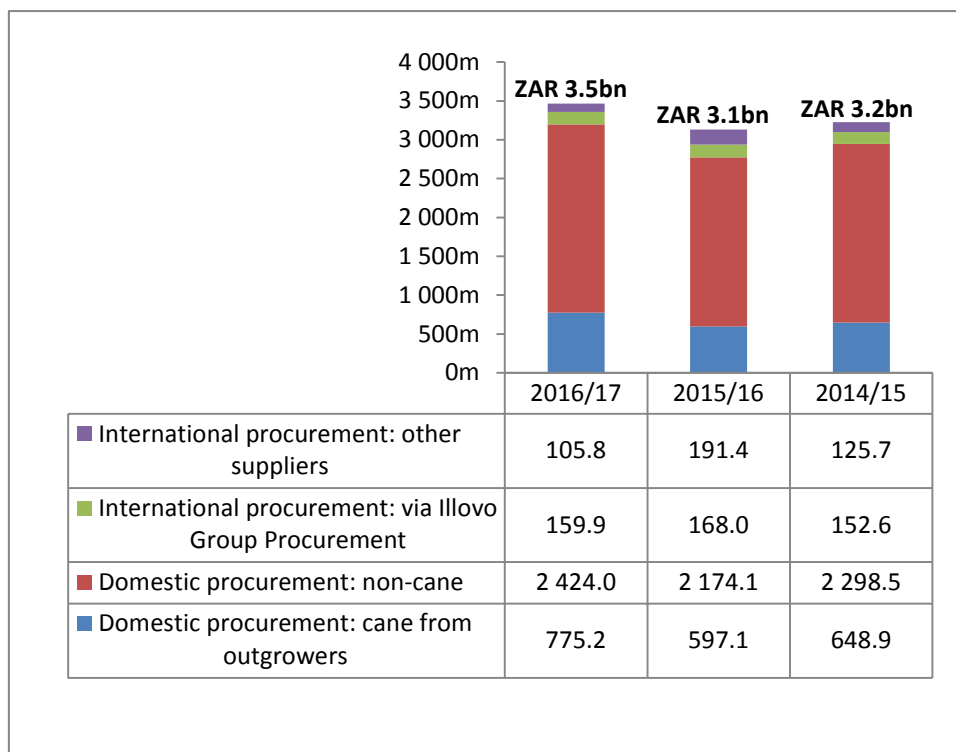
### Zambia Sugar tax payments, 2016/17



## Spending with suppliers

- In 2016/17, Zambia Sugar spent nearly ZAR 3.5 billion with suppliers. 92% of this was spent with suppliers in Zambia. Supplier spending has grown significantly since our last study, reflecting the growth in the business. Zambia Sugar spent about twice as much with Zambian suppliers in 2016/17 than in 2012/13.
- Spending with Zambian suppliers includes ZAR 775 million (22%) on sugar cane from outgrower farmers (see Section 3), and ZAR 2.4 billion (70%) with other Zambian (non-cane) suppliers. Some of the biggest categories of non-cane sourcing from Zambian suppliers include agricultural inputs, packaging and office supplies.
- Zambia Sugar estimates that (excluding sugarcane) it sources from 285 small-scale suppliers in Zambia. Zambia Sugar has a preferential procurement policy in place for local small- and medium-sized enterprises in Zambia. Under the policy, Zambia Sugar will procure locally if supplier quotes fall within a competitive margin of 10%, as long as they are able to meet quality standards and provide after-sales support.

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



## Section 2: Creating employment opportunities

### Headline messages:

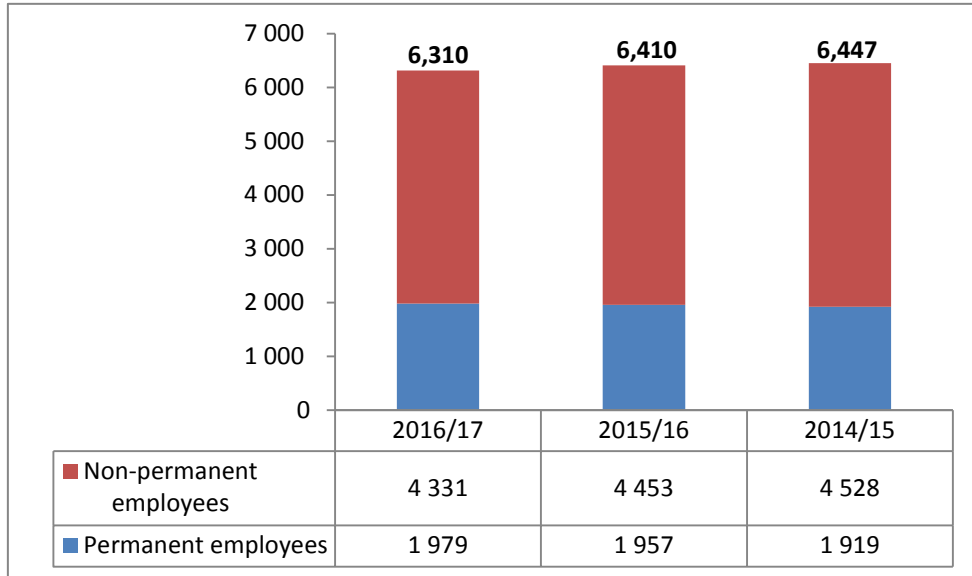
- Zambia Sugar (including Nanga Farms) employs 6,310 people directly in Zambia, of which 1,979 are permanent and 4,331 are non-permanent. Based on average household sizes, we estimate that through this direct employment, Illovo contributes to supporting the livelihoods of 34,074 employees and dependents.
- Zambia Sugar paid ZAR 650.7 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 109% of the local minimum wage in 2016/17.
- Zambia Sugar invests around 3% of payroll in training and development. In addition technical and leadership training, the company has also implemented a 'Money Matters' programme for improving employees' financial literacy.

### Overview

- Our assessment finds that Zambia Sugar continues to be an important direct and indirect employer in the region, particularly as one of the largest private sector employers in the country.
- 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.
- During our conversation with the HR function at Zambia Sugar, we learned that a key challenge in recruitment is finding employees with the right skills set for more technical roles due to a misalignment between the curriculum at academic and training institutions and market needs. However, the company has in place a number of programmes to help bridge the gap. A four-year management training programme feeds into the business pipeline as well as an artisan recruitment programme which is followed by two years of training. To promote continuous development within the business, Illovo Group has rolled out a programme to identify and assess learning needs.
- Zambia Sugar (including Nanga Farms) provides employment for 1,979 permanent employees and over 4,300 seasonal workers at peak periods. Illovo Group 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. Zambia Sugar provides a comprehensive range of benefits, going above and beyond statutory requirements. Illovo values its seasonal workers and takes measures to ensure its labour standards and working conditions protect their human rights.

## Direct employment

Zambia Sugar (including Nanga Farms): Direct employment, 2016/17

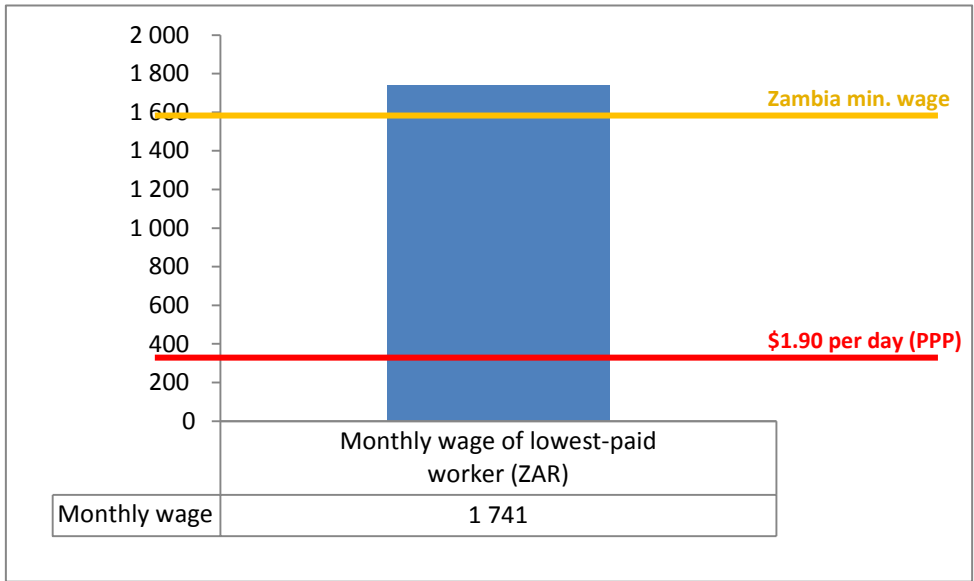


- The 6,310 people directly employed by Zambia Sugar in 2016/17 includes 1,979 permanent employees, and 4,331 peak non-permanent/seasonal employees. Permanent employment by Zambia Sugar has fallen slightly over the past three years, while the number of non-permanent employees has stayed relatively constant.
- We estimate the direct jobs provided by Zambia Sugar contribute to supporting the livelihoods of 34,074 people once families and dependents are taken into account. This is based on an average household size of 5.4 people in Zambia’s Southern Province <sup>11</sup>.
- Zambia Sugar paid a total ZAR 650.7 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 109% of the local minimum wage last year, and significantly higher than the World Bank poverty line of \$1.90 dollars per day.
- Zambia Sugar monitors salary levels to ensure that it is compliant with in-country legislative requirements. Unionised salaries and some allowances are negotiated with unions on an annual basis. The business also participates in annual salary and conditions of employment surveys, which have consistently shown that Zambia Sugar’s conditions of employment fall between the 50th and 75th percentiles.

<sup>11</sup> See Appendix 1 for an explanation of the multipliers used.



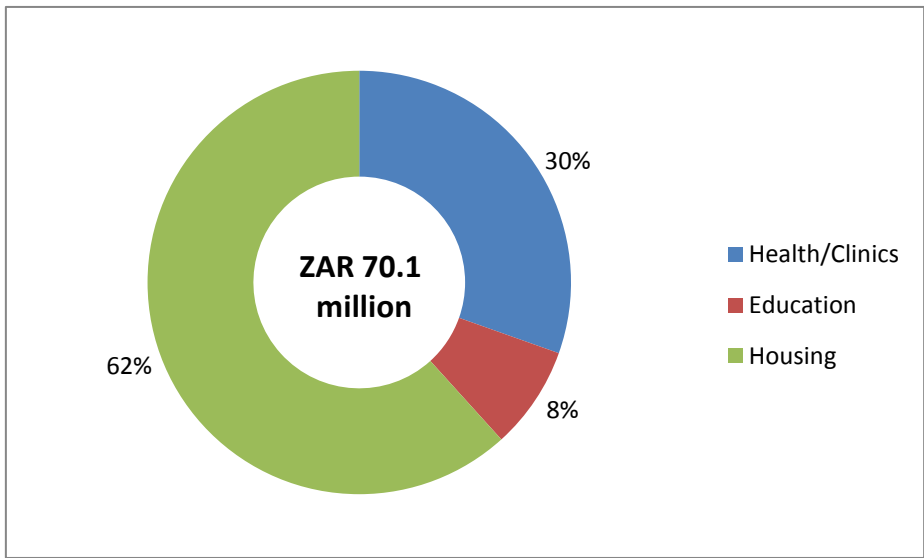
**Zambia Sugar: Monthly minimum wages, 2016/17**



**Employee livelihoods**

- Zambia Sugar employees are entitled to a number of different benefits in addition to their salaries. In total, the benefits provided to employees in Zambia in 2016/17 sum to over ZAR 70 million.

**Zambia Sugar: Employee benefits 2016/17**



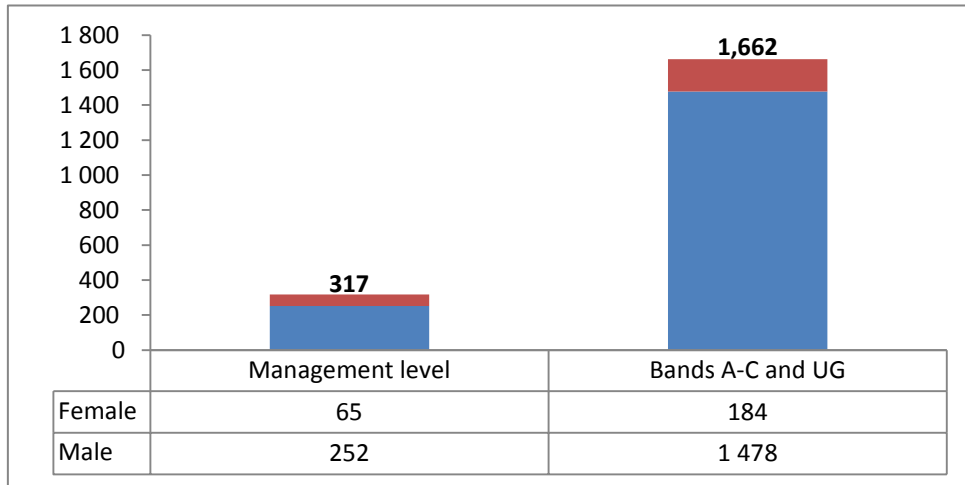
## Human rights and labour standards

- Through established collective bargaining agreements with unions and in house country dispute resolution mechanisms, employees are able to raise grievances through formal means. 85% of Zambia Sugar's employees are covered by collective bargaining agreements, up from 80% in 2015/16.
- Monthly consultative meetings are held between union representatives and Zambia Sugar (Human Resources Management team and the Executive team), as well as quarterly meetings and one-to-one meetings as appropriate. During our interview with union presidents and secretaries, Zambia Sugar was commended for being responsive and accessible, and it was made clear that members of the unions feel a strong sense of ownership and loyalty to Zambia Sugar. However, issues around adequate housing to meet the needs of a growing population and a call for greater empowerment opportunities are amongst the topics of ongoing discussion.
- Zambia Sugar invested ZAR 1 million in safety training in 2016/17, including a road safety programme which has resulted in fewer accidents. The lost time injury frequency rate has decreased from 0.07 LTIs per 200,000 hours worked in 2015/16 to 0.04 in 2016/17, which is well below the target of 0.15 set by group. Zambia Sugar also conducts occupational health medical assessments on an annual basis, working with the government regulatory body.
- An area of improvement for Zambia Sugar will be to provide training to ensure that employees understand and adhere to the Group's policies on child labour, forced labour and other human rights issues, as defined in the Code of Conduct and Business Ethics.

## Gender diversity

- Zambia Sugar has 249 permanent female employees, representing only 13% of the total permanent employee base. However, at 21% women represent a higher proportion of management positions.
- Zambia Sugar is an equal opportunity employer, and aims to use stories of women's achievements in the company to inspire other employees via the company magazine.

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



## Training and development

- Zambia Sugar invested ZAR 2.5 million in training and development in 2016/17, involving 4,098 employees. As a percentage of payroll, investment in training stayed relatively constant over the last three years, from 2.9% in 2014/15 to 2.8% in 2016/17 (although it rose to 3.9% in 2015/16).
- Zambia Sugar has implemented Management/Engineers Trainee and Apprenticeship Training programmes for all its fields of operation. There are usually 30 to 40 trainees on the programme at a time. The company also invests in technical training for factory and agricultural employees to align them with technological changes and provides Internship training from various training institutions as a contribution to natural skills development.
- The company has also implemented a knowledge-based programme dubbed 'Money Matters', which is aimed at improving financial literacy, by empowering employees with information and tools to adopt a mind-set and attitude of saving for the future.
- Zambia Sugar offers management and leadership training programmes in order to embed consistent managerial understanding, language and practice across the business. Further development programmes for senior management are also run by Illovo Group.

## Section 3: Supporting farmer livelihoods

### Headline messages:

- Zambia Sugar's supply chain includes 402 outgrower farmers, in total supplying about 1.4 million tonnes of cane every year. 46% of the sugar cane used by Zambia Sugar is supplied by independent farmers; the remaining 54% comes from the company's own land.
- Zambia Sugar is estimated to support 3,252 jobs through outgrower farmers. In addition, the company provides significant technical and capacity-building support to outgrowers. This includes support with Fairtrade accreditation, as well as the provision of infrastructure and training on environmental management.

### Overview

- Some of Zambia Sugar's most significant economic and social impacts are made through the agricultural supply chain. Zambia Sugar's purchases of sugar cane support employment and incomes in rural areas, where 79% of the Zambian population lives below the national poverty line<sup>12</sup>.
- 46% of the sugar cane used by Zambia Sugar is supplied by independent farmers from the areas surrounding the company's mills – the remaining 54% comes from the company's own land.
- Zambia Sugar estimates that all 385 smallholder farmers supplying the company benefited from its outgrower development schemes in 2016/17. 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.

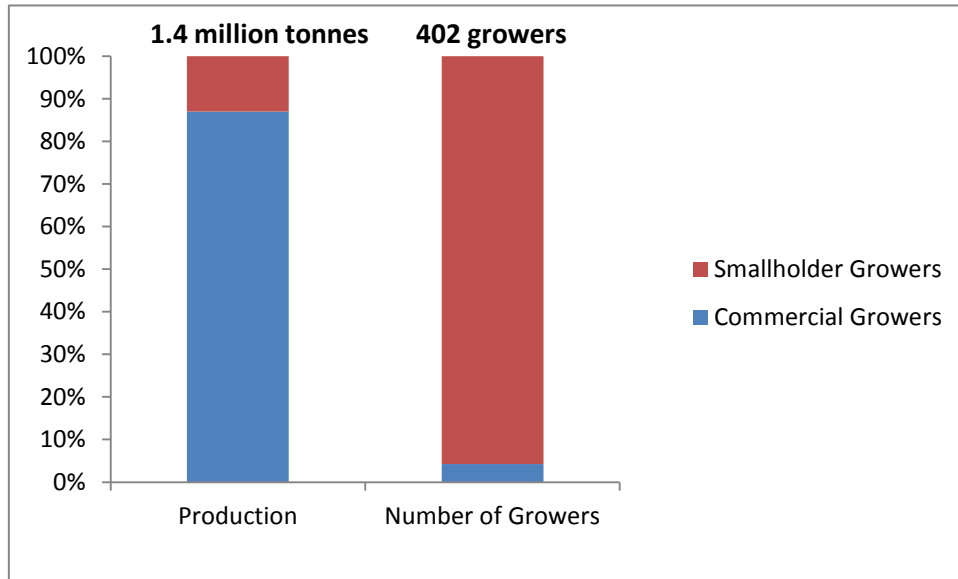
### Outgrower sourcing

- Zambia Sugar's supply chain includes nearly 402 outgrower farmers, in total supplying about 1.4 million tonnes of cane every year. 385 of these are small-scale growers (growers on less than 40 hectares of land), represented by three smallholder associations – the Kaleya Smallholders Company, and the Magobbo and Manyonyo smallholder schemes. Together, these account for 13% of outgrower production.
- The remaining 87% of Zambia Sugar's outgrower procurement comes from 17 large-scale commercial farms.

<sup>12</sup> World Bank (2010), [Rural poverty headcount ratio at national poverty lines \(% of rural population\)](#)

- In addition, Zambia Sugar buys cane from its subsidiary, Nanga Farms. Zambia Sugar owns an 85% stake in the farm, with the remaining 15% owned by the government. Zambia Sugar has a change management strategy in place at Nanga Farms, including training for growers. Nanga Farms manages the neighbouring Magobbo small grower scheme (see case study below). There is an intervention to create capability within Magobbo to take over management of its own farming operations.

**Zambia Sugar: outgrower sourcing, 2016/17**



### Supporting outgrower employment

- Zambia Sugar supports significant indirect employment through outgrower farmers. The number of jobs has been estimated, using employment on Illovo’s own farms as a proxy, at 3,252<sup>13</sup>.
- Based on an average household size of 5.4 people in Zambia’s Southern Province (see Appendix 1), Illovo is estimated to contribute to supporting the livelihoods of 17,560 people through its sourcing of sugar cane from outgrowers in Zambia.
- In general, sugar is noted for its contribution to female employment<sup>14</sup>. In Zambia Sugar’s case, however, the company estimates that only about 6.1% of outgrower employees are women. Challenges in attracting women to the sector include the physical, labour-intensive nature of the work, lack of background or education required, and cultural stereotypes about gender appropriate work.

<sup>13</sup> Combining Zambia Sugar’s permanent agricultural employment of 811 with fixed-term, casual and peak seasonal agricultural employment of approximately 3,823 gives an estimate of 0.28 jobs per hectare harvested. This compares favourably to estimates by the South African sugar industry and Conningarth Economists (see Appendix 1) of between 0.17 and 0.23 jobs per hectare.

<sup>14</sup> Levin and Mhamba (2007) – see Appendix 1.

- While Zambia Sugar has equal opportunity policies, it currently does not have particular initiatives aimed at increasing female representation among its outgrowers.

**Case study: Creating shared value for smallholder farmers**

Zambia Sugar’s approach to community investment is evolving beyond philanthropic giving and compliance with community standards to a more strategic approach that addresses societal needs and challenges through a business model. Through this shared value proposition, the company is focusing on enterprise development along its agricultural supply chain.

Zambia Sugar continues to support the Magobbo scheme through technical training, expertise and by providing a guaranteed market for cane. The smallholder scheme was established in 2010 using a €3 million grant from the European Union, in addition to €2 million provided by the local Mazabuka Sugar Cane Grower Trust. The smallholders have a three-year management agreement with Zambia Sugar for the company to provide management services, chemicals/fertilizer, crop husbandry, technical services while the smallholders supply Zambia Sugar with cane – generating shared value.

As they develop their capacity, the farmers have the opportunity to offer services and develop their own enterprises. They are also able to send their children to school, afford health care and invest in housing. Magobbo has over 90 households who have benefitted from Zambia Sugar’s relationship with the farmers.

Similarly, the company has supported the Manyonyo scheme, a smallholder scheme funded by the African Development Bank and Finnish government. The company provides seed cane to the farmers, technical support and access to market. Manyonyo delivered its first cane in July 2016.

The Kaleya Smallholders Company Limited (KASCOL) represents Zambia Sugar’s long term commitment to supporting smallholder farmers. KASCOL was founded in 1983 by Zambia Sugar, the Commonwealth Development Corporation (CDC), the Development Bank of Zambia and Barclays Bank Zambia. The scheme was established on land provided by the Zambian government close to Mazabuka.

Since its inception in 1983, the scheme has grown from eight farmers to 160, including second and third-generation farmers. Zambia Sugar’s presence has been vital to the farmers as the company provides a mill for the cane that they grow. They have an agreement in place that guarantees continuous supply to the mill. KASCOL also have a water supply agreement with Zambia sugar, where they are able to access water for a fee.

And while Zambia Sugar no longer owns a stake in the company, having donated its 25% share to create the Mazabuka Cane Growers Trust, Zambia Sugar continues to support the farmers by contributing to social infrastructure such the maintenance of roads, schools, a clinic and an ambulance.

## Payments to outgrowers

- Zambia Sugar's outgrowers are paid according to a formula set by the Estimated Recoverable Crystal committee, which includes representatives of the company and of growers. The average price paid to growers in 2016/17 was ZAR 4,679 per tonne of cane. In total, the amount paid to Zambia Sugar's outgrowers – who provide 46% of the company's cane – is equivalent to about 22% of total sales revenues.
- Zambia Sugar estimates that sugar accounts on average for about 46% of growers' incomes. Employees of commercial farms are paid at least the minimum wage set for the industry by the Zambia National Farmers' Union.
- Smallholder farmers at Kaleya have land allocated for vegetables and cash crops, which they can use to supplement their income and improve their food security. At Magobbo and Manyonyo, food security initiatives are under consideration, including establishing market gardens for women and young people.
- In our last study, we reported that growers at Kaleya had attained Fairtrade certification and therefore received the Fairtrade premium of ZAR 600 per tonne of refined sugar. Kaleya lost its Fairtrade certification in 2014, but Zambia Sugar has been providing support in order to help the association to re-register. Zambia Sugar's capacity-building programme for Magobbo also includes support with Fairtrade registration.

## Supporting smallholder farmers

- Zambia Sugar provides agronomy extension services to smallholders, including training on Fairtrade and the SusFarMS environmental management system, which was pioneered by growers at Noodsberg in South Africa in partnership with WWF. Other technical support includes agro-chemical use, crop diversification and adaptation, and integrated pest management.
- In addition to capacity building and training, Zambia Sugar also provides resource mobilisation to outgrowers where applicable, such as the provision of water supply infrastructure to Kaleya and Magobbo.
- In 2016, Zambia Sugar provided further direct support to Manyonyo including on herbicide, fertilising and pest control, in order to help rescue the crop, which was in danger of being lost due to pest infestation and crop stress. Zambia Sugar is working in collaboration with the University of Stellenbosch in South Africa to develop a risk assessment strategy for pests.
- The Mazabuka Cane Growers Trust provides further support to farmers in the region. The Trust was established by Zambia Sugar, when it donated its 25% stake in the Kaleya Smallholders Company. The Trust supports the smallholder associations with capacity building, re-planting and governance procedures. Farmers at Kaleya also receive further benefits including housing, health and education services.
- In total, Zambia Sugar estimates that all 385 smallholders supplying the company benefited from the programmes mentioned above in 2016/17.

## 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. In order to mitigate human rights risks, all Illovo cane procurement staff have been trained on the Illovo Code of Conduct, land rights and human rights. This is communicated in grower engagements and grower association 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.
- As mentioned above, Zambia Sugar is providing training to growers on the SusFarMS environmental management system. The tool includes declarations regarding compliance with national employment legislation, which is fully aligned with Illovo's code.
- Through the process of Fairtrade certification, growers at Kaleya and Magobbo are also assisted to understand and embed human rights principles in their operations.

## Land rights

- Since our last assessment, the issue of land rights has continued to grow 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 nonprofit organisation that partners 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 Tanzania.
- Zambia Sugar has not yet conducted any land rights assessments on its existing holdings, but a local land champion has been appointed and tasked with implementing the new framework.



## Section 4: Investing in communities

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### Headline messages:

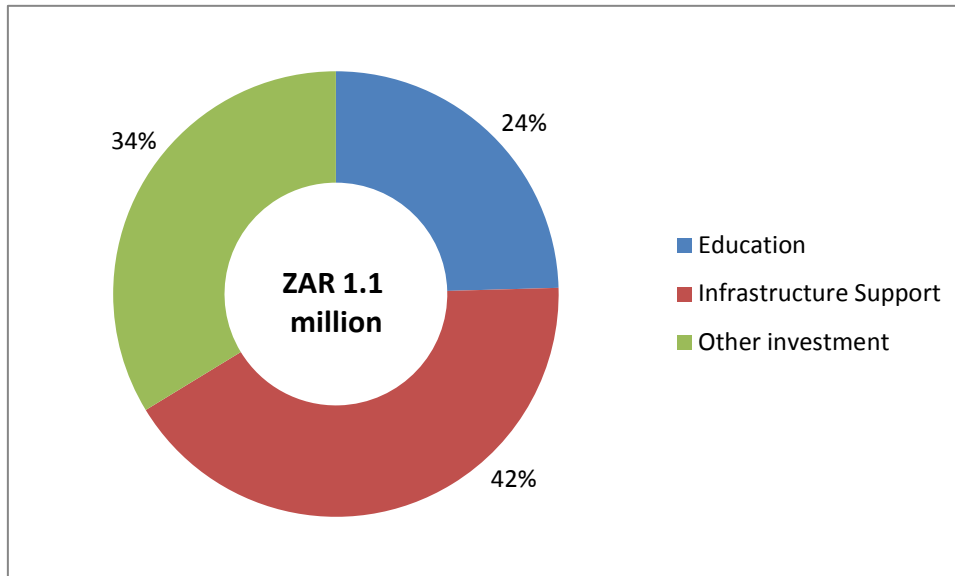
- Zambia Sugar's community investments totalled ZAR 1.1 million in 2016/17. About a quarter of this is spent on education, while other spending includes health and infrastructure projects.
- Zambia Sugar is working with local and global partners on shared value initiatives that aim to tackle the community issues that were raised through engaging with stakeholder groups.

### Overview

- Zambia Sugar invested over ZAR 1.1 million in supporting the local communities in and around its operations in 2016/17. The majority of this is spent on education projects and other more general investments. Employee-related benefits (Section 2) and outgrower development spending (Section 3) are excluded from this total.
- Community challenges persist as increasing populations place a strain on available resources and existing infrastructure. There is greater pressure on Illovo, which is seen as a key economic player and contributor to national imperatives, to address these challenges.
- Stakeholders have raised a number of key issues faced by the communities in and around Zambia Sugar's operations. These include access to affordable sugar in rural areas, access to employment opportunities country-wide and increasing challenges attributed to rising water levels.
- Zambia Sugar is working with partners on a number of shared value programmes that aim to tackle some of the issues raised through engaging with stakeholder groups. Examples of these programmes include partnering with a global bank on developing the capacity building skills of smallholder farmers, introducing water balancing assessments in conjunction with the Kafue Flats Joint Action Group (see Section 5), working with the International Labour Organisation to support skills transfer between communities through a road improvement project and the various initiatives discussed in the case study above on creating shared value for smallholder farmers.

## Community citizenship & social investment

### Illovo Zambia: Total investment in the community, 2016/17



- Zambia Sugar’s investment in the community has decreased from ZAR 2.6 million in 2015/16 to ZAR 1.1 million last year. This reduction is in part due to the challenging context the business operates in. A future objective Zambia Sugar will be to ensure that they continue to invest in initiatives that address stakeholder concerns.
- Zambia Sugar’s focus on education projects involved constructing and renovating essential school infrastructure such as classrooms, laboratories and sanitary facilities. It is estimated that this reached over 2,750 pupils and 100 teachers attending and working at three separate schools. The provision of sanitary facilities enabled girls, in particular, to increase their attendance throughout the month.
- To generate increased enrolment and deployment of qualified health personnel in the Mazabuka area and surrounding districts, Zambia Sugar helped build a nursing school at Rusangu that educated over 580 students in 2016/17 and more than 1,000 during the past two years.
- Zambia Sugar has undertaken further health-related initiatives aimed at improving water, sanitation and hygiene in the community, reaching 3,700 houses and an estimated 50,000 people. These included programmes to supply bulk water to the municipality, enabling piped water to reach the community, and sanitation infrastructure such as treated water. The community benefitted from reduced incidences of diarrhoea and no cholera cases were recorded within the areas reached.
- In addition to the areas of education and health, Zambia Sugar undertook a number of further projects aimed at supporting the communities where it operates. For example, supporting construction of a local community radio station enabled Zambia Sugar to reach a much wider audience, estimated to be over 1 million people in the Southern Province, with key messaging on issues such as safety and security. Zambia Sugar also provides and maintains the building and infrastructure for a police post that serves an estimated 3,000-strong community.

- Further examples include initiatives focussed on mobilising women and young people on gardening to increase food security, and targeting individuals on estates with skills development in income generating activities such as tailoring and carpentry.
- Employees participated in Zambia Sugar’s community programmes through active engagement in volunteering, including facilitating the donation of key electrical equipment to Kabanje Primary School. Through their efforts, Zambia Sugar employees donated computer monitors, power cables and other electronic equipment with a total value of over ZAR 25,000.

## Community & stakeholder engagement

- Through both direct meetings and engagement with trusts, associations and trade unions, Zambia Sugar consults a broad range of stakeholder groups on community issues and community investment projects that are already underway. These stakeholder groups include farmers, chiefs, central and local government, employees and suppliers.
- As the biggest sugar producer in Zambia, communities look towards Zambia Sugar to support some of their basic social needs such as managing water levels, access to healthcare and other poverty reduction interventions. Not unsurprisingly given the economic context in Zambia, access to employment was raised as a key issue when interacting with stakeholder groups.
- Zambia Sugar has taken measures to address some of the concerns raised at community level through supporting infrastructure developments in education, healthcare, access to water and maintenance of roads and bridges.

### Case Study: Supporting Kabanje Primary school

Kabanje Primary school was built in 1975 with contributions from parents. When it was opened, the school had 100 students from grades one through four. In 2005, the government expanded the schools capacity to accommodate the 800 students that were attending. However there were only two flush pumps for the entire school, where there should have been one flush pump for every 25 children.

As a result sanitation conditions were poor. Teachers also lacked accommodation and space to plan their lessons. They were forced to do so outside, under the shade of a tree.

Zambia Sugar supported the community by building more toilet facilities in the school and providing housing for teachers. In 2013, the facilities were refurbished and a staff room has been built so that the teachers have a place to develop lesson plans and congregate. Zambia Sugar has also donated 9 computers to the school, which students can access as part of their curriculum. As the time of writing this report, the school accommodates 561 children attending from grades one through nine, with 30 teachers employed.

## Section 5: Promoting environmental sustainability

### Headline messages:

- Zambia Sugar manages all of its own farms according to the SusFarMS conservation guidelines, and is also providing training on SusFarMS to outgrowers.
- 91% of Zambia Sugar's energy consumption is provided from renewable sources, primarily bagasse. Zambia Sugar was responsible for 12% of the Illovo Group's total carbon emissions in 2016/17, equating to 86,066 tCO<sub>2</sub>e.
- Around 80% of water withdrawals in Zambia Sugar's non-cane operations are recycled and returned to source. In response to water scarcity issues, a five-year water strategy is being implemented by Zambia Sugar, including transition to drip irrigation where feasible.

### 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 Zambia 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. Droughts in 2015 and 2016 affected Zambia Sugar's production, and power interruptions also restricted pumping for irrigation.
- 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, Zambia Sugar is cutting costs and reducing reliance on the national grid, while helping to mitigate the impacts of climate change through reduced greenhouse gas emissions.
- Zambia Sugar invested ZAR 1.6 million in an Environmental Impact & Aspects Assessment and legal register in 2016/17. The company also carries out monitoring of wastewater/effluent, as well as potable water quality and air quality. Zambia Sugar's operation has achieved the ISO 14001 Environmental Management standard, and was last audited against this in September 2016.

## Land & biodiversity

- Zambia Sugar manages all of its own land according to the SusFarMS conservation guidelines. SusFarMS was pioneered by the growers association that supports Illovo South Africa’s Noodsberg mill, in partnership with WWF. SusFarMS is a sustainable sugarcane farm management system designed to encourage responsible sugarcane production through the implementation of practices that are designed to reduce negative impacts on the environment, comply with legislation, maintain a high level of social responsibility and assist in ensuring financial sustainability. The Group Agricultural Operational Support Function conducts follow-up SusFarMS audits as part of internal agricultural reviews.
- Zambia Sugar carries out land use planning, rehabilitation of natural areas and watercourses, surface water management and integrated pest management on all its own farms. The training and assistance which Zambia Sugar provides to outgrower farmers (see Section 3) includes an in-depth focus on sustainable farming techniques through SusFarMS.
- Zambia Sugar has partnered with WWF, The Nature Conservancy, ZEMA and WARMA to understand the impact of its operations and those of other stakeholders on the Kafue flat plains, to the northwest of Mazabuka. Outputs from this engagement include the release of the [Kafue Flats Status Report](#) by WWF in 2017 – “Monitoring the pulse of the blue heart of Zambia’s economy”.

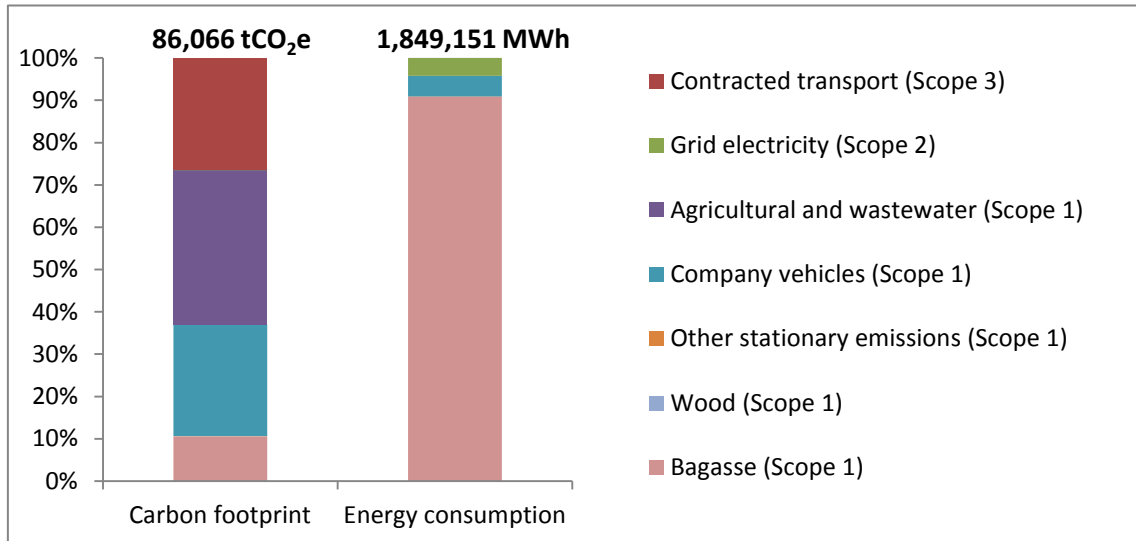
## Energy and climate change

- 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 spells<sup>15</sup>. For Zambia 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 Zambia 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. 91% of Zambia Sugar’s energy consumption is provided from renewable sources – primarily bagasse (874,000 tonnes in 2016/17, accounting for 90.8% of total energy consumption), supplemented by 541 tonnes of wood.
- Zambia Sugar was responsible for only 12% of the Illovo Group’s total carbon emissions in 2016/17, due to its high level of self-sufficiency in renewable power generation from bagasse. The company is also actively managing its fleet emissions and carries out monthly air monitoring tests.

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<sup>15</sup> See Jones MR and Singels A (2014), *A preliminary assessment of mid-century climate change impacts on sugarcane production in South Africa*.

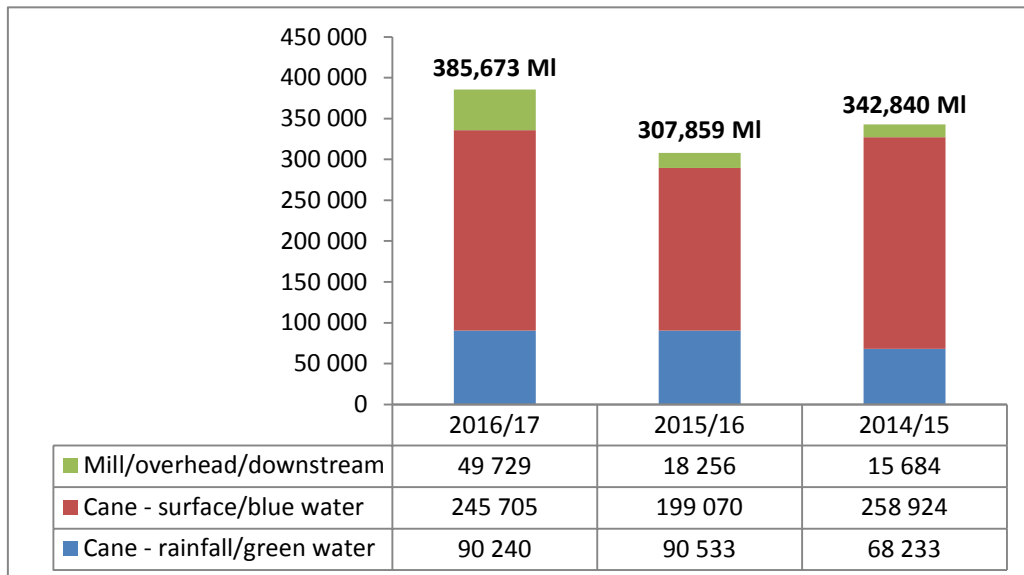
**Zambia Sugar: Carbon footprint and energy consumption, 2016/17**



**Water and waste**

- Water is a vital resource both for Illovo’s operations and surrounding communities, meaning that responsible management is a business imperative. Zambia Sugar’s production has been impacted by droughts in 2015 and 2016, while power interruptions also restricted pumping for irrigation. Total water consumption has stayed relatively constant over the last three years<sup>16</sup>.

**Zambia Sugar (incl. Nanga Farms): water consumption (megalitres), 2014/15 - 2016/17**



<sup>16</sup> It is important to note that while all of the water used on Zambia Sugar’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.

- In addition to the water used in Zambia Sugar’s own operations, the company supplies untreated water to Mazabuka town and treated water to residential areas on its own estate.
- In response to water scarcity issues, a five-year water strategy is being implemented by Zambia Sugar to decrease the company’s water footprint. This includes, where feasible, conversion from furrow to drip irrigation, which is more effective and efficient in terms of water and energy use.
- 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, Zambia Sugar’s mills and other non-cane operations withdrew 79,849 megalitres of water. Of this, approximately 80% was recycled and returned to source<sup>17</sup>.
- Zambia Sugar has implemented a procedure for hazardous waste disposal, and has also cut waste through improved procurement practices, which target materials that are easy to recycle, reuse or have secondary uses.

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<sup>17</sup> Measurement was impacted in 2016/17 due to water pumping from the packaging station going unmeasured. The 80% figures is based on 2015/16 and 2014/15, when the proportion of water returned to source was 81% and 85% respectively.

## Section 6: Sugar in the marketplace

### Headline messages:

- To ensure that its products remain affordable Zambia Sugar is evaluating the possibility of offering smaller pack sizes as a way to address affordability.

### Overview

- The downstream impacts of sugar relate predominantly to associated health impacts, as well as ensuring the safety and quality of products sold and its affordability given the local domestic markets Illovo operates in.
- Zambia Sugar has a significant downstream economic impact, as domestic sales involve retail distribution, distributors and agents.
- To improve consumer awareness of health-related issues Zambia Sugar's product labelling includes declarations on nutritional content of sugar, coupled with the results of market surveys conducted annually by the marketing team.

### Product impacts

- While sugar is seen as a possible health threat in many countries, in Zambia it can be an important source of dietary calories for the poor.
- As a sugar-producing company, Illovo Africa advocates the promotion of a balanced and healthy lifestyle through its parent company AB Sugar's "Making Sense of Sugar" campaign ([www.makingsenseofsugar.com](http://www.makingsenseofsugar.com)), which aims to educate people about sugar and the role it can play in a healthy balanced diet. The stated aim is to provide science-based information about the role of sugar in the human body, to help consumers make informed choices.
- To help eliminate micronutrient malnutrition, particularly in children, the government launched a programme requiring the fortification of sugar with Vitamin A in 2012. 98,860 tonnes of sugar were fortified with Vitamin A in 2016/17, reaching an estimated 16 million people.
- To help monitor the affordability of its products, Illovo conducts regular consumer immersions to inform itself of the price points required by consumers at various disposable income levels. In Zambia, price monitoring reports are reviewed on a weekly basis and comparisons with the wider market are made each month.
- To ensure the quality and safety of its products, Zambia Sugar implements Food Safety and Quality Management System Policies that ensures manufacturers are committed to satisfying the needs and expectations of customers and other stakeholders, whilst producing and supplying safe and consistent quality cane sugar products.



# Recommendations and challenges

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- **Enhancing wider stakeholder relationships**

Relationships with government both national and local have improved significantly since the last report as a result of Zambia Sugar's investment in advocacy and engagement. The company is widely regarded as a partner in development and a strategic industry, particularly by the government. However, engagement with other stakeholder groups need to be further strengthened through a similarly focused approach.

Outgrowers and their union representatives would welcome more timely and transparent communication about future plans and the prioritisations of ongoing concerns (e.g. housing, job security, wage freeze). We recommend a focussed engagement programme to enhance business understanding amongst community stakeholders, particularly out grower communities who see themselves as partners of Zambia Sugar. Comments were raised that the current 'business understanding' programme could be improved. In doing so we recommend that Zambia Sugar building on Illovo Group's 'Optimising Outgrowers' programme and identify staff with the appropriate skills set to lead the process.

- **Improving business understanding and opportunities amongst smallholder communities**

Unions and the local community stakeholders said Zambia Sugar should be doing more to source inputs from local suppliers. Following the significant expansion of the business and further plans in the pipeline, Zambia Sugar should explore further opportunities for capacity-building of local suppliers in order to allow them to compete for contracts.

We learned that plans were in the pipeline to develop training in areas such as enterprise development and business skills. Accelerating this programme across small holder communities would help to alleviate the underlying tensions.

- **Taking a strategic approach to shared value**

The transition from a traditional philanthropy to a shared value approach is a significant and positive development in the business. It shows recognition of the importance of developing Zambia Sugar's broader societal contribution if the company is to grow and thrive in regional markets. However, current shared value thinking is focused on responsive initiatives rather than more strategic development of enterprise in the customer and supplier chain where there is great potential.

A needs assessment and review is recommended around the three main smallholder communities and distributors to identify the opportunities to support enterprise development. This will inform a more targeted response to outgrowers, their communities, as well as distributors that aspire to grow. It can also help Illovo better align its efforts with more strategic community investment, accelerating the shift towards shared value outcomes.

- **Enhancing training and awareness on gender and human rights**

As human rights risk climbs higher on the international agenda, Illovo Group is working to minimise its risk across its subsidiary operations. An area of improvement for Zambia Sugar will be to provide training to ensure that employees understand and adhere to the Group's policies on child labour, forced labour and other human rights issues, as defined in the Code of Conduct and Business Ethics.

Equally important is the company's response to gender equality and promoting women's rights and opportunities. While Zambia Sugar is an equal opportunity employer and displays some good examples of women's representation across the company, we observe that there has been no visible action on developing a more strategic approach to gender diversity since the last report. We recommend delivering social investment programmes focusing on women's empowerment, investing in specific education and training for female employees, suppliers and business partners and building partnerships with local organisations.

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