# Module: Introduction

## Page: W0. Introduction

### W0.1

**Introduction**

**Please give a general description and introduction to your organization.**

Illovo is a leading sugar producer and a significant manufacturer of downstream products. The group is Africa's biggest sugar producer and has extensive agricultural and manufacturing operations in six African countries. The group produces raw and refined sugar for local, regional African, European Union (EU), United States of America (USA) and world markets from sugar cane supplied by its own agricultural operations and independent outgrowers who supply cane to Illovo's factories. Products manufactured downstream of the sugar production process are sold internationally into niche markets. During the year under review, 88% of the energy used by Illovo was derived from renewable resources. In terms of the 2014/15 reporting year, Illovo was listed on the JSE Limited and was a subsidiary of Associated British Foods plc which held 51.3% of the issued share capital (since the company's year end, 31 March 2016, Illovo has become a wholly-owned subsidiary of ABF and was delisted from the JSE Limited on 28 June 2016).

The group's countries of operation provide good climatic and soil conditions, which, accompanied by irrigation from secure and sustainable water sources, are ideal for the cultivation of high-yielding and high-quality sugar cane, with 5.6 million tons of sugar cane harvested by our own operations in the 2015/16 season. Combined with cane supplied by independent outgrowers in all six countries of operation, the group has the capacity to produce more than two million tons of sugar annually.

The group is a major supplier of sugar to the consumer and industrial markets in its own countries of operation and to neighbouring regional African markets, using an extensive network of distribution and logistics channels.  It also exports sugar to the EU and USA and, through the South African sugar industry, sells sugar into the world market. Syrup and speciality sugars are produced in South Africa and Zambia mainly for domestic consumption, while speciality sugars made in Malawi and Zambia are produced for preferential markets in the EU and in the case of Malawi, also for the USA.

The majority of our downstream production is sold internationally into niche markets. Furfural and its derivatives are produced at the Sezela mill complex on the south coast of KwaZulu-Natal while high-quality ethyl alcohol, from which various grades of alcohol are made, is produced at the Glendale distillery on the north coast and at our Merebank plant in Durban, which also manufactures lactulose. In Tanzania, the newly-commissioned distillery, adjacent to our Kilombero mills, supplies potable alcohol to the local and regional beverage industry. In addition to the production of potable and denatured alcohol from molasses in South Africa, opportunities to expand Illovo's involvement in this area of operation are being explored across the group.

Illovo aims to ensure reliable cost-effective energy supply utilising bagasse and biomass generated from its operations, and where attractive, to export power into the national grids of the countries in which we operate.

As a major private investor in Africa, Illovo operates and markets its products in countries which face considerable challenges in the form of poverty, unemployment, inequality and disease. The United Nations classifies Malawi, Mozambique, Zambia and Tanzania as among the world's least developed countries. The group has a significant positive impact on the rural communities in the areas in which we operate, inter alia, by creating valuable jobs and economic opportunities, and providing accommodation, health care, educational assistance and basic services to employees. In addition, where no such facilities exist, the group provides medical care to communities, assists in education delivery, provides municipal and civic services and access to water and sanitation, and participates in community outreach programmes. Considerable training and other support is provided to local small and medium-scale growers in order to promote sustainable agriculture and economic development activities. The total cane supplies from these growers and community-based co-operative schemes amounts to approximately 3.6 million tons annually.

GROUP STRUCTURE

Illovo Sugar Limited
Malawi: Illovo Sugar (Malawi) 76%
South Africa: Illovo Sugar SA: 100%
Tanzania: Kilombero Sugar: 55%
Zambia: Zambia Sugar: 82%
Swaziland: Ubombo Sugar: 60%
Mozambique: Maragra Açúcar: 90%

Major Shareholder: ABF Overseas Limited (51.3%)
AB Sugar, as a division of Associated British Foods plc (ABF), represents ABF in respect of all its sugar interests, including Illovo.

## W0.2

**Reporting year**

**Please state the start and end date of the year for which you are reporting data.**

| Period for which data is reported |
| --- |
| Wed 01 Apr 2015 - Thu 31 Mar 2016 |

## W0.3

### Reporting boundary

**Please indicate the category that describes the reporting boundary for companies, entities, or groups for which water-related impacts are reported.**

Companies, entities or groups over which operational control is exercised

## W0.4

### Exclusions

**Are there any geographies, facilities or types of water inputs/outputs within this boundary which are not included in your disclosure?**

Yes

## W0.4a

### Exclusions

**Please report the exclusions in the following table**

| Exclusion | Please explain why you have made the exclusion |
|---|---|
| Gledhow Sugar Company (Pty) Ltd, South Africa | Illovo is a minority shareholder of Gledhow Sugar Company (Pty) Ltd and provides operational management to the mill but does not have direct control over the strategic direction and priorities of the operation. |

## Further Information

## Module: Current State

## Page: W1. Context

### W1.1

**Please rate the importance (current and future) of water quality and water quantity to the success of your organization**

| Water quality and quantity | Direct use importance rating | Indirect use importance rating | Please explain |
|---|---|---|---|
| Sufficient amounts of good quality freshwater available for use | Vital for operations | Important | Our main water-use is irrigation in our operations outside of South Africa. Operations in Zambia, Swaziland, Malawi and Mozambique are all irrigated. In Tanzania, the majority of our farms are irrigated with the balance being rain-fed. A sufficient water supply is imperative to maintain the productivity of our agricultural operations. Additionally, mills and downstream operations require water of a certain standard to support operations. Below specification water requires pre-treatment which impacts our operating costs. Over half the sugarcane processed by our operations is cultivated by independent farmers, or 'outgrowers', who vary in size from extensive farms to a few hectares per farm. These farmers rely on precipitation and, in many cases, irrigation to maintain their crop. A reliable outgrower sugarcane supply is vital for Illovo's production and Illovo insists on all outgrowers having water supply agreements with the relevant national authorities. |
| Sufficient amounts of recycled, brackish and/or produced water available for use | Important | Not very important | Our mills operate primarily with recycled water generated from the sugar milling process. Common practice is for water to be recycled extensively through the mill in an "open-loop" system, following which it is discharged to supplement irrigation water. Consequently a drop in supply would impact both our factory and agricultural operations. The majority of the outgrower sugar cane supply operations do not have access to recycled water, accordingly it is not an important water source for these operations. |

## W1.2

**For your total operations, please detail which of the following water aspects are regularly measured and monitored and provide an explanation as to why or why not**

| Water aspect | % of sites/facilities/operations | Please explain |
|---|---|---|
| Water withdrawals- total volumes | 76-100 | Illovo monitors total water withdrawal volumes at all (100%) of our facilities. This information is used to evaluate each operations performance in regards to the Illovo Water Strategy and aids in the identification of potential water conservation opportunities and legal infringements as well as an agriculture management tool to monitor application and cane growth response to irrigation. |
| Water withdrawals- volume by sources | 76-100 | Water withdrawal by source is monitored at all (100%) of our operations to evaluate the sustainability of our supply and legal compliance. |
| Water discharges- total volumes | 76-100 | An objective of the Illovo Water Strategy is to decrease waste water discharge by increasing water reuse and recycling. Water discharge is therefore monitored at 100% of our operations to aid in the identification of recycling opportunities and to inform the operations water footprint. |
| Water discharges- volume by destination | 76-100 | Water discharge volume by destination is monitored at 100% of our operations to ensure legal compliance and minimal impact on the surrounding natural and social environments and to facilitate operation management and continuous improvement. |
| Water discharges- volume by treatment method | 76-100 | The monitoring of water discharged from our industrial operations by treatment method is important as this water is either recycled back into the mill or reused for irrigation, consequently this aspect is monitored at 100% of our facilities. |
| Water discharge quality data- quality by standard effluent parameters | 76-100 | Water discharge quality is monitored at 100% of our operations to ensure legal compliance and minimal impact on the surrounding natural and social environments and to facilitate operation management and continuous improvement. |
| Water consumption- total volume | 76-100 | Each operation (100%) updates and monitors its water footprint monthly. The generation of customised operation water footprints has been extremely useful in the identification of water management opportunities aimed at improving the effective use of water. |
| Facilities providing fully-functioning WASH services for all workers | 76-100 | The majority of our operations not only supply workers with basic amenities, such as water and electricity, but also the communities in which we are situated. This water supply is included within the Illovo Water Strategy and is consequently monitored at all operations. |

**W1.2a**

**Water withdrawals: for the reporting year, please provide total water withdrawal data by source, across your operations**

| Source | Quantity (megaliters/year) | How does total water withdrawals for this source compare to the last reporting year? | Comment |
|---|---|---|---|
| Fresh surface water | 952709 | Lower | Net effect of reduced river water available for irrigation (drought) in Swaziland, Zambia and to a lesser extent Tanzania. |
| Brackish surface water/seawater | 0 | Not applicable | |
| Rainwater | 337920 | Lower | Drought conditions prevailed across all countries for the year. |
| Groundwater - renewable | 1928 | Lower | |
| Groundwater - non-renewable | 0 | Not applicable | |
| Produced/process water | 758 | Much lower | A decrease in cane processed resulted in less water reclaimed from the cane plant. |
| Municipal supply | 942 | Much lower | |
| Wastewater from another organization | 0 | Not applicable | |
| Total | 1294256 | Lower | Net effect of reduced river water available for irrigation (drought) in Swaziland, Zambia and to a lesser extent Tanzania. |

**W1.2b**

**Water discharges: for the reporting year, please provide total water discharge data by destination, across your operations**

| Destination | Quantity (megaliters/year) | How does total water discharged to this destination compare to the last reporting year? | Comment |
|---|---|---|---|
| Fresh surface water | 20742 | Much lower | A decrease in water entering our mills resulted in a decrease in the volume of waste water produced. |
| Brackish surface water/seawater | 1412 | Lower | A decrease in water entering our mills resulted in a decrease in the volume of waste water produced. |
| Groundwater | 0 | Not applicable | |
| Municipal/industrial wastewater treatment plant | 66 | Much higher | A decrease in water entering our mills resulted in a decrease in the volume of waste water produced. |
| Wastewater for another organization | 0 | Not applicable | |
| Total | 22220 | Much lower | A decrease in water entering our mills resulted in a decrease in the volume of waste water produced. |

## W1.2c

**Water consumption: for the reporting year, please provide total water consumption data, across your operations**

| Consumption (megaliters/year) | How does this consumption figure compare to the last reporting year? | Comment |
|---|---|---|
| 1120917 | Lower | Illovo experienced both lower rainfall (-8% across all countries) and lower availability (-8%) of surface water for irrigation of the crop especially in Swaziland, Zambia and to a lesser extent Tanzania. |

## W1.3

**Do you request your suppliers to report on their water use, risks and/or management?**

Yes

## W1.3a

**Please provide the proportion of suppliers you request to report on their water use, risks and/or management and the proportion of your procurement spend this represents**

| Proportion of suppliers % | Total procurement spend % | Rationale for this coverage |
|---|---|---|
| 1-25 | 51-75 | Following on the supplier assessment conducted in 2014/15 on the top 50% by value of non-cane procurement in 2013/14, as a start to assessing the extent to which suppliers comply with our Code of Conduct and Business Ethics, during 2015/16 we extended the sample to 500 of the top suppliers by non-cane procurement value. There were 142 responses. There was a high compliance rate noted, with two cases identified for follow up. Furthermore, as part of educating Buyers and Cane Procurement personnel on the need for suppliers and sugar cane growers to comply with the Code of Conduct and Business Ethics the Code was included in the 2015/16 Compliance Road Shows. Sessions were held with senior management, including Procurement personnel in Zambia, Malawi, Tanzania and South Africa. We continue to engage with 3rd party sugar cane growers with the current main focus being on adopting sustainable farming practices. Sugar cane growers are considered critical because they provide us with our main raw material and their operations have the potential to impact on the environment and natural resources. |

## W1.3b

**Please choose the option that best explains why you do not request your suppliers to report on their water use, risks and/or management**

| Primary reason | Please explain |
|---|---|

## W1.4

### Has your organization experienced any detrimental impacts related to water in the reporting year?

Yes

**W1.4a**

**Please describe the detrimental impacts experienced by your organization related to water in the reporting year**

| Country | River basin | Impact indicator | Impact | Description of impact | Length of impact | Overall financial impact | Response strategy | Description of response strategy |
|---|---|---|---|---|---|---|---|---|
| South Africa | Pongola-Umzimkulu (WMA) | Phys-Drought | Plant/production disruption leading to reduced output | With a second consecutive year of below average rainfall together with a substantial amount of carry-over cane harvested in 2015/16 effected by frost and sour- rot; both cane quality and yield have been negatively affected. The 2015/16 sugarcane crop closed at 4 million tons which is approximately 1 million tons less than the 10 year average of 5.179 million tons. The poorer quality cane has also resulted in a lower sugar % cane by 0.74% units. | 2 Years | R 329 million | Infrastructure investment<br>Other: Temporary closing of facility to increase milling efficiency | In mitigation to this weather related volume fluctuation, a total of 1164 hectares of new area has been planted with a total of 1 759 ha to be completed before the onset of the 2016/17 season which will in future seasons provide an additional 70 000 tons of cane per annum and improve the factory capacity utilisations particularly on the south coast. In order to optimize milling capacity the combined crop was crushed at 3 mills, with the Umzimkulu mill being temporarily closed for the season. The full Umzimkulu cane crop of 856 000 tons was crushed at the Sezela mill with the additional diversion cost being incurred by the business. In addition, 300 000 tons of cane was diverted from Eston to Noodsberg. The Umzimkulu employees that were not required at this operation were redeployed to other businesses within the group. |

## W1.4b

**Please choose the option below that best explains why you do not know if your organization experienced any detrimental impacts related to water in the reporting year and any plans you have to investigate this in the future**

| Primary reason | Future plans |
|---|---|
| | |

### Further Information

## Module: Risk Assessment

### Page: W2. Procedures and Requirements

**W2.1**

**Does your organization undertake a water-related risk assessment?**

Water risks are assessed

**W2.2**

**Please select the options that best describe your procedures with regard to assessing water risks**

| Risk assessment procedure | Coverage | Scale | Please explain |
|---|---|---|---|
| Comprehensive company-wide risk assessment | Direct operations and supply chain | All facilities and some suppliers | Illovo has an Enterprise Risk Management (ERM) framework ensuring that the risk management process is consistently applied across all our operations. The ERM framework has been chosen as the primary vehicle for water risk and opportunity identification due to the importance of water across all areas of our business. |

## W2.3

**Please state how frequently you undertake water risk assessments, what geographical scale and how far into the future you consider risks for each assessment**

| Frequency | Geographic scale | How far into the future are risks considered? | Comment |
|---|---|---|---|
| Six-monthly or more frequently | River basin | >6 years | The Group Risk Committee meets twice a year to assess, evaluate and monitor the Group's risks, including, inter alia, water supply, and water quality, reputational and regulatory aspects. |

## W2.4

**Have you evaluated how water risks could affect the success (viability, constraints) of your organization's growth strategy?**

Yes, evaluated over the next 1 year

## W2.4a

**Please explain how your organization evaluated the effects of water risks on the success (viability, constraints) of your organization's growth strategy?**

The quantity and quality of water used for irrigation and factory operations and the consequences of deviating from these requirements on an estate by estate basis has been established and is supported by research and studies undertaken within the group or the sugar industry. Illovo has an ERM framework ensuring that the risk management process is consistently applied across all our operations.  The ERM framework is the primary vehicle for water risk and opportunity identification.

Two  approaches are taken at individual facilities to monitor risks and opportunities:
(i) On-going monitoring of water supply and quality is carried out by all employees participating in risk management activities to ensure consistent application of Illovo’s ERM framework; and
(ii) Scheduled independent risk management evaluations are performed by individuals not involved in the ERM process and are able to provide an independent

assessment of the effectiveness of the risk management framework and process.

Operation risk committees meet on a regular basis and the Group Risk Committee meets twice a year to assess, evaluate and monitor the Group's risks, including, inter alia, water supply and water quality, reputational and regulatory aspects.

The identification and rating of water risks is used to inform our business strategy. For example increasing water supply pressure at certain of our agricultural operations has driven the selection and incorporation of drought tolerant sugarcane varieties into our business strategy.

The results of the ERM process are reported internally to the board level Risk Committee and externally to stakeholders through the Annual Report.

## W2.4b

**What is the main reason for not having evaluated how water risks could affect the success (viability, constraints) of your organization's growth strategy, and are there any plans in place to do so in the future?**

| Main reason | Current plans | Timeframe until evaluation | Comment |
|---|---|---|---|

## W2.5

### Please state the methods used to assess water risks

| Method | Please explain how these methods are used in your risk assessment |
|---|---|
| Internal company knowledge<br>Water Footprint Network<br>Other: IPCC Climate Change Projections; Independent river basin studies; Engagement with catchment management agencies | Employees familiar with water related aspects of both our agricultural and industrial operations are included within the risk assessment process at a facility and estate level. Their inclusion ensures the process is informed by an on-the-ground operational knowledge. An agricultural, milling, distilling and WASH services water footprint is generated by each of our operations monthly. These footprints greatly assist in assessing the significance of water risks and opportunities within our ERM Framework. Climatic changes projected for all regions in which we operate are evaluated periodically to assist in the identification and rating of risks. These projections have been incorporated into in our risk assessment process and are re-evaluated when new information becomes available. The responsibility to keep appraised on the status of the basins in which we operate falls on the risk managers at each of our operations. Significant findings are reported to our group risk management team via our ERM Framework. All of our operations are members of their local catchment management agency. This forum provides the means to stay updated on potential risks within the basin and to participate in the basins management. Key issues raised during these meetings are included within the ERM Framework. |

**W2.6**

**Which of the following contextual issues are always factored into your organization's water risk assessments?**

| Issues | Choose option | Please explain |
|---|---|---|
| Current water availability and quality parameters at a local level | Relevant, included | Water is a primary resource of our agricultural, milling and downstream operations consequently, understanding quantity and quality risks associated with our current water supply at the local level is critical. In addition we supply surrounding mill estates and 3rd party users with potable water that needs to meet consumer standards. Over the past few years a number of our operations have experienced issues with our water supply not meeting demand or quality requirements. Internal company knowledge, water footprinting, river basin studies and catchment management agency engagement are all means through which we assess this risk. |
| Current water regulatory frameworks and tariffs at a local level | Relevant, included | All of our operations function within a water and wastewater regulatory framework and tariff system, the complexity of which is compounded by our spread over six countries. Our operations in Swaziland and Mozambique are also regulated by a trans-boundary water agreement. Internal company knowledge and catchment management agency engagement and engagement with the local regulator are all means through which we assess this risk. |
| Current stakeholder conflicts concerning water resources at a local level | Relevant, included | Competition for water is an existing issue within a number of the basins in which we operate. As a means of understanding and managing the risks associated with this issue all of our operations are represented within the local catchment organisation and we are actively working to improve the effectiveness of water use across our operations. |
| Current implications of water on your key commodities/raw materials | Relevant, included | Approximately half of the sugar cane processed by our operations is received from third party sugarcane providers. The impact of water supply issues on these operations has a significant impact on our key raw material. We undertake extensive engagement with our outgrowers to identify and manage this risk. |
| Current status of ecosystems and habitats at a local level | Relevant, included | Our operations rely on a number of ecosystem services including water purification and flood defence. The loss of these services has a significant impact on our operating cost. Additionally, a number of our operations are located near to resources of conservation importance, e.g. the Selous National Park, Tanzania and the Incomati Estuary, Mozambique. Important to our risk assessment process is ensuring that our operations are not negatively impacting on the surrounding natural environment. Each site generates a grey water footprint monthly to monitor any potential impact. |
| Current river basin management plans | Relevant, included | Changes in the management of the basins on which we rely can have a significant impact on the productivity of our business. Consequently, our onsite risk managers keep abreast of all proposed and planned changes to river basin management through river basin publication and studies and catchment agency engagement. |

| Issues | Choose option | Please explain |
|---|---|---|
| Current access to fully-functioning WASH services for all employees | Relevant, included | The majority of our operations not only supply workers with basic amenities, such as water and electricity, but also the communities in which we are situated. Blue and grey water footprints are generated by these operations in order to monitor and manage this supply. |
| Estimates of future changes in water availability at a local level | Relevant, included | Due to climatic changes and increased demand for water, water availability is expected to decline within the majority of basins in which our operations are situated. We regularly complete a risk assessment process aimed at identifying and evaluating operation specific future risks. This assessment is informed by climatic projections, river basin studies and catchment management agency engagement. |
| Estimates of future potential regulatory changes at a local level | Relevant, included | As water availability decreases and demand increases we expect a change in the country regulatory frameworks in which we operate, and an increasing emphasis on social and environmental flow requirements. We regularly engage with local water agencies to ensure we remain informed of these future changes. |
| Estimates of future potential stakeholder conflicts at a local level | Relevant, included | As water availability decreases we expect an increase in water competition among stakeholders. We currently support dialogue with these stakeholders through the local catchment agencies at each operation. |
| Estimates of future implications of water on your key commodities/raw materials | Relevant, included | As water scarcity increases we expect an increased impact on our raw materials (outgrower supplied sugar cane) and our key commodity (sugar). We will continue to engage with our outgrowers and research groups, such as SASRI, in order to manage these risks. |
| Estimates of future potential changes in the status of ecosystems and habitats at a local level | Relevant, included | Unsuitable land management practices will have a continued impact on our operations through the loss of important ecosystem services and sedimentation. Our participation in catchment management agencies aids in the estimation and management of this risk. |
| Scenario analysis of availability of sufficient quantity and quality of water relevant for your operations at a local level | Relevant, included | We review local climate change projections in terms of possible impacts on water resources and precipitation and are continuously working to improve our understanding of future climate change projections. Scenario analysis of future changes related to water supply is carried out on a site by site basis where it is relevant. |
| Scenario analysis of regulatory and/or tariff changes at a local level | Relevant, not yet included | Scenarios of future regulatory and tariff regimes will be incorporated into our project planning process. |
| Scenario analysis of stakeholder conflicts concerning water resources at a local level | Relevant, not yet included | Scenarios of future stakeholder conflicts will be incorporated into our project planning process. |
| Scenario analysis of implications of water on your key commodities/raw materials | Relevant, included | We review local climate change projections in terms of possible impacts on water resources and precipitation and are continuously working to improve our understanding of future climate change projections. Scenario analysis of future changes related to water supply is carried out on a site by site basis where it is relevant. |
| Scenario analysis of potential changes | Relevant, not | Scenarios of future ecosystem changes will be incorporated into our project planning process. |

| Issues | Choose option | Please explain |
|---|---|---|
| in the status of ecosystems and habitats at a local level | yet included | |
| Other | | |

**W2.7**

**Which of the following stakeholders are always factored into your organization's water risk assessments?**

| Stakeholder | Choose option | Please explain |
|---|---|---|
| Customers | Relevant, included | Maintaining brand reputation and value is of primary importance to us and we are cognisant of water related risks which may impact our reputation. We benefit from on-going independent external third party sustainability assessments conducted on behalf of our customers. During the year certain of our operations were assessed against the Pro Terra standard on behalf American Sugar Refining Inc (ASR). Operations were also assessed by Partner Africa who conducted an audit on behalf of the Coca Cola Company using the Coca Cola Company's Supplier Guiding Principles (SGP). |
| Employees | Relevant, included | A number of our operations are responsible for the supply of essential services, including potable water, to our employees and their families. |
| Investors | Relevant, included | Maintaining brand reputation and value is of primary importance to us and we are cognisant of water related risks which may impact our reputation. We engage directly with Illovo's largest shareholder, ABF, who monitors progress by local management in regards to perceived brand reputation and value linked to our use of water resources. |
| Local communities | Relevant, included | We currently provide essential services to a number of the communities situated near to / within our operations. At sites where water quantity and quality are at risk further resources may be required to ensure that these services are maintained. We are also cognisant of social flow requirements downstream of our operations. A number of our operations are represented and participate in local water boards and community forums to assist with monitoring consumption and ensure our business manages any potential risks regarding water quality and availability. |
| NGOs | Relevant, included | This group is critical in terms of brand reputation and shareholder value and we actively engage with a number of NGO's. Illovo has engaged with NGOs such as the Climate Resilient Infrastructure Development Facility (CRIDF), the German Deutsche Gesellschaft für International Zusammenarbeit (GIZ) and local stakeholders to improve access to |

| Stakeholder | Choose option | Please explain |
|---|---|---|
| | | safe drinking water by the communities surrounding our operations. |
| Other water users at a local level | Relevant, included | Competition for water is an existing issue within a number of the basins in which we operate. As a means of understanding and managing the risks associated with this issue all of our operations are represented within the local catchment organisation and we are actively working to improve the effective use of water at our operations. |
| Regulators | Relevant, included | All of our operations are regulated in terms of water abstraction and discharge allowances through permits and agreements. Direct engagement with regulators is therefore critical in terms of water risk assessment. |
| River basin management authorities | Relevant, included | Changes in the management of the basins on which we rely can have a significant impact on the productivity of our business. Consequently, our onsite risk managers keep abreast of all proposed and planned changes to river basin management through river basin publication and studies and catchment agency engagement. |
| Statutory special interest groups at a local level | Relevant, included | Critical in terms of brand reputation and license to operate. Our operations interact directly with local authorities to discuss changing environmental legal requirements and solicit clarity where there may be an impact to our operations. This is a critical part of our on-going governance and compliance monitoring process. |
| Suppliers | Relevant, included | Understanding water risk to outgrowers is critical for understanding our supply chain risk. As part of our climate change mitigation and adaptation strategy, Illovo has partnered with CRIDF and the UK Department for International Development (DFID) to investigate the wider impact of climate change in smallholder communities and to identify adaptation measures to reduce negative impacts. |
| Water utilities/suppliers at a local level | Relevant, included | Certain of our South African operations obtain water from the local water utility (Umgeni Water). The sustainability of this supply, both in terms of quality and quantity, is vital for continued operation. We engage with these suppliers either directly or through catchment management forums. |
| Other | Relevant, included | We regularly engage with industry associations on water related issues. For example, in Swaziland, we have been engaging with the Swaziland Sugar Association with respect to water tariffs. |

## W2.8

**Please choose the option that best explains why your organisation does not undertake a water-related risk assessment**

| Primary reason | Please explain |
|---|---|
| | |

**Further Information**

# Module: Implications

## Page: W3. Water Risks

### W3.1

**Is your organization exposed to water risks, either current and/or future, that could generate a substantive change in your business, operations, revenue or expenditure?**

Yes, direct operations and supply chain

### W3.2

**Please provide details as to how your organization defines substantive change in your business, operations, revenue or expenditure from water risk**

Over the past few years we have developed internal reporting systems and stakeholder engagement mechanisms designed to enable our business to react strategically to risk. As part of this, we have established a Risk Appetite Policy, quantifying the level of risk Illovo is willing to accept in pursuit of the achievement of the group's strategic objectives.
The Board sets the level of acceptable risk exposure for identified risks, as well as a series of boundaries providing each level of the organisation clear guidance on the limits of risk which it may take, both in relation to:-
(i) consideration of a threat, appropriate mitigation measures and the cost of control; and
(ii) opportunities to be gained and the costs of exploiting these.
The Board is also responsible for assessing the risk appetite levels set annually to align with the Groups strategic planning process.

Risk appetite statements were developed for each risk category in consultation with the risk owners, the executive management team and two non-executive directors of the Illovo Board. For water, our risk appetite objective for our direct operations is to comply with both water and effluent discharge permit requirements and improve water use efficiency to maximise sucrose production and drive conservation of the scarce resource.
Our risk tolerance boundary and consequently substantive change is defined as:
(i) No revoking of water permits.
(ii) Loss of sugar production due to inadequate irrigation efficiency not to exceed 2.0% of budgeted sugar production.

**W3.2a**

**Please provide the number of facilities* per river basin exposed to water risks that could generate a substantive change in your business, operations, revenue or expenditure and the proportion this represents of total operations company-wide**

| Country | River basin | Number of facilities exposed to water risk | Proportion of total operations (%) | Comment |
|---|---|---|---|---|
| South Africa | Pongola-Umzimkulu (WMA) | 6 | 91-100 | All of our operations are exposed to water related risk to varying degrees of significance. |
| Malawi | Zambezi | 2 | 91-100 | All of our operations are exposed to water related risk to varying degrees of significance. |
| Zambia | Zambezi | 1 | 91-100 | All of our operations are exposed to water related risk to varying degrees of significance. |
| Tanzania | Rufiji | 3 | 91-100 | All of our operations are exposed to water related risk to varying degrees of significance. |
| Mozambique | Incomati | 1 | 91-100 | All of our operations are exposed to water related risk to varying degrees of significance. |
| Swaziland | Maputo | 1 | 91-100 | All of our operations are exposed to water related risk to varying degrees of significance. |

**W3.2b**

**Please provide the proportion of financial value that could be affected at river basin level associated with the facilities listed in W3.2a**

| Country | River basin | Financial reporting metric | Proportion of chosen metric that could be affected within the river basin | Comment |
|---|---|---|---|---|
| South Africa | Pongola-Umzimkulu (WMA) | Other: Volume of sugar produced | 31-40 | |
| Malawi | Zambezi | Other: Volume of sugar produced | 11-20 | |
| Zambia | Zambezi | Other: Volume of sugar produced | 21-30 | |
| Tanzania | Rufiji | Other: Volume of sugar produced | 11-20 | |
| Mozambique | Incomati | Other: Volume of sugar produced | 6-10 | |
| Swaziland | Maputo | Other: Volume of sugar produced | 1-5 | |

**W3.2c**

**Please list the inherent water risks that could generate a substantive change in your business, operations, revenue or expenditure, the potential impact to your direct operations and the strategies to mitigate them**

| Country | River basin | Risk driver | Potential impact | Description of impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| Zambia | Other: Zambezi, Rufiji, Maputo, Incomati | Other: Increased pressure on water supply, drought, revoking of permits, poor maintenance of irrigation infrastructure | Other: Maintained, sustainable production | Water scarcity is experienced within these basins and a trend of decreasing flow in the dry season has been identified. Our agricultural, milling and distillery operations situated within these basins are reliant on surface water during the dry season and decreased availability could potentially impact productivity. This impact will be long term. | 4-6 years | Highly probable | High | Increased capital expenditure | R145 million over the next five years. Cost estimate incorporating irrigation upgrades and maintenance requirements. | 1) Planned maintenance/ replacement of infrastructure. 2) Irrigation scheduling and drought mitigating strategies 3) Abstraction permits and entrenchment of water rights 4) Water storage dams. 5) More efficient irrigation systems investment. 6) Engagement with stakeholders 7) Water Footprint exercise leading to a better understanding of our water use. The actions are designed to reduce our risk exposure by |

| Country | River basin | Risk driver | Potential impact | Description of impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | increasing water efficiency (yield per unit of water). |

**W3.2d**

**Please list the inherent water risks that could generate a substantive change in your business operations, revenue or expenditure, the potential impact to your supply chain and the strategies to mitigate them**

| Country | River basin | Risk driver | Potential impact | Description of impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| South Africa | Other: All basins in which we operate in Southern Africa | Other: Increased pressure on water supply, drought, revoking of abstraction permits, poor maintenance of irrigation infrastructure | Other: Maintained productivity | Over half of the cane processed by Illovo is produced by independent outgrowers who vary in size from extensive farms to a few hectares. A drop in sugar cane supply from outgrowers due | 4-6 years | Highly probable | High | Infrastructure investment | R240 million – cost of one year's equivalent replant by outgrowers in South Africa. | Maintaining and developing outgrower supply remains a key area of focus for Illovo. In many respect the risks to outgrowers are the same as those experienced by Illovo. We actively engage |

| Country | River basin | Risk driver | Potential impact | Description of impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | to increasing drought frequency and intensity or overall water scarcity could significantly impact Illovo's supply chain and consequently our productivity. | | | | | | with our outgrowers on this issue. To alleviate these risks, Illovo has funded water conveyance infrastructure servicing vulnerable outgrowers to ensure a sustainable sugarcane supply. Outgrowers also benefit from Illovo's support for drought resistant crop development and investment in new technology. A time frame of five years is envisioned with an expected success of return to normal cane supply. |

Please choose the option that best explains why you do not consider your organization to be exposed to water risks in your direct operations that could generate a substantive change in your business, operations, revenue or expenditure

| Primary reason | Please explain |
|---|---|
| | |

## W3.2f

Please choose the option that best explains why you do not consider your organization to be exposed to water risks in your supply chain that could generate a substantive change in your business, operations, revenue or expenditure

| Primary reason | Please explain |
|---|---|
| | |

## W3.2g

Please choose the option that best explains why you do not know if your organization is exposed to water risks that could generate a substantive change in your business operations, revenue or expenditure and discuss any future plans you have to assess this

| Primary reason | Future plans |
|---|---|
| | |

## Further Information

## Page: W4. Water Opportunities

### W4.1

**Does water present strategic, operational or market opportunities that substantively benefit/have the potential to benefit your organization?**

Yes

**W4.1a**

**Please describe the opportunities water presents to your organization and your strategies to realize them**

| Country or region | Opportunity | Strategy to realize opportunity | Estimated timeframe | Please explain |
|---|---|---|---|---|
| Other: Southern Africa (all operations) | Improved water efficiency | Water demand and scarcity is increasing, to varying degrees, within all basins in which our operations are situated. This is projected to impact availability as well as abstraction permit allocations. By working to improve the effective use of water within our operations we aim to increase our production without significantly altering our overall consumption. Through improving efficiency of irrigation water use and resilience of our operations we aim to gain competitive advantage. We have identified the greatest water supply risk as well as the greatest water efficiency opportunities at each operation and have developed water strategies specific to each operation focused on improving water monitoring and management. In 2015/16 spend on water related projects across the group amounted to R 11.58 million. | 1-3 years | At our Ubombo operation in Swaziland we have just completed a six year irrigation upgrade program incorporating 4 132 ha which resulted in an estimated R124 million saving. |
| Other: Southern Africa (all operations) | Cost savings | Agricultural operations require significant energy to pump water from abstraction to irrigation, which entails significant cost. We have identified three primary opportunities to reduce this energy requirement and thus cost: 1) Improving the efficiency of conveyance systems to minimise losses, 2) Improving irrigation efficiency to reduce the quantity of water required to grow a stick of sugarcane; 3) Improving the accuracy of irrigation scheduling to ensure the crop is irrigated effectively. A 5% decrease in irrigation energy requirements is projected to result in an annual savings of R 11 million. | Current-up to 1 year | In 2013 we collaborated with WSP to analyse the water footprint of our operations. The assessment modelled each of our agricultural systems in terms of precipitation (green water) and irrigation (blue water) requirements. This analysis enabled us to identify and quantify losses within each operation which were correlated to potential cost savings. |
| Other: Southern Africa (all operations) | Increased brand value | Customers, funders and potential investors are increasingly interested in the environmental impact of products and services. Illovo places emphasis not only on operating in a sustainable manner but also maintaining an open and continuous dialogue with stakeholders. | Current-up to 1 year | The Midlands region, led by the Noodsberg Canegrowers in conjunction with UCL Company (Pty) Ltd, are leaders in sustainability practices in the South African sugar industry and initiated the development of SUSFARMS® over a decade ago in |

| Country or region | Opportunity | Strategy to realize opportunity | Estimated timeframe | Please explain |
|---|---|---|---|---|
| | | Within in all our activities we are guided by the principles of the UN Global Compact. Within our direct operations we are committed to the effective use of water and have undertaken to significantly increase the number of our farms which comply with best practice outlined in the Sustainable Sugarcane Farm Management System (SUSFARMS®).The main objective of SUSFARMS® is to focus on the three main sustainability principles being; Prosperity (including finance), Social and Environment. The avoided loss of sales resulting from the non-implementation of SUSFARMS® is estimated to equate to R 90 million per annum. | | partnership with WWF. SUSFARMS® is a farming system designed to encourage sustainable sugarcane production through the implementation of better management practices (BMPs). These BMPs 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. Illovo is planning to complete baseline self-audits with the SUSFARMS® tool by the end of 2015, on all our own and managed farming operations. |

## W4.1b

**Please choose the option that best explains why water does not present your organization with any opportunities that have the potential to provide substantive benefit**

| Primary reason | Please explain |
|---|---|
| | |

## W4.1c

**Please choose the option that best explains why you do not know if water presents your organization with any opportunities that have the potential to provide substantive benefit**

| Primary reason | Please explain |
| --- | --- |
| | |

**Further Information**

## Module: Accounting

### Page: W5. Facility Level Water Accounting (I)

**W5.1**

**Water withdrawals: for the reporting year, please complete the table below with water accounting data for all facilities included in your answer to W3.2a**

| Facility reference number | Country | River basin | Facility name | Total water withdrawals (megaliters/year) at this facility | How does the total water withdrawals at this facility compare to the last reporting year? | Please explain |
|---|---|---|---|---|---|---|
| Facility 1 | Zambia | Zambezi | Zambia Sugar | 363386 | Lower | The 10% decrease was due to less reliable hydro power supply for irrigation. |
| Facility 2 | Mozambique | Incomati | Maragra | 78568 | Lower | The 4% decrease was due to lower river flow (drought) causing tidal return flow of saline water from the sea (30 km downstream) and less rainfall. |
| Facility 3 | Swaziland | Maputo | Ubombo | 198031 | Much lower | The 26% decrease was due to very low river flow (drought) reducing water availability for irrigation. |
| Facility 4 | Tanzania | Rufiji | Kilombero | 146679 | Much lower | The 12% decrease was due to low rainfall and low river flow reducing water availability for irrigation during the dry season. |
| Facility 5 | Malawi | Zambezi | Dwangwa | 150859 | Lower | The 5% decrease was due to lower than normal rainfall. |
| Facility 6 | Malawi | Zambezi | Nchalo | 297199 | Lower | The 4% decrease was due to lower than normal rainfall. |
| Facility 7 | South Africa | Pongola-Umzimkulu | Umzimkulu | 23585 | Much higher | The 45% increase was due to higher than normal rainfall. |

| Facility reference number | Country | River basin | Facility name | Total water withdrawals (megaliters/year) at this facility | How does the total water withdrawals at this facility compare to the last reporting year? | Please explain |
|---|---|---|---|---|---|---|
| | | (WMA) | | | | |
| Facility 8 | South Africa | Pongola-Umzimkulu (WMA) | Sezela | 27141 | About the same | The 2% decrease was due to lower than normal rainfall. |
| Facility 9 | South Africa | Pongola-Umzimkulu (WMA) | Noodsberg | 1153 | Much lower | The 18% decrease was due to a smaller crop. |
| Facility 10 | South Africa | Pongola-Umzimkulu (WMA) | Eston | 6710 | Lower | The 7% decrease was due to lower than normal rainfall. |
| Facility 11 | South Africa | Pongola-Umzimkulu (WMA) | Glendale | 200 | About the same | No significant change |
| Facility 12 | South Africa | Pongola-Umzimkulu (WMA) | Merebank | 746 | Lower | The 3% decrease was due to improved water efficiency in the distillery. |

**Further Information**

## Page: W5. Facility Level Water Accounting (II)

### W5.1a

**Water withdrawals: for the reporting year, please provide withdrawal data, in megaliters per year, for the water sources used for all facilities reported in W5.1**

| Facility reference number | Fresh surface water | Brackish surface water/seawater | Rainwater | Groundwater (renewable) | Groundwater (non-renewable) | Produced/process water | Municipal water | Wastewater from another organization | Comment |
|---|---|---|---|---|---|---|---|---|---|
| Facility 1 | 272853 | 0 | 90533 | 0 | 0 | 0 | 0 | 0 | |
| Facility 2 | 48339 | 0 | 30170 | 59 | 0 | 0 | 0 | 0 | |
| Facility 3 | 155256 | 0 | 42775 | 0 | 0 | 0 | 0 | 0 | |
| Facility 4 | 97423 | 0 | 47814 | 1441 | 0 | 0 | 0 | 0 | |
| Facility 5 | 119681 | 0 | 31178 | 0 | 0 | 0 | 0 | 0 | |
| Facility 6 | 257091 | 0 | 40108 | 0 | 0 | 0 | 0 | 0 | |
| Facility 7 | 38 | 0 | 23523 | 0 | 0 | 0 | 24 | 0 | |
| Facility 8 | 1657 | 0 | 25313 | 0 | 0 | 0 | 171 | 0 | |
| Facility 9 | 0 | 0 | 0 | 395 | 0 | 758 | 0 | 0 | |
| Facility 10 | 170 | 0 | 6507 | 33 | 0 | 0 | 0 | 0 | |
| Facility 11 | 200 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Facility 12 | 0 | 0 | 0 | 0 | 0 | 0 | 746 | 0 | |

**W5.2**

**Water discharge: for the reporting year, please complete the table below with water accounting data for all facilities included in your answer to W3.2a**

| Facility reference number | Total water discharged (megaliters/year) at this facility | How does the total water discharged at this facility compare to the last reporting year? | Please explain |
|---|---|---|---|
| Facility 1 | 3914 | Higher | Discharge increased by 31% compared to the previous year |
| Facility 2 | 5739 | About the same | |
| Facility 3 | 480 | About the same | |
| Facility 4 | 3448 | Higher | Discharge increased by 26% compared to the previous year |
| Facility 5 | 926 | About the same | |
| Facility 6 | 6213 | Lower | Discharge decreased by 18% compared to the previous year |
| Facility 7 | 18 | Much lower | Discharge decreased by 39% compared to the previous year |
| Facility 8 | 930 | About the same | 6% |
| Facility 9 | 69 | Much lower | Discharge decreased by 51% compared to the previous year |
| Facility 10 | 2 | Lower | Discharge decreased by 37% compared to the previous year |
| Facility 11 | 0 | About the same | |
| Facility 12 | 482 | About the same | 2 |

**W5.2a**

**Water discharge: for the reporting year, please provide water discharge data, in megaliters per year, by destination for all facilities reported in W5.2**

| Facility reference number | Fresh surface water | Municipal/industrial wastewater treatment plant | Seawater | Groundwater | Wastewater for another organization | Comment |
|---|---|---|---|---|---|---|
| Facility 1 | 3914 | 0 | 0 | 0 | 0 | |
| Facility 2 | 5739 | 0 | 0 | 0 | 0 | |
| Facility 3 | 480 | 0 | 0 | 0 | 0 | |
| Facility 4 | 3448 | 0 | 0 | 0 | 0 | |
| Facility 5 | 926 | 0 | 0 | 0 | 0 | |
| Facility 6 | 6213 | 0 | 0 | 0 | 0 | |
| Facility 7 | 18 | 0 | 0 | 0 | 0 | |
| Facility 8 | 0 | 0 | 930 | 0 | 0 | |
| Facility 9 | 3 | 66 | 0 | 0 | 0 | |
| Facility 10 | 2 | 0 | 0 | 0 | 0 | |
| Facility 11 | 0 | 0 | 0 | 0 | 0 | |
| Facility 12 | 0 | 0 | 482 | 0 | 0 | |

## W5.3

**Water consumption: for the reporting year, please provide water consumption data for all facilities reported in W3.2a**

| Facility reference number | Consumption (megaliters/year) | How does this compare to the last reporting year? | Please explain |
|---|---|---|---|
| Facility 1 | 307859 | Lower | The 6% decrease was primarily due to less reliable hydro power supply for irrigation. |
| Facility 2 | 81831 | Lower | The 6% decrease was primarily due to lower river flow (drought) causing tidal return flow of saline water from the sea (30 km downstream) and less rainfall. |
| Facility 3 | 178988 | Lower | The 3% decrease was primarily due to very low river flow (drought) reducing water availability for irrigation. |
| Facility 4 | 95344 | Much lower | The 26% decrease was primarily due to low rainfall and low river flow reducing water availability for irrigation during the dry season. |
| Facility 5 | 125073 | Lower | The 8% decrease was primarily due to lower than normal rainfall. |
| Facility 6 | 269090 | Lower | The 2% decrease was primarily due to lower than normal rainfall. |
| Facility 7 | 23567 | Much higher | The 45% increase was primarily due to higher than normal rainfall. |
| Facility 8 | 30188 | Higher | Increased by 10% compared to the previous year |
| Facility 9 | 300 | Much lower | The 15% decrease was primarily due to the smaller crop. |
| Facility 10 | 8368 | Higher | Increased by 16% compared to the previous year |
| Facility 11 | 45 | About the same | No significant change |
| Facility 12 | 265 | Lower | 4% decrease resulting from improved efficiency |

## W5.4

**For all facilities reported in W3.2a what proportion of their water accounting data has been externally verified?**

| Water aspect | % verification | What standard and methodology was used? |
|---|---|---|
| Water withdrawals- total volumes | 76-100 | AA1000AS Type II (Moderate) |
| Water withdrawals- volume by sources | 76-100 | AA1000AS Type II (Moderate) |
| Water discharges- total volumes | 76-100 | AA1000AS Type II (Moderate) |
| Water discharges- volume by destination | Not verified | |
| Water discharges- volume by treatment method | Not verified | |
| Water discharge quality data- quality by standard effluent parameters | Not verified | |
| Water consumption- total volume | 76-100 | AA1000AS Type II (Moderate) |

### Further Information

Verification Statement

### Attachments

https://www.cdp.net/sites/2016/68/8868/Water 2016/Shared Documents/Attachments/Water2016/W5.FacilityLevelWaterAccounting(II)/Illovo - 2016 CDP Water Assurance Statement - 27 June - MHR - v1.doc

## Module: Response

### Page: W6. Governance and Strategy

**W6.1**

**Who has the highest level of direct responsibility for water within your organization and how frequently are they briefed?**

| Highest level of direct responsibility for water issues | Frequency of briefings on water issues | Comment |
|---|---|---|
| Board of individuals/Sub-set of the Board or other committee appointed by the Board | Scheduled-annual | |

**W6.2**

**Is water management integrated into your business strategy?**

Yes

**W6.2a**

**Please choose the option(s) below that best explain how water has positively influenced your business strategy**

| Influence of water on business strategy | Please explain |
|---|---|
| Establishment of sustainability goals | In recent years, we have gained a far more in-depth understanding of our operations across southern Africa, culminating in the development of a Water Management Strategy. Through this we have set a vision to (i) reduce unnecessary losses (ii) improve efficiency of water delivery and (iii) implement better monitoring and reporting. We intend to implement water reduction or efficiency targets, once the appropriate monitoring and reporting systems are in place. |
| Publicly demonstrated our commitment to water | Water conservation is included in the Illovo Annual Report. Our public commitment drives us to meet objectives and commitments set on behalf of our shareholders. |
| Greater supplier engagement | As we improve our water management at our own operations, we are working towards improving our understanding of our suppliers (outgrowers) that provide over half or our sugarcane supply across southern Africa. |
| Tighter operational performance standards | An Illovo Water Strategy has been developed with the intent to improve operational water efficiency through tighter operational performance standards. |
| Introduction of water management KPIs | KPI incentives are placed on waste, water, energy and GHG management. Water, and its accompanying risks and opportunities, are embedded in Illovo's Strategic Intent, Goals and Objectives. Accordingly our KPI's ensure that all decisions made by our operations are aligned to the Group's Strategic Intent for water management. |

## W6.2b

**Please choose the option(s) below that best explains how water has negatively influenced your business strategy**

| Influence of water on business strategy | Please explain |
|---|---|
| Increased capital expenditure | Although short term investment requirements are potentially significant, our project staging process requires a strong investment case that is financially viable (in terms of ROI) and in line with the strategic intent of the company. Therefore, the negative impact is only viewed in the short term. |
| Other: Increased operational cost | Ensuring an adequate water supply (both in terms of quality and quantity) for our agricultural and processing operations has ongoing cost implications. |

## W6.2c

**Please choose the option that best explains why your organization does not integrate water management into its business strategy and discuss any future plans to do so**

| Primary reason | Please explain |
|---|---|

## W6.3

**Does your organization have a water policy that sets out clear goals and guidelines for action?**

Yes

## W6.3a

**Please select the content that best describes your water policy (tick all that apply)**

| Content | Please explain why this content is included |
|---|---|
| Publicly available<br>Company-wide<br>Performance standards for direct operations<br>Performance standards for supplier, procurement and contracting best practice<br>Commitment to customer education<br>Incorporated within group environmental, sustainabiilty or EHS policy<br>Acknowledges the human right to water, sanitation and hygiene | This content is included as our public commitment to water stewardship requires us to minimise our water footprint across our operations by increasing the efficient use of water, maximising the recycling of water in our operations, improving efficiency of water delivery and reducing unnecessary water loss. We are committed to complying with laws, regulations and permits and using water resources in a manner that benefits us without undermining the interests of our stakeholders, particularly communities who are located around our operations and communities who depend on the same water resources as our operations. |

## W6.4

**How does your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) during the most recent reporting year compare to the previous reporting year?**

| Water CAPEX (+/- % change) | Water OPEX (+/- % change) | Motivation for these changes |
|---|---|---|
| +17 | -16 | During the reporting year a number of water related initiatives contained in the Illovo Water Strategy were implemented; including water and waste water treatment, irrigation upgrade / replacement and monitoring projects (CAPEX). |

### Further Information

## Page: W7. Compliance

### W7.1

**Was your organization subject to any penalties, fines and/or enforcement orders for breaches of abstraction licenses, discharge consents or other water and wastewater related regulations in the reporting year?**

No

### W7.1a

**Please describe the penalties, fines and/or enforcement orders for breaches of abstraction licenses, discharge consents or other water and wastewater related regulations and your plans for resolving them**

| Facility name | Incident | Incident description | Frequency of occurrence in reporting year | Financial impact | Currency | Incident resolution |
|---|---|---|---|---|---|---|

### W7.1b

**What proportion of your total facilities/operations are associated with the incidents listed in W7.1a**

### W7.1c

**Please indicate the total financial impacts of all incidents reported in W7.1a as a proportion of total operating expenditure (OPEX) for the reporting year. Please also provide a comparison of this proportion compared to the previous reporting year**

| Impact as % of OPEX | Comparison to last year |
|---|---|
| | |

**Further Information**

## Page: W8. Targets and Initiatives

**W8.1**

**Do you have any company wide targets (quantitative) or goals (qualitative) related to water?**

Yes, goals only

**W8.1a**

**Please complete the following table with information on company wide quantitative targets (ongoing or reached completion during the reporting period) and an indication of progress made**

| Category of target | Motivation | Description of target | Quantitative unit of measurement | Base-line year | Target year | Proportion of target achieved, % value |
|---|---|---|---|---|---|---|
| | | | | | | |

## W8.1b

**Please describe any company wide qualitative goals (ongoing or reached completion during the reporting period) and your progress in achieving these**

| Goal | Motivation | Description of goal | Progress |
|---|---|---|---|
| Other: Implementing the Illovo Water Strategy | Cost savings | Reduce water losses and improve the effective use of irrigation water on our estates. The timescale for implementing the strategy is five years. | We have undertaken a water footprint study at all Illovo operations. The water footprint data produced monthly is used to inform water management plans aimed at improving water management and subsequently efficient use of the water resources within our operations. The five year strategy implementation plan is currently in its second year. |
| Other: Enhancing internal monitoring and reporting | Water stewardship | To improve understanding of water abstraction, consumption and discharge across the group. The timescale for implementing the strategy is five years. | Our five year water strategy implementation plan includes responsibilities for monitoring (for agricultural and mill operations) as well as internal and external reporting requirements. Investment has been made to improve water quality and monitoring based on analysis from the data collected during the on-going water footprinting process. |
| Other: Sustainable agriculture | Recommended sector best practice | SUSFARMS® is the accepted standard for adoption by Illovo Sugar. The goal is to implement SUSFARMS® in 100% of South African operations, including outgrowers who make up over half of the cane supply to the mill. For agricultural operations outside of South Africa Illovo are concentrating on implementing SUSFARMS® within our own agricultural operations within the next 2 years. | A collaborative partnership has been initiated between SAB Miller, Coca-Cola, SASA, SASRI, SA Cane Growers & Illovo aiming to guide the update of the SUSFARMS® standard so that it is aligned to international requirements. The group agricultural operational support conducted baseline SUSFARMS V3 “Progress Tracker” audits at all Illovo operations. |

## W8.1c

**Please explain why you do not have any water-related targets or goals and discuss any plans to develop these in the future**

**Further Information**

## Module: Linkages/Tradeoff

### Page: W9. Managing trade-offs between water and other environmental issues

**W9.1**

**Has your organization identified any linkages or trade-offs between water and other environmental issues in its value chain?**

Yes

**W9.1a**

**Please describe the linkages or trade-offs and the related management policy or action**

| Environmental issues | Linkage or trade-off | Policy or action |
|---|---|---|
| Improved water efficiency and efficacy within our agricultural operations not only results in decreased operational cost due to water savings but also in energy savings. | Linkage | Increase the effective and efficient use of water throughout our operations. |
| Improved water efficiency and reuse within our milling and distillery operations resulting in decreased effluent production and discharge and consequently our impact on the environment. | Linkage | Improve water efficiency and reuse within our industrial operations. |

**Further Information**

# Module: Sign Off

## Page: Sign Off

### W10.1

**Please provide the following information for the person that has signed off (approved) your CDP water response**

| Name | Job title | Corresponding job category |
|---|---|---|
| John Hulley | Group Operations Director | Board Director |

### W10.2

Please select if your organization would like CDP to transfer your publicly disclosed response strategy from questions W1.4a, W3.2c and W3.2d to the CEO Water Mandate Water Action Hub.

Yes

### Further Information

#### CDP