

# The Impact of Illovo in Africa

Socio-Economic Impact Assessment

Group Summary Report

October 2017

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# Introduction

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Illovo Sugar Africa (Pty) Limited (“Illovo”, “Illovo Group” or “the Group”) is a wholly-owned subsidiary of Associated British Foods plc (ABF). The Group 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, purchaser of agricultural raw materials and producer of sugar distributed to largely domestic markets, Illovo is positioned to positively shape the socio-economic fabric of the economies and communities that it is part of.

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

This report, for the financial year to 31 March 2017, is an update of the study carried out three years go. It sets out key findings from Corporate Citizenship’s assessment and focuses on Illovo’s direct socio-economic impact across Africa, as well as its indirect and wider impacts through its value chain (outgrowers, suppliers and customers). Recommendations for further enhancing the Group’s impacts are set out at the end of the report.

Individual reports for Illovo’s operating countries have also been developed and forward-looking recommendations to improve Illovo’s local impacts have been provided to Illovo’s senior management.

## Methodology

Corporate Citizenship’s process for this exercise 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, smallholder 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.

Data was also collected from Illovo’s operations in Mozambique, Swaziland and Tanzania. 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).

# Key Findings

**In 2016/17 Illovo Group's socio-economic impacts in Africa included:**

<b>Generating economic value</b>	<ul style="list-style-type: none"> <li>• Illovo is Africa's largest sugar producer. Revenues have grown over the last three years, with an increasing proportion of sales in domestic and other African markets.</li> <li>• Illovo's total economic impact – including direct, indirect and induced impacts – is estimated at ZAR 23.8 billion for 2016/17. This includes ZAR 5.0 billion in direct impacts (gross value added), and the remainder through multiplier effects within the supply chain and wider economy.</li> <li>• Illovo's total direct tax payments in 2016/17 amounted to ZAR 311 million, while indirect taxes totalling ZAR 1.1 billion were collected on behalf of governments. Illovo also made payments of ZAR 11.9 billion to domestic suppliers (representing 89% of total spend with suppliers), paid ZAR 3.0 billion in salaries, wages and benefits to employees, and made capital investments of ZAR 725 million.</li> </ul>
<b>Creating employment opportunities</b>	<ul style="list-style-type: none"> <li>• Illovo is estimated to support at least 71,443 jobs across its six countries of operation. For each of Illovo's 29,663 direct employees, at least 1.4 additional jobs are estimated to be supported through outgrower communities and wider multiplier effects throughout the economy.</li> <li>• Illovo paid ZAR 3.0 billion in salaries, wages and benefits to employees in 2016/17. The company actively monitors remuneration against local and international benchmarks.</li> <li>• We estimate that the direct jobs provided by Illovo contribute to supporting the livelihoods of 139,000 people once families and dependents are taken into account. This is based on average household sizes in the regions where the Illovo Group operates<sup>1</sup>.</li> </ul>
<b>Supporting farmer livelihoods</b>	<ul style="list-style-type: none"> <li>• Illovo's supply chain includes over 14,700 outgrower farmers, in total supplying about 8.3 million tonnes of cane in 2016/17. Approximately 60% of the sugar cane used by Illovo is supplied by independent farmers; the remaining 40% comes from the company's own land.</li> <li>• 11,397 outgrowers are medium and small-scale farms (growing on up to 1,000 hectares of land), who together account for 34% of outgrower production. The remainder is supplied by 3,373 large-scale, commercial farms.</li> <li>• Illovo is estimated to support 29,872 jobs through outgrower farmers. In addition, the company provides significant technical, financial and capacity-building support to outgrowers through its dedicated officers.</li> </ul>
<b>Investing in communities</b>	<ul style="list-style-type: none"> <li>• Illovo's community investments totalled ZAR 9.9 million in 2016/17. The majority of this investment went towards educational infrastructure support, healthcare initiatives and infrastructure, supporting key programmes such as disease prevention and treatment, and ad-hoc</li> </ul>

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

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initiatives such as drilling boreholes.

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**Promoting environmental sustainability**

- Illovo subscribes to and is progressively improving its alignment to the SusFarMS sustainable farming management system, which was pioneered by growers at Illovo South Africa’s Noodsberg mill, in partnership with the World Wide Fund for Nature (WWF).
- 86% of Illovo’s energy consumption is provided from renewable sources, primarily bagasse.
- In 2016/17, about 66% of water withdrawal by the Group’s factories was recycled and returned to source. In response to recent droughts, Illovo is planning investments into drip irrigation, which is more effective and efficient in terms of water and energy use.

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**Responsible practices in the market place**

- Illovo has a significant downstream economic impact. For example, research in South Africa found that approximately 200,000 small retailers were selling Illovo products. The associated economic and employment impacts are captured within the multiplier estimates in Section 1.
- Illovo supports government programmes to fortify sugar with Vitamin A to help address micronutrient deficiency, particularly amongst children.
- To help monitor the affordability of its products, Illovo conducts regular consumer research to understand the price points required by consumers at various disposable income levels.

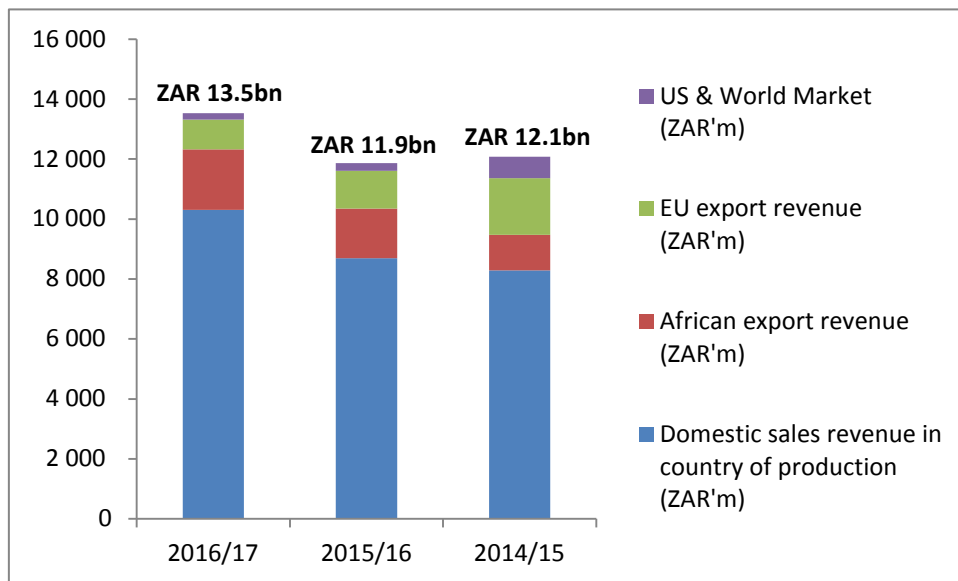
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Our full recommendations for further enhancing Illovo’s impacts are set out at the end of the report. These include a programme of focussed engagement amongst community stakeholders, particularly outgrower communities; a more structured approach to assessing and prioritising community needs; and building impact measurement into project plans for significant community investments.

## Illovo in Africa

- Africa’s biggest sugar producer, with operations in Malawi, Mozambique, South Africa, Swaziland, Tanzania and Zambia
- 16 manufacturing plants located across sub-Saharan Africa, producing brown and refined sugar together with a range of high-value downstream products for both domestic, regional and international markets.
- Around 14 million tonnes of sugar cane processed annually by 12 sugar mills.
- Cultivates sugar cane on approximately 71, 000 hectares of land and receives cane from independent outgrowers occupying a further 112,000 hectares.
- Directly employs about 30,000 people in agriculture, manufacturing, finance, marketing and administration.
- Over 90% of the group’s energy requirements provided by installed electricity generating capacity, primarily fuelled by renewable resources.

### Illovo Group: break down of sales of sugar in the marketplace



Illovo’s total sales revenues have risen substantially since our last report, from ZAR 11.1 billion in 2012/13 to ZAR 15.0 billion in 2016/17. This includes ZAR 13.5 billion in sugar sales, in addition to ZAR 1.5 billion from the sale of downstream products, including ethanol, furfural and syrup, as well as energy exported to the national grids in Swaziland and Mozambique.

The increasing proportion of sugar 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 due in part to high global stocks and lower international prices. It is also in anticipation of EU reforms to the Common Agricultural Policy (CAP) in 2017, which will reduce the benefits that arise from the concessions made to least developed countries in supplying the EU market. Illovo’s footprint in the region therefore provides a competitive advantage in supplying African markets.

Each of the six countries where Illovo is present has its unique operating context and challenges largely based on political factors, economic performance, and environmental (climate) factors, which Corporate Citizenship has outlined in individual country reports. Nevertheless, Illovo has adopted a group-wide approach on a number of initiatives, strategically positioning the business to respond to market forces, business risks and stakeholder expectations, which are applicable across all its operations. Specific examples include:

### **Leading on land rights initiatives**

Land rights and land use can often be a source of conflict with farmers and communities. Illovo is working with Landesa, an international NGO specialising in land and land rights, to build the Group's capacity to implement its Land Guidelines and Roadmap. The initiative, which is jointly supported by the UK Department for International Development (DFID), will build the capacity of local organisations around Illovo's estates whilst developing tools and problem solving initiatives to help deal with issues concerning land rights. Trained land champions and Community Support Organisations (CSOs) identified in each country will assist in mobilising and building the capacity of the communities surrounding the operations to be able to openly engage with Illovo about land.

### **Supporting farmers through the 'Optimise Outgrower' Initiative**

As land reform policies take place across a number of markets, the profile of cane supply will change. An even higher percentage will come from outgrowers, particularly smallholders. Since our last report, Illovo has increased its strategic focus on outgrowers through a new "optimise outgrower" agriculture 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.

### **Driving standards in the industry through SusFarMS**

The Group's has upheld its commitment to driving international standards across its operations. Illovo, through its South African operation, assisted in the development of the Sustainable Sugar Farm Management System (SusFarMS), which aims to integrate environmental, social, and economic considerations into sugar cane cultivation. SusFarMS provides a management framework for sustainable field layouts, waterways, weeding and harvesting, along with management of acidification and nitrogen levels in the soil.

SusFarMS uses a performance tracker and user manual to help growers and Illovo's own sugar estates to continuously improve the management of their environmental impacts and to optimise production with sustainable ecosystems. It was first adopted by the Noodsberg Cane Growers Association (NCGA), which supports Illovo's Noodsberg mill. The programme has been scaled up in partnership with the World Wildlife Fund (WWF) and South Africa Sugar Resource Institute. The WWF has adapted the SusFarMS criteria for a variety of other crops, including honey, citrus, and potatoes.

### **Shared value**

The transition from traditional philanthropy to a shared value approach is a significant and positive development in the business. It shows recognition of the importance of developing the Group's broader societal contribution if the business is to grow and

thrive in regional markets. Historically most corporate social investment thinking has focused on reactive initiatives that encouraged a culture of dependency, rather than on more strategic initiatives such as enterprise development in the customer and supplier chain, for example. A programme is underway to roll out implementation support for shared value initiatives that align genuine value creation and capacity building in a way that serves both Illovo's communities and the business sustainably in a mutually beneficial way.



# Section 1: Generating economic value

## Headline messages:

- Illovo’s total economic impact – including direct, indirect and induced impacts – is estimated at ZAR 23.8 billion for 2016/17. This includes ZAR 5.0 billion in direct impacts (gross value added), and the remainder through multiplier effects within the supply chain and wider economy.
- Illovo is estimated to support at least 71,443 jobs across its six countries of operation. For each of Illovo’s 29,633 direct employees, at least 1.4 additional jobs are estimated to be supported through outgrower communities and wider multiplier effects throughout the economy.
- Illovo’s total direct tax payments in 2016/17 amounted to ZAR 311 million, while indirect taxes totalling ZAR 1.1 billion were collected on behalf of governments. Illovo also made payments of ZAR 11.9 billion to domestic suppliers (representing 89% of total procurement spend), paid ZAR 3.0 billion in salaries, wages and benefits to employees, and made capital investments of ZAR 725 million.

## Overview

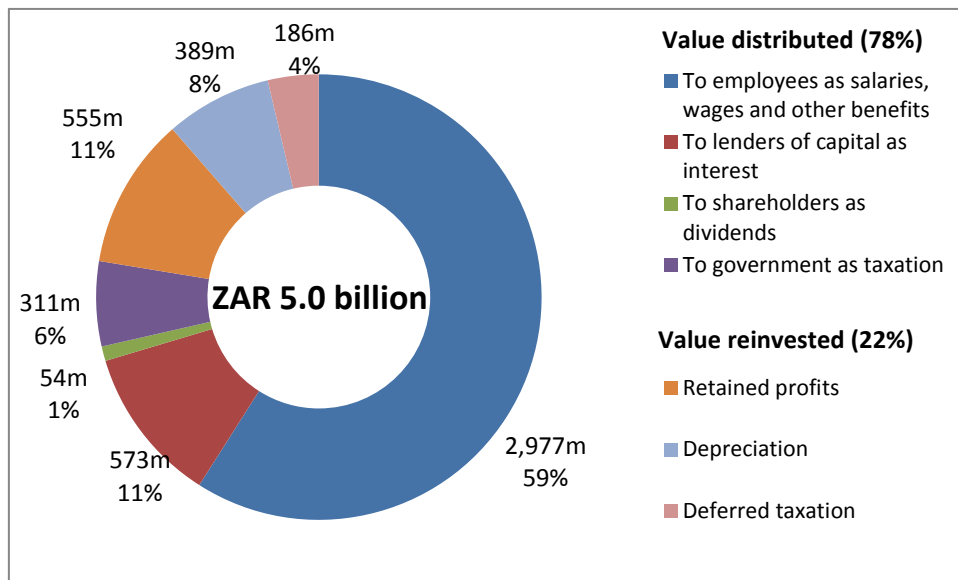
- Illovo makes a valuable contribution to the six African economies in which it operates. Due to the relative labour intensity of sugar production, compared to other agricultural crops, as well as the large number of smallholder farmers in the value chain, the economic multiplier effects are significant. 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).
- In total, the Group’s operations produced over 1.5 million tonnes of sugar and syrup products in 2016/17 across the six countries, as well as ethanol, furfural, lactulose and other derivatives. Revenues are increasing year on year, and Illovo Group is making significant investments in future growth.
- Illovo’s contribution to the economies in which it operates 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 Illovo’s direct employment of workers on farms and in factories, as well as tax payments, interest spending, shareholder dividends and capital investments;
  - **Indirect** impacts in the value chain, through sourcing sugar cane from farmers and payments to suppliers and distributors, as well as impacts on those selling Illovo products or using them in their businesses;

- o **Induced** impacts, through spending by direct and indirect employees, leading to increased consumption and employment elsewhere in the economy.
- Additional, secondary impacts that result from Illovo’s presence in Southern Africa include the provision of infrastructure such as roads, water, schooling and healthcare. These are described in this report, but are not quantified financially.

## Creating economic value

- Illovo Group’s direct contribution to the six Southern African economies, measured in terms of gross value added, was ZAR 5.0 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. 78% was distributed to stakeholders – including employees, shareholders and the government – while 22% was retained in the business.
- The sugar industry in Southern Africa is noted in a number of studies for its large multiplier effects<sup>2</sup>. Illovo Group’s total economic impact – including direct, indirect and induced impacts – is estimated at ZAR 23.8 billion for 2016/17. For comparison, this is greater than the GDP contribution of Malawi’s agricultural sector<sup>3 4</sup>. This represents an increase of almost 30% from the estimate reported in in our previous study, for 2012/13, reflecting growth in the business and increased payments to outgrowers.

### Illovo Group: Direct economic impact, 2016/17 (distribution of gross value added)

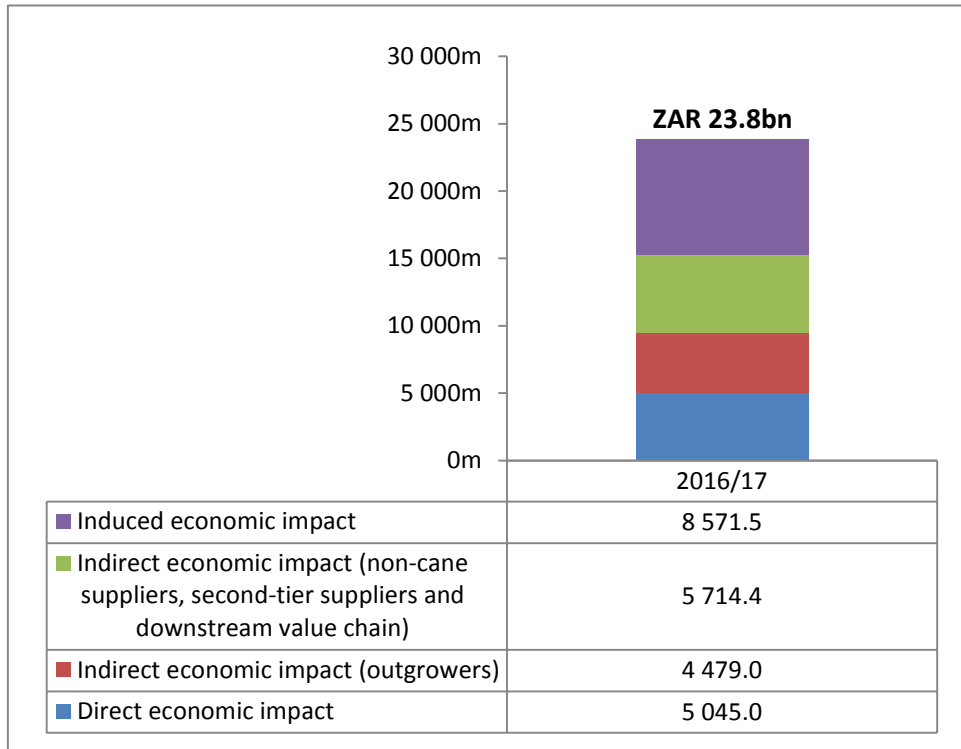


<sup>2</sup> This is due to the relative labour intensity of production as well as the large number of smallholder farmers in the value chain. Sugar cane must be milled as soon as possible after harvesting, meaning significant economic impacts are felt by rural populations. As well as consuming inputs 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>3</sup> [IMF World Economic Outlook Database](#), Malawi gross domestic product, current prices, 2016

<sup>4</sup> [CIA World Factbook for Malawi](#), GDP - composition, by sector of origin

**Illovo Group: Total economic impacts in Southern Africa (estimated), 2016/17**



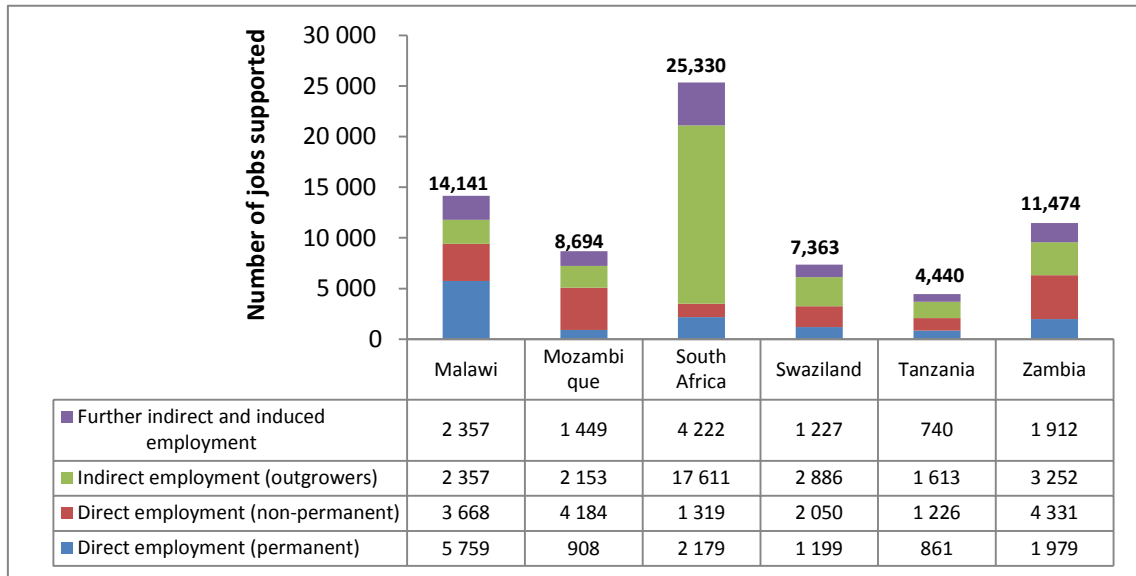
## Total employment impacts

- While Illovo’s direct employment impact is important, it also has a significant indirect employment impact, supporting thousands more jobs in the value chain.
- Illovo is estimated to support at least 71,443 jobs across its six countries of operation. This includes permanent employment of 12,885, non-permanent (including peak seasonal/fixed contract) employment of 16,778 and an estimated 29,872 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 11,907<sup>5</sup>.
- In other words, for every direct employee of the Illovo Group, at least 1.4 workers are supported through outgrower communities and in the wider economy.
- This is a reduction on the 1.9 reported in our previous study, due mainly to a reduction in our estimate of outgrower employment. This partly reflects the availability of better-quality data, which has enabled more direct comparison and alignment with external studies of the sugar industry (see Appendix 1). It is also a result of the weather impacts which have impacted on cane crops in a number of countries (see Section 3), resulting in reduced seasonal employment on both outgrowers’ and Illovo’s own farms.

<sup>5</sup> See Appendix 1 for an explanation of the multipliers used.

- Based on average household sizes in the regions where the Illovo Group operates (see Appendix 1), Illovo is estimated to help support the livelihoods of at least 10 people for every direct employee of the company. The amount to which Illovo supports livelihoods will vary between households – for some, such as direct employees and outgrowers, Illovo may well be the main contributor to household income, while in others Illovo’s support will be a factor among many.

**Illovo Group: Total employment impacts (estimated), 2016/17**



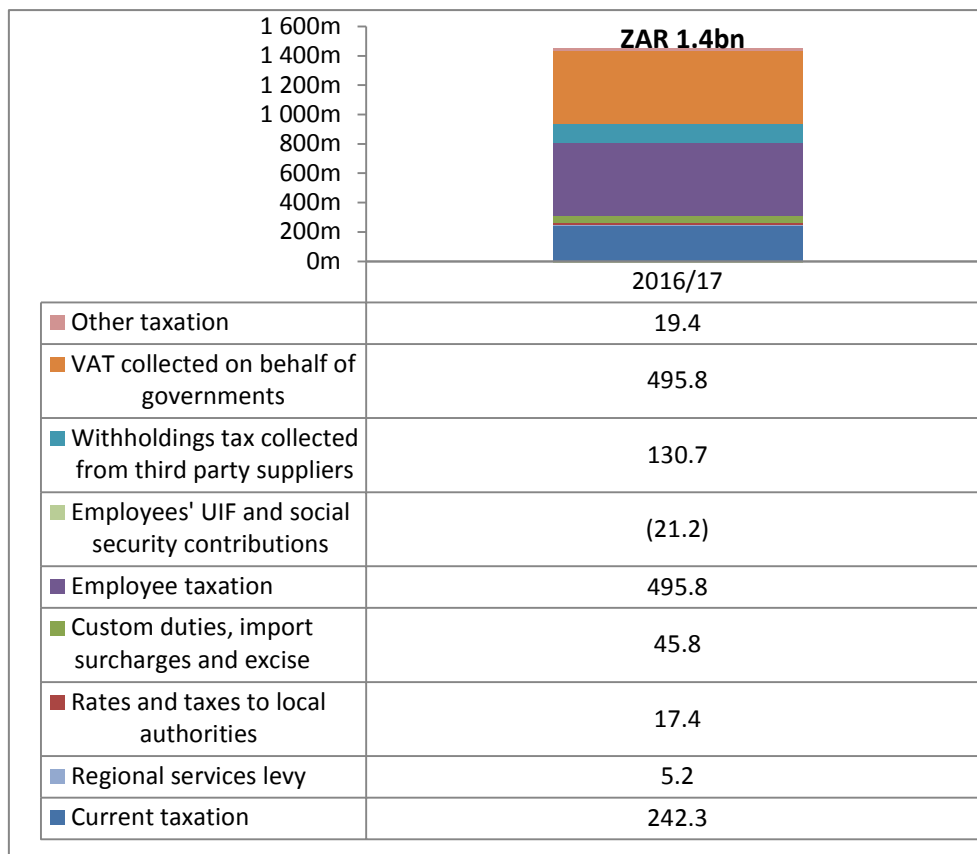
### Investing in the future

- Since the last assessment, Illovo Group has spent over ZAR 2.7 billion on capital investments. These include significant investments in plant expansions, including a ZAR 1 billion investment in a new sugar refinery and other enhancements at Illovo’s Zambian operation, and a ZAR 130 million investment in a sugar warehouse at Illovo’s Malawian operation.
- Illovo has also made significant investments in projects designed to reduce the company’s environmental footprint and increase energy efficiency. This includes a ZAR 158 million investment in a major Coal and Energy Savings Project at Illovo South Africa’s Sezela mill (see Section 5). Illovo is also currently exploring the potential for a number of small-scale co-generation projects, including in South Africa, Malawi and Mozambique.
- In response to water scarcity issues, many of Illovo’s operations are investing in projects designed to increase water efficiency. Illovo Malawi has made significant investments in irrigation infrastructure over the last two years. Projects to convert existing irrigation systems to drip irrigation, which is more effective and efficient in terms of water use, are underway in Malawi, Zambia and Swaziland.
- Illovo has also made a ZAR 33 million investment in the Illovo Technical Academy. Located next to the Eston mill in South Africa, the Academy offers skills development and training to frontline managers across the Group on both factory and farm processes. The facilities are also used by other divisions of the business for workshops and training programmes.

## Contributing to public finances

- Illovo’s total direct tax payments in 2016/17 amounted to ZAR 311 million, while indirect taxes totalling ZAR 1.1 billion were collected on behalf of governments. Indirect taxation includes sales tax (VAT), withholding taxes and employee taxes. This represents a significant increase on the direct and indirect tax payments of ZAR 900 million reported in our previous study for 2012/13, reflecting growing revenues and profits.

### Illovo Group tax payments, 2016/17

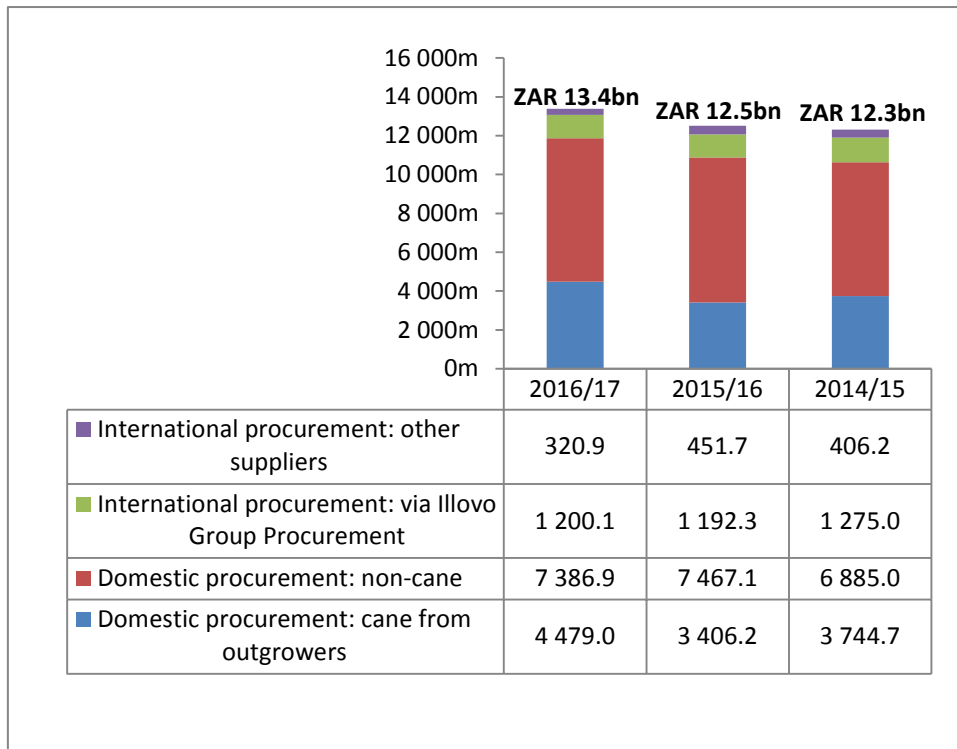


## Spending with suppliers

- In 2016/17, Illovo Group spent nearly ZAR 13.4 billion with suppliers. 89% of this was spent with domestic suppliers, i.e. those local to each of Illovo Group’s six country operations. An additional 9% was spent via Illovo Group Procurement in South Africa.
- ZAR 4.5 billion (33% of total procurement expenditure) was spent on sugar cane from outgrower farmers (see Section 3). ZAR 7.4 billion (55%) was spent with other domestic (non-cane) suppliers, providing products and services such as packaging, office supplies, agricultural inputs and building materials. Both cane and non-cane procurement have grown since our last study, reflecting the growth in the business.
- Sugar cane must be milled as soon as possible after harvesting, meaning that all of Illovo’s outgrowers are close to the company’s mills. In terms of non-cane

procurement, the proportion spent with domestic suppliers was 83% in 2016/17, compared to 64% at the time of our last study. Illovo encourages the purchase of goods from local suppliers, where they are able to meet Illovo’s high standards, and is investing in “shared value” projects to provide support to and build the capacity of local entrepreneurs.

**Illovo Group supplier spending, 2014/15 - 2016/17**



## Section 2: Creating employment opportunities

### Headline messages:

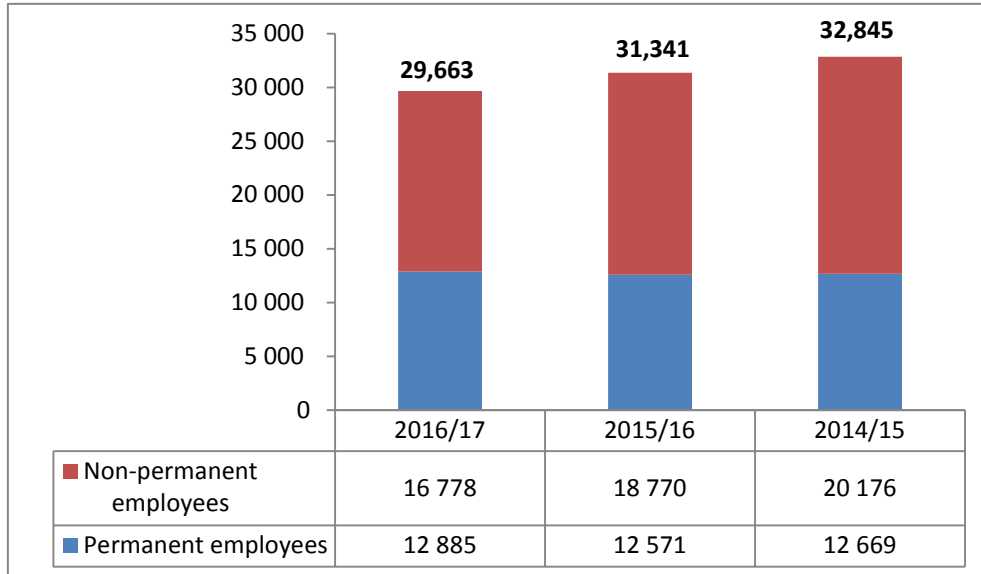
- Illovo directly employed 29,663 people across its six countries of operation in 2016/17, of which 12,885 were permanent and 16,778 were non-permanent. Based on average household sizes, we estimate that through this direct employment, Illovo contributes to supporting the livelihoods of approximately 138,702 employees and dependents.
- Illovo paid ZAR 3.0 billion in salaries, wages and benefits to employees in 2016/17. The company actively monitors remuneration against local and international benchmarks.
- Illovo has 1,517 permanent female employees, representing 12% of the total permanent workforce. Women currently represent around 19% of total management positions. Going forward, Illovo should explore how to increase gender diversity at all levels of its workforce.

### Overview

- Our assessment finds that Illovo continues to be an important direct and indirect employer in Southern Africa, particularly within a context of unemployment and poverty in many rural areas. Illovo is Malawi's largest single private sector employer, and makes an important contribution to employment in the other five countries.
- 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 careers.
- Illovo 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. The Group continues to provide 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

### Illovo Group: Direct employment, 2016/17

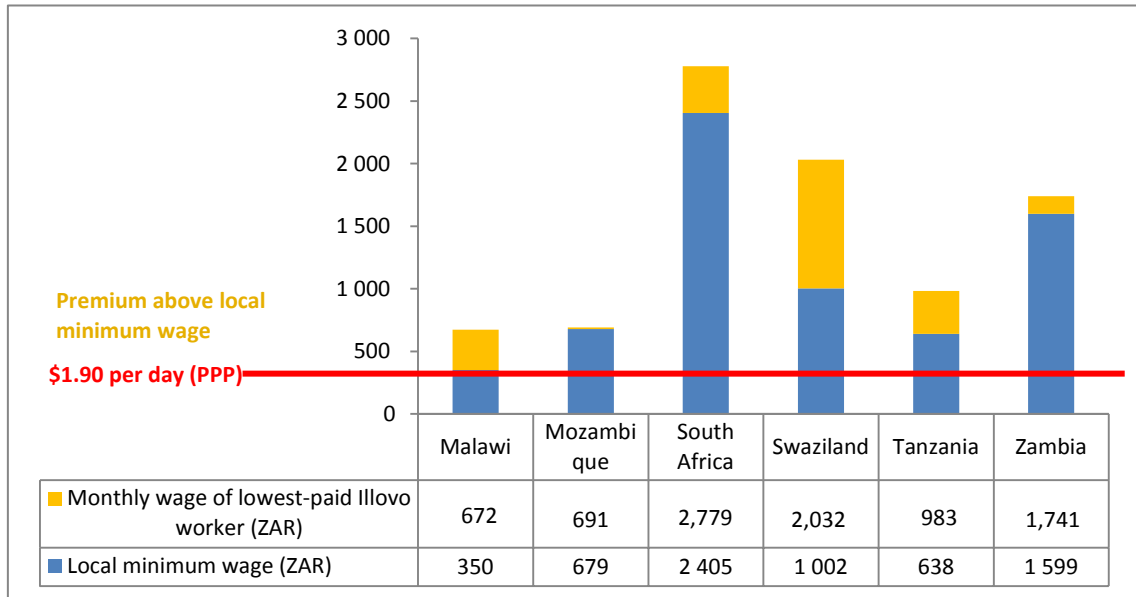


- Across all six countries in 2016/17, the Illovo Group provided employment for 12,885 permanent employees and 16,778 non-permanent (mostly seasonal agricultural) workers at peak periods. Over the past three years, permanent employment has stayed relatively constant, while seasonal employment has fallen – partly reflecting a challenging environment including water shortages and drought conditions which have resulted in reduced harvests.
- We estimate the direct jobs provided by Illovo contribute to supporting the livelihoods of 138,702 people once families and dependents are taken into account. This is based on an average household sizes in the regions where the Illovo Group operates<sup>6</sup>.
- Illovo paid a total of nearly ZAR 3.0 billion 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 in each country of operations, which in each case stands above the World Bank poverty line of \$1.90 per day (PPP).
- Illovo monitors salary levels to ensure that it is compliant with in-country legislative requirements. In 2015, Illovo conducted a pilot Living Wage study in Malawi, using the Anker methodology, and was found to pay more than the living wage. The Group is continuing to explore opportunities to align its wages with international standards.

<sup>6</sup> See Appendix 1 for an explanation of the multipliers used.



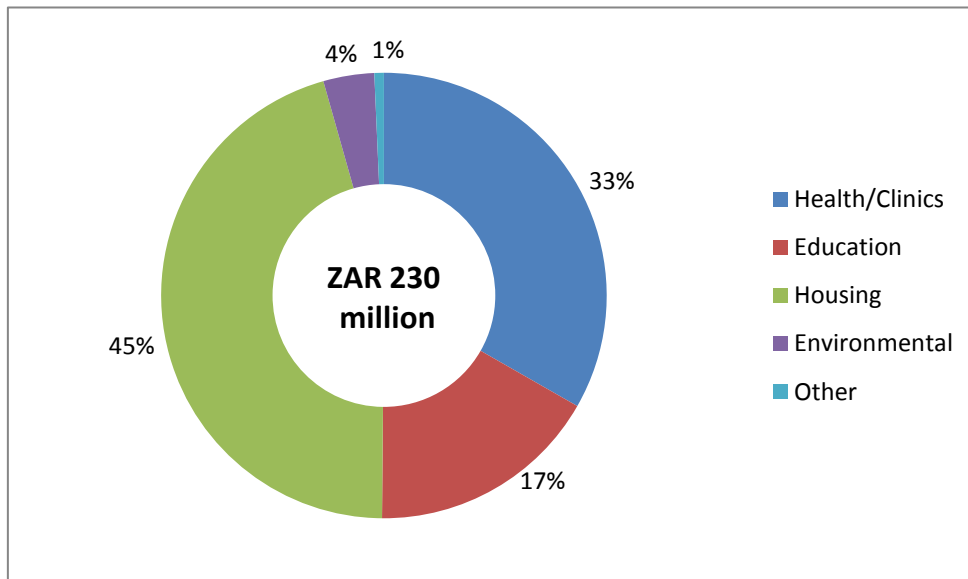
**Illovo Group: Monthly minimum wages, 2016/17**



### Employee livelihoods

- Illovo employees are entitled to a number of different benefits in addition to their salaries. In total, the expenditure on these benefits in 2016/17 sums to ZAR 230 million.
- The largest single benefit provided to Illovo employees, with expenditure of over ZAR 100 million in 2016/17, is housing. At least 10,000 employees, as well as their dependents, were supported with accommodation in 2016/17.
- Health is another important area of spending, with 4,796 employees receiving voluntary counselling and testing for HIV/AIDS in 2016/17. Furthermore, other community members receive access to the Illovo health facilities (clinics and hospitals) at affordable rates.
- Illovo also provides purified water, household sewage treatment, power and household waste removal (categorised as 'Environmental' in the graph below).

**Illovo Group: Employee benefits 2016/17**



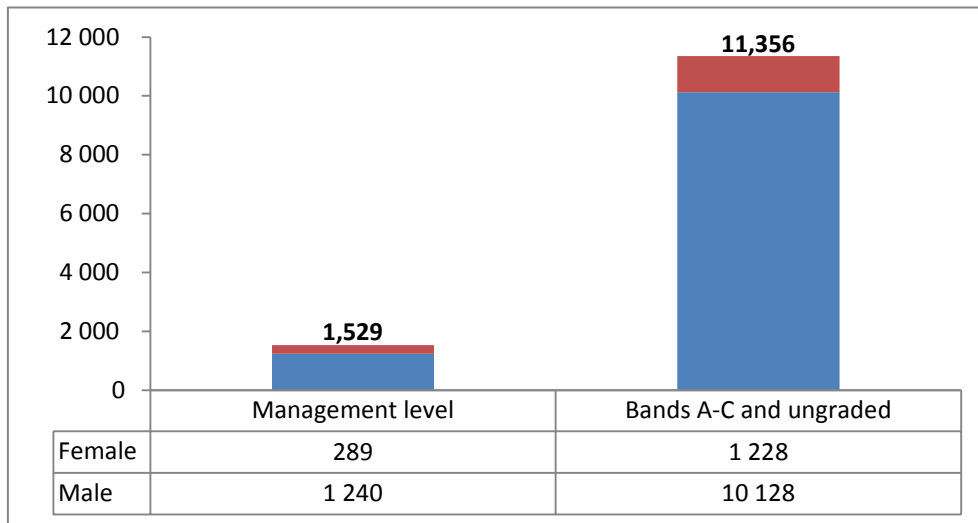
## Human rights and labour standards

- Through established collective bargaining agreements with unions and in-house country dispute resolution mechanisms, employees are able to raise grievances through formal means. Across Illovo Group, 82% of employees are covered by collective bargaining agreements.
- Illovo invests in health and safety personnel, training and other programmes to promote a culture of safety. The Group’s lost time injury frequency rate has decreased to 0.07 LTIs per 200,000 hours worked in 2016/17 from 0.10 in 2014/15, against a target for each country of 0.15.

## Diversity and equal opportunity

- Illovo Group has programmes in place to improve the diversity of its workforce, particularly in terms of hiring local, in-country talent. In South Africa, Illovo submits annual reports to the country’s Department of Labour in line with Employment Equity legislation. In 2016/17, 92% of Illovo SA’s employees were historically disadvantaged South Africans.
- Illovo Group has 1,517 permanent female employees, representing 12% of the total permanent workforce. Women currently represent around 19% of total management positions.

**Illovo Group: Direct workforce by role and gender, 2016/17**



## Training and development

- Illovo Group invested ZAR 48.9 million in training and development in 2016/17, engaging 28,883 employees.
- Illovo supports the training of young people, through the provision of bursaries, engineer traineeships and apprentices. All participants on these programmes receive mentoring from existing employees to support them in their roles.
- For mid-level management and senior management, Illovo has management and leadership programmes to support successful employees to achieve their potential within the organisation.

### **Case study: Jeannie's journey**

Jeannie Manda joined Illovo Malawi as a management trainee in 2000 and has enjoyed the opportunities for career progression and benefits Illovo Malawi has provided.

When Jeannie joined Illovo, her husband was also employed by Illovo as a trainee. Over the years, Illovo has supported their career progression (as well as their growing family), allowing Jeannie to transfer when her husband was transferred to a different operation.

Following her training, Jeannie became a Human Resource (HR) Officer in 2002 and by 2003 she was promoted to HR Frontline Manager. She continued to excel and in 2006 Jeannie was promoted to Assistant Development Manager, responsible for training, administration, disciplinary and, legislative issues with the Industrial Relations Commission.

At Illovo Malawi, Jeannie has had the opportunity to diversify her experience in different locations. In 2010, she moved to Dwangwa for further development opportunities, focusing on land and security issues and housing. And in 2016, the family moved back to Nchalo, where Jeannie was once again promoted to her current role as Head of the Nchalo HR function.

Jeannie is not the only woman in a management role. She pointed out that roles such as Area manager, HR Development Coordinator, Assistant Finance Manager, and Engineering were all filled by women. Whilst this is not the norm in Malawi or in the industry, Jeannie credits Illovo Malawi with providing training and development opportunities that have supported her career advancement. Mechanisms to retain talent and identify high potential individuals such as the High Potential High Performer programme, the Emerging Leaders Development Programme and the mentorship programme are important to the company's ability to attract, retain, and nurture talent like Jeannie.

## Section 3: Supporting farmer livelihoods

### Headline messages:

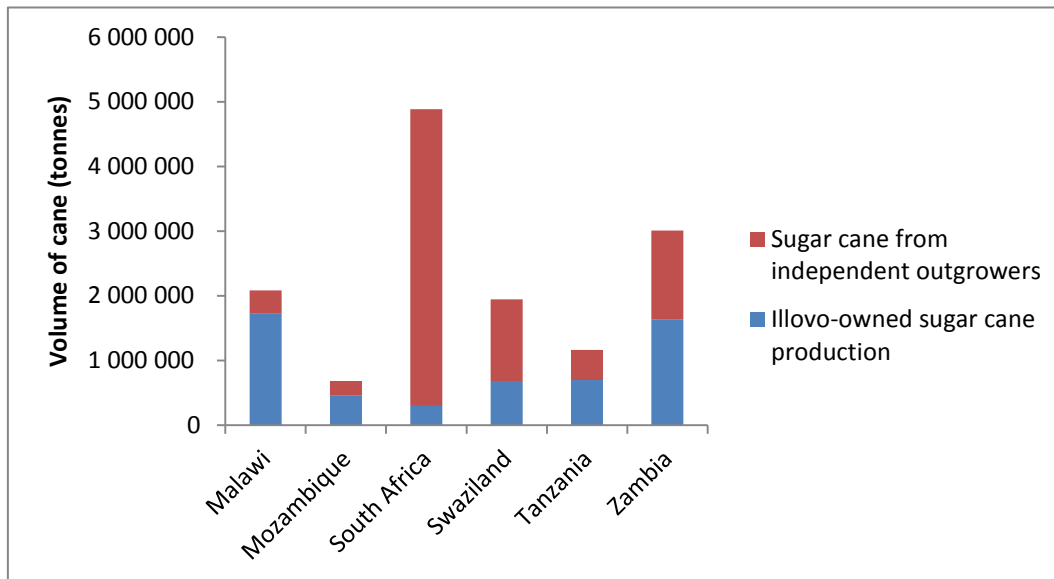
- Illovo Group’s supply chain includes over 14,700 outgrower farmers, in total supplying about 8.2 million tonnes of cane in 2016/17. Approximately 60% of the sugar cane used by Illovo is supplied by independent farmers; the remaining 40% comes from the company’s own land.
- 11,397 outgrowers are medium and small-scale growers, who together account for 34% of outgrower production. The remainder is supplied by 3,373 large-scale, commercial farms.
- Illovo is estimated to support 29,872 jobs through outgrower farmers. In addition, the company provides significant technical, financial and capacity-building support to outgrowers through its dedicated officers.

### Overview

- Some of Illovo’s most significant economic and social impacts are made through the agricultural supply chain. Illovo’s purchases of sugar cane support employment and incomes in rural areas, where in each country a significant proportion of the population lives below the poverty line<sup>7</sup>. During our interviews with outgrowers in Malawi, South Africa and Zambia, they emphasised how Illovo’s support helped them to professionalise their farm management practices, improved production yields and also provided stable incomes.
- Approximately 60% of the sugar cane used by Illovo Group is supplied by independent farmers from the areas surrounding the company’s mills – the remaining 40% comes from the company’s own land. This proportion has remained relatively constant since our last study, when it stood at 58% to 42%.
- Illovo’s outgrowers benefit from extension services, training and other support provided by the company. 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 improve outgrower livelihoods.

<sup>7</sup> World Bank (2010), [Rural poverty headcount ratio at national poverty lines \(% of rural population\)](#)

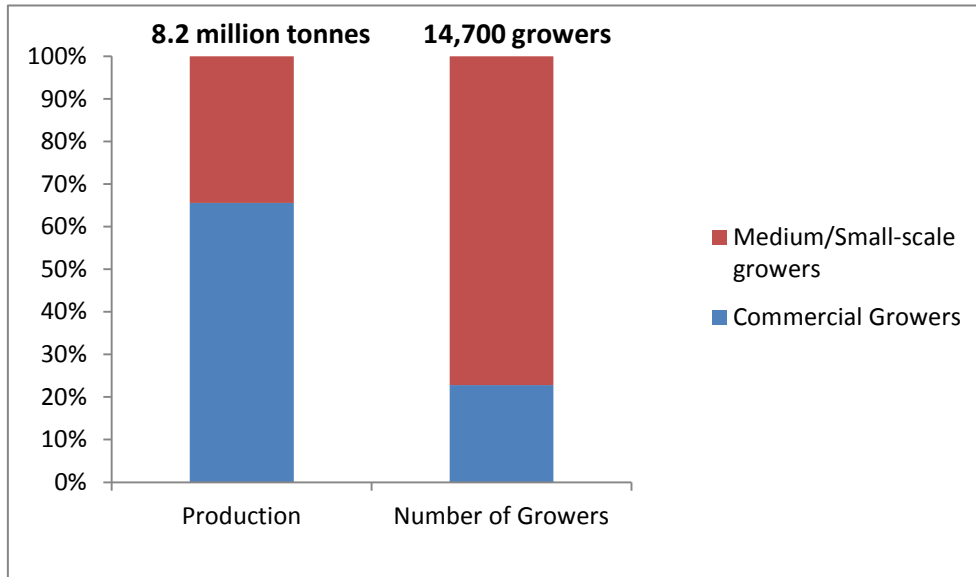
**Illovo Group: sugar cane production and purchases, 2016/17**



## Outgrower sourcing

- Illovo Group’s supply chain includes over 14,700 outgrowers, who in total supplied 8.2 million tonnes of cane in 2016/17. This compares to the 9.1 million tonnes reported in our previous study for 2012/13. The decrease partly reflects adverse weather impacts in several countries, which have resulted in impacts on the cane crops of both outgrowers and Illovo’s own farms due to droughts and flooding. However, even as volumes have fallen, payments to outgrowers have increased, due to rising prices.
- 11,355 outgrowers are medium and small-scale growers, who together account for 34% of outgrower production. Small-scale growers are defined as those with up to 50 hectares of land, while medium-scale growers farm on between 50 and 1,000 hectares.
- The remaining 3,365 outgrowers are large-scale commercial farms of more than 1,000 hectares, accounting for 66% of cane procurement.
- 3.1% of outgrower cane (260,000 tonnes) is from Fairtrade-accredited co-operatives. These co-operatives are paid the Fairtrade premium of ZAR 600 per tonne of sugar – equating to approximately ZAR 55 per tonne of cane. Fairtrade is a social movement, whose stated goal is to help producers in developing countries achieve better trading conditions and to promote sustainable farming, and whose members advocate the payment of higher prices to exporters, as well as improved social and environmental standards.

**Illovo Group: outgrower sourcing, 2016/17**



## Supporting outgrower employment

- Illovo Group supports significant indirect employment through outgrower farmers. The employment impact has been estimated, using employment on Illovo’s own farms as a proxy, at 29,872<sup>8</sup>.
- As described in Section 1, this estimate is significantly lower than the figure reported in our previous study, for 2012/13. This is due partly to improved data, which have enabled us to align our estimates more closely with external studies of the sugar industry (see Appendix 1). It is also a result of the weather impacts which have resulted in reduced cane crops in several countries.
- Based on average household sizes in the regions where Illovo Group operates (see Appendix 1), Illovo is estimated to contribute to supporting the livelihoods of 126,357 people through its sourcing of sugar cane from outgrowers.
- In general, sugar is noted for its contribution to female employment<sup>9</sup>. Illovo estimates that, across the Group, 40% of outgrower employees are women. However, the estimated proportion varies widely between countries, from approximately 65% in Mozambique to 6.1% in Zambia. 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. Fairtrade certified growers receive training on gender issues and child labour, and certain donor-funded smallholder initiatives supported by Illovo also aim to support and increase female employment.

<sup>8</sup> Combining Illovo Group’s permanent agricultural employment of 5,431 with fixed-term, casual and peak seasonal agricultural employment of approximately 14,801 gives an estimate of 0.31 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>9</sup> Levin and Mhamba (2007) – see Appendix 1.

## Supporting smallholder farmers

- Illovo Group provides agronomy extension services to smallholders, through dedicated teams of extension officers. The company assists with technical and material expertise and resources, such as dredging of canals, crop diversification and adaptation, pest and disease control, and maintenance of pumping equipment. In certain countries, Illovo also provides outgrower associations with inputs to farming operations at cost-price.
- Illovo has supported a number of smallholder co-operatives to achieve Fairtrade certification and is supporting others to do the same. The company pays for the administration of outgrowers' Fairtrade schemes, as well as providing assistance with Fairtrade audits. The successful Fairtrade accreditation of small scale growers has facilitated direct revenue injection into rural areas through Illovo's support and coordination processes.
- Illovo also provides training to smallholders on the SusFarMS sustainable sugar cane farming and socially responsible management system, which was pioneered by growers at Illovo South Africa's Noodsberg mill in partnership with WWF.

### **Case study: Enhancing livelihoods through Fairtrade support**

Illovo South Africa supports the set-up of outgrower co-operatives, encouraging and helping them to acquire Fairtrade accreditation. A comprehensive range of support is provided, including helping the co-ops to obtain funding to purchase farming inputs and providing training and advice on farm management, along with partners (WWF, SEDA, and other development agencies). Illovo also helps the co-ops with the day-to-day management of their farms, from checking soil samples to planting, harvesting and milling.

In an interview with one of the small-scale, Fairtrade accredited co-operatives that Illovo had supported, the growers shared their initial hesitation to get involved in sugarcane farming because they didn't think of sugarcane as a profitable venture. However, with Illovo's support they have learned proper planting techniques and how to professionalise their business. Through Illovo they have learned skills such as business management, governance, Fairtrade requirements, first aid, and health and safety. Sugar cane farming has made a huge difference to their livelihoods. From her income, the chairperson of the co-op has been able to send her child to school and build a house.



### **Case study: St Philips sugarcane development project – Ubombo Sugar, Swaziland**

Project assistance provided to a Roman Catholic Church deep in the heart of rural Swaziland, a relatively poor African country with significant development challenges, underscores Illovo’s commitment to local community development and mutually economically-beneficial partnerships.

This particular project involved the installation of irrigation systems to the agricultural land owned by the Church and to its compound, which includes a school and various other infrastructure. 437 hectares of land was planted to sugarcane at a cost to company of ZAR 47 million. Through the reliable supply of water, the Church has already benefited from the proceeds of its first deliveries of cane to the nearby Ubombo Sugar mill. In addition to creating sustainable employment in the area, the Church has also revived its market garden activities, providing the cash for the refurbishing of some of the Church’s assets, including the school.

True to the tenets of shared value, Illovo’s Ubombo Sugar mill benefits from the increased cane supply coming from this new area of development – which in turn, improves its own financial sustainability and creates opportunities for other shared value projects in the community.

## **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. For example, Illovo Malawi estimates that 80% of outgrower workers are seasonal or migrant labourers. In order to mitigate human rights risks, all Illovo cane procurement staff has been trained on the Illovo Code of Conduct, land rights and human rights. This is applied in grower engagements, and grower union leadership have been specifically informed of Illovo’s policies.
- The Illovo Group Code of Conduct and Business Ethics is written in line with the UN Guiding Principles on Business and Human Rights, the International Bill of Human Rights and the International Labor Organisation (a United Nations agency dealing with labour problems, particularly international labour standards, social protection, and work opportunities for all) 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.
- The SusFarMS tool includes declarations regarding compliance with national employment legislation, which is fully aligned with Illovo's code. Fairtrade-certified growers 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 rise in importance, both globally and in Southern Africa in particular. Illovo has responded by developing a more formalised approach through the development of its

[Guidelines on Land and Land Rights](#), which commit Illovo to a zero tolerance approach to land grabs, and require that all suppliers do likewise.

- Illovo has brought in external stakeholders as part of a Land Policy Roundtable committee. Illovo is working in partnership with NGO experts such as Landesa, a non-profit organisation that partners with governments and local organisations to secure legal land rights for 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 tool for land rights assessments on Illovo’s estates and supply chain in Mozambique, Malawi and Tanzania.
- Illovo has appointed a “local land champion” for each of its operations, who are responsible for implementing the Guidelines and conducting land rights assessments using the new framework.
- In South Africa, Illovo is actively supporting the government’s land reform process. Illovo South Africa’s extension officers provide comprehensive production support to beneficiaries of restituted land and land redistribution projects.
- On our visit, we found that Illovo also provides wider community support by helping to facilitate inclusive multi-stakeholder dialogue with communities. Managing the many views and voices involved in land restitution is critical to maintaining peace and harmony within these communities and ensuring a successful transition process.

**Case study: Working with local communities to find solutions to land disputes**

Illovo Malawi has already begun using the Illovo Guidelines and pilot framework to find solutions to long-running land disputes. One particular legacy dispute concerns an area of land that the Mlala community claims was encroached onto by Illovo, after the land was ‘loaned’ to Illovo’s predecessor (Lonrho). Although the land is within Illovo Malawi’s leased area it is not fully farmed by Illovo, but it is required for access to other fields. Following years of disagreement, including clashes between the community and Illovo workers, Illovo Malawi has proposed a solution in line with the Illovo Group Guidelines.

Under the proposal Illovo Malawi will lease the area to the Mlala community at a nominal rent, which will be receipted as proof of ownership, with the proceeds reinvested by Illovo into community initiatives. The proposal was accepted unanimously by the community in 2015.

The pilot project is based on the condition that the land will be farmed for the benefit of the community to avoid the risk of elite capture and protect the vulnerable members of the community, and that there will be no further encroachment onto Illovo land by the Mlala community. The next step is for the Mlala community to form a legally registered, inclusive governance structure such as a co-operative, to which Illovo Malawi can formally lease land. A local NGO is working with the Mlala community to address some of the challenges inhibiting progress of this piloted approach.

## Section 4: Investing in communities

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### Headline messages:

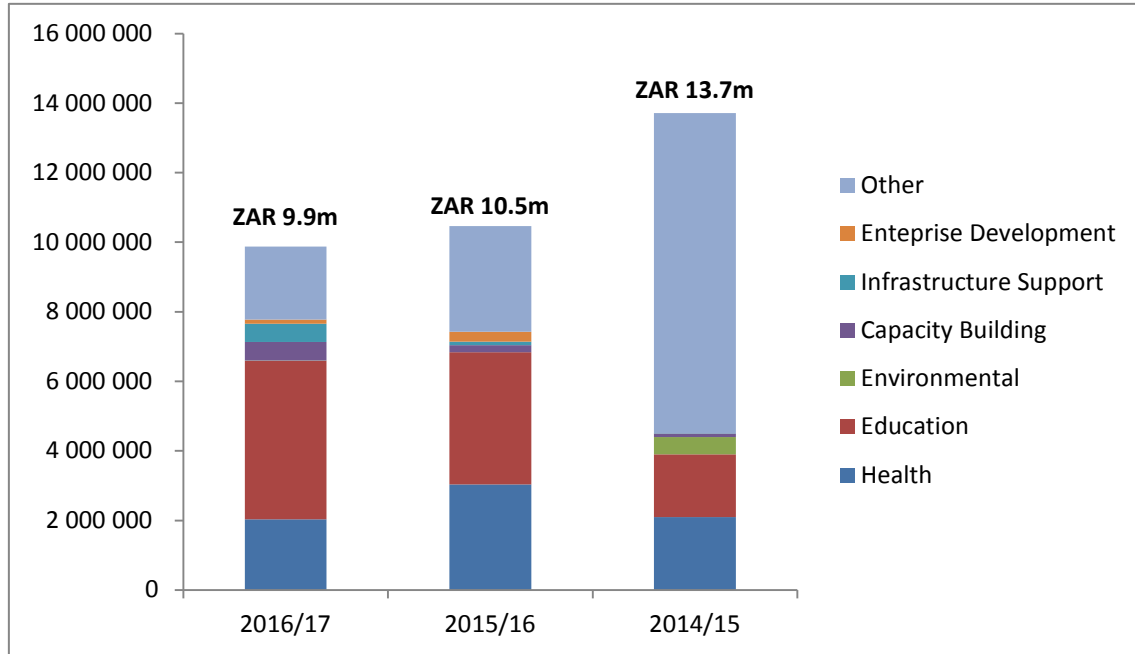
- Illovo Group’s community investments totalled ZAR 9.9 million in 2016/17. The majority of this investment went towards educational infrastructure support, healthcare initiatives, supporting key programmes such as disease prevention and treatment, enabling the wider community to use the company’s clinic for a nominal fee, and ad-hoc initiatives such as drilling boreholes.

### Overview

- Rural communities surrounding Illovo’s operations face a number of social challenges as increasing populations place a strain on available resources and existing infrastructure. Across all six countries Illovo is helping to address some of these through various corporate social investment initiatives in the areas of education; health; access to water, sanitation, and hygiene (WASH); capacity building community-based welfare organisations; the environment; infrastructure support and maintenance and enterprise development.
- To avoid perpetuating a cycle of patronage and dependence, Illovo is developing a more strategic approach to community investment, with greater focus on empowerment. In each of its markets, Illovo is exploring ways to address societal needs and challenges through models that simultaneously address social and business needs in a manner that creates sustainable shared value impact.

## Community citizenship & social investment

**Illovo Group: Total investment in the community from 2014/15 to 2016/17**



- The Group invested over ZAR 9.9 million in supporting local communities across all six countries in 2016/17. The majority of this was spent on education initiatives.
- Over the last three years, the Group’s overall social investment spend has gone down, particularly on contributions to traditional philanthropic programmes, such as donations to community centres, estate community policing, estate football leagues and day care centres. This reflects the group-wide shift to shared-value thinking –addressing societal needs and challenges through business models that will provide longer-term, sustained benefits to the community as well as the business. The outgrower optimisation programmes are the primary vehicle for implementing this approach and are further discussed in Section 3 of this report.
- The spend on capacity building - supporting community-based welfare organisations involving self-help programmes and other related initiatives - has increased over the same time period, indicating a greater focus on empowerment models. Illovo’s spend on education related initiatives has also continued to increase during the past three years, signalling recognition across the Group that education is fundamental to achieving other development objectives. However, Corporate Citizenship observed that much of the educational support is focused on infrastructure improvements, which does provide short-term benefits but will have limited impact in the longer term.

**Case study: Illovo's malaria prevention programme in Mozambique**

In Mozambique, Maragra Açúcar SA, works in partnership with the government authorities to understand community needs and plan its investments. The business has implemented a malaria vector control programme which has reached an estimated 19,000 people with positive results: malaria positive cases in children under 5 years have decreased from 3,204 cases to 277 over the last 5 years.

**Case study: Supporting schools in Zambia**

Zambia Sugar focuses on education projects involving 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 across three separate schools. The provision of sanitary facilities enabled girls, in particular, to increase their attendance throughout the month. One example is the Kabanje Primary school which originally had only two flush pumps for the entire school, resulting in poor sanitation conditions. Teachers also lacked accommodation and space to plan their lessons. Zambia Sugar built more toilet facilities and provided housing for teachers as well a staff room for teachers to develop lesson plans and congregate. Zambia Sugar has also donated nine computers to the school, which students can access as part of their curriculum.

**Case study: The Kilombero Community Charitable Trust**

In Tanzania, Illovo (known locally as Kilombero Sugar Company or KSC) has formed a Community Charitable Trust to mobilise donor funding which support capacity building programs including technical and business understanding programs for outgrowers and social services (education, health and water) for the surrounding community. These initiatives impact an estimated 100,000 people based in and around Kilombero valley.

- Through both regular and ad-hoc consultative meetings, Illovo consults a broad range of stakeholder groups on specific community issues in each of its markets. These include local and national government authorities, traditional chiefs, educational principals, health services and NGOs.
- During our site visits, Corporate Citizenship consistently found that stakeholders felt Illovo was approachable and accessible. While stakeholders recognise the efforts that Illovo has made so far, there is an expectation for the company to continue to develop more encompassing social responsibility projects. A more formalised approach to stakeholder engagement and community needs assessments would help to better manage these expectations going forward.

## Section 5: Promoting environmental sustainability

### Headline messages:

- Illovo manages all of its own land according to the SusFarMS environmental management system, which was pioneered by growers at Illovo South Africa’s Noodsberg mill, in partnership with WWF.
- 86% of Illovo Group’s energy consumption is provided from renewable sources, primarily bagasse.
- In 2016/17, about 66% of water withdrawal by Illovo Group’s factories was recycled and returned to source. In response to recent droughts, Illovo is planning investments into drip irrigation, which is more effective and efficient in terms of water and energy use.

### 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 Illovo’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. The potential for over-use of fertilisers and pesticides also affects the protection of land and biodiversity.
- 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, Illovo can cut costs and reduce reliance on the national grid, while helping to mitigate the impacts of climate change.
- Illovo has made significant investments in environmental initiatives over the last three years. This includes a ZAR 158 million Coal and Energy Savings Project at Illovo South Africa’s Sezela Mill, installed between 2015 and 2017. The project involved the installation of a new 2.5MW turbine at the site and included various steam saving initiatives. In total, the project expects to save more than 10,000 tonnes of coal and 21GWh of imported electricity each year. In response to water scarcity issues, projects to convert existing irrigation systems to drip irrigation are underway in Malawi, Zambia and Swaziland.

## Land & biodiversity

- Illovo manages all of its own land according to the SusFarMS conservation guidelines. This includes measures such as land use planning, rehabilitation of natural areas and watercourses, surface water management and integrated pest management. SusFarMS was pioneered by the growers association that supports Illovo South Africa's Noodsberg mill, in partnership with WWF. The Group Agricultural Operational Support Function conducts follow-up SusFarMS audits as part of internal agricultural reviews.
- Illovo also provides training on sustainable farming techniques, including pest control and land preparation, as part of the support which it provides to smallholder farmers (see Section 3). Certain smallholders also meet environmental requirements through their membership of initiatives such as Fairtrade and EU funding schemes, and receive environmental audits from multinational customers.

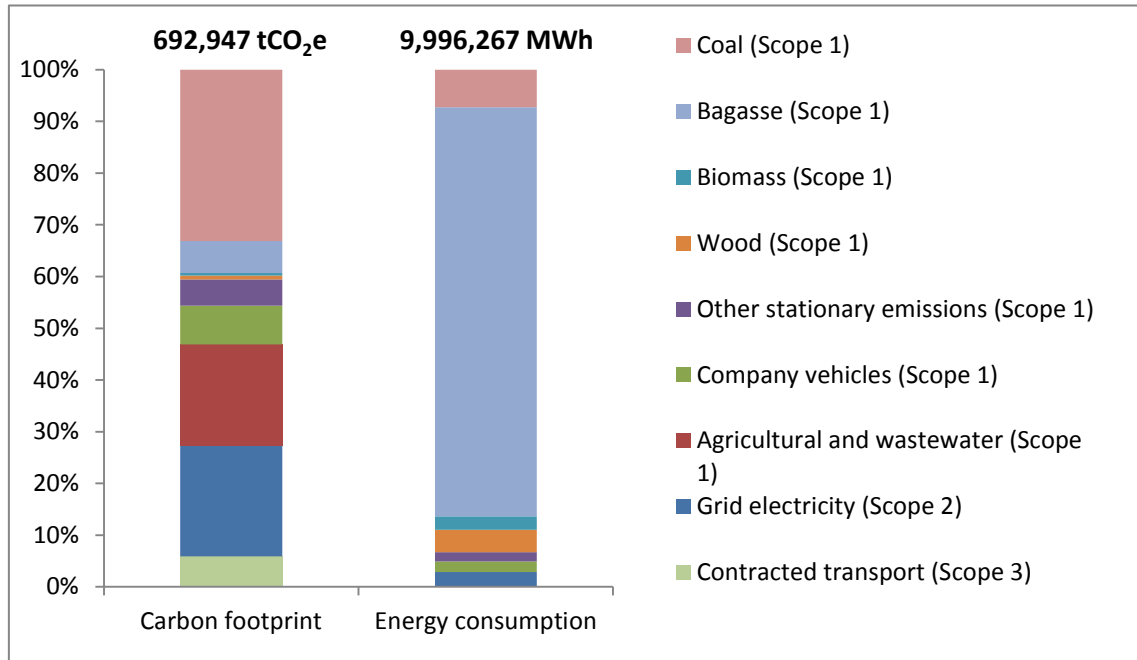
## Energy and climate change

- 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>10</sup>. For Illovo, there are significant benefits in the short- and medium-term from improving the energy and water security of its operations and suppliers.
- The opportunities for renewable energy generation afforded by the sugar production process allow Illovo to minimise its carbon footprint. Energy use primarily takes place during the cane-crushing season, meaning that Illovo has a ready supply of renewable fuel. 86% of Illovo Group's energy consumption is provided from renewable sources – mainly bagasse (4.1 million tonnes in 2016/17), supplemented by 74,000 tonnes of biomass and 106,000 tonnes of wood.
- Coal use accounts for the largest proportion of Illovo Group's carbon footprint (33%). Illovo South Africa is responsible for 97% of coal use across the Group. The Coal and Energy Savings Project, which was completed in 2016/17, has already met its target of reducing coal usage by 25% at Illovo South Africa's Sezela mill. The impact on Illovo's carbon footprint will be seen in future reporting periods.

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<sup>10</sup> See Jones MR and Singels A (2014), *A preliminary assessment of mid-century climate change impacts on sugarcane production in South Africa*.

**Illovo Group: Carbon footprint and energy consumption, 2016/17**



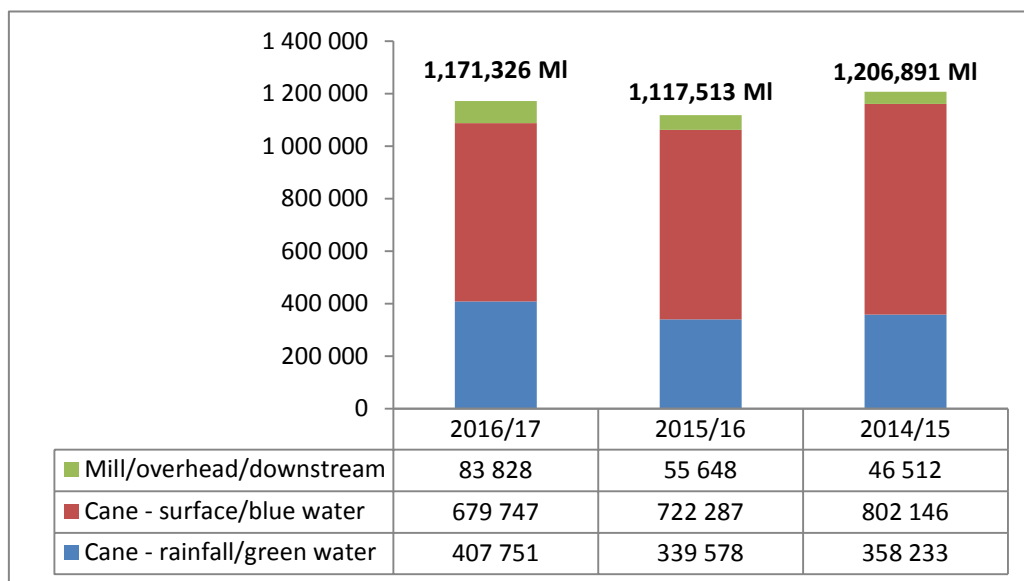
## Water and waste

- Water is a vital resource both for Illovo’s operations and surrounding communities, meaning that responsible management is a business imperative. Crop irrigation accounts for 81% of Illovo’s water withdrawals. Current investment in more efficient drip irrigation systems in Malawi, Zambia and Swaziland is aimed at reducing the company’s demands on local water sources. The Group has also invested in drilling and equipping boreholes and stand-pipes in surrounding communities.
- Across the Group, Illovo’s overall water consumption has stayed relatively constant over the past three years<sup>11</sup>. Fluctuations in water consumption are mainly driven by adverse weather patterns, with dry conditions responsible for significant falls in Malawi and in Mozambique over the last three years.

<sup>11</sup> It is important to note that while all of the water used on Illovo’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.



**Illovo Group: water consumption (megalitres), 2014/15 - 2016/17**



- 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, Illovo Group’s mills and other non-cane operations withdrew 243,687 megalitres of water. Of this, approximately 66% was recycled and returned to source.
- Illovo has introduced responsible waste disposal programmes, in order to increase recycling rates and reduce the production of hazardous and non-hazardous waste.

**Case study: Partnering to improve farmers’ climate resilience**

In 2013, Illovo Malawi engaged with the Climate Resilience Infrastructure Development Facility (CRIDF), a DFID funded programme operating in sub-Saharan Africa to implement transformational water infrastructure projects building climate resilience for the poor. The project engaged with Illovo on a number of specific demand-driven projects, including a project to address challenges around potable water supply in Nchalo, in partnership with GIZ and the Southern Regional Water Board (SRWB).

The project stalled due to the lack of commitment by SRWB and Illovo’s concerns that it would not widely address potable water challenges in the more remote and vulnerable communities. Illovo Malawi is now exploring alternatives through Water Witness International. However, it was followed by a project called CRIDF+, which developed a tool to help smallholders to identify their risks around climate resilience and mitigation strategies. The project was piloted with two non-grower communities, and resulted in the identification of a number of opportunities for interventions that may be supported through a future project called CRIDF2.

Despite the challenges of working on the Nchalo water supply project, Illovo Malawi welcomed the opportunity of working with CRIDF, and sees further scope for collaboration in future on irrigation projects for farmers.

## Section 6: Sugar in the marketplace

### Headline messages:

- Illovo has a significant downstream economic impact. For example, research in South Africa found that approximately 200,000 small retailers were selling Illovo products. The associated economic and employment impacts are captured within the multiplier estimates in Section 1.
- Illovo supports government programmes to fortify sugar with Vitamin A to help address micronutrient deficiency, particularly amongst children.
- To help monitor the affordability of its products, Illovo conducts regular consumer research to understand the price points required by consumers at various disposable income levels. It has also introduced smaller pack sizes in some markets for consumers unable to afford larger bags.

### Overview

- About 77% of Illovo’s total sugar sales (ZAR 10.4 billion) are to domestic consumers and industrial markets. The balance is exported to the surrounding region (ZAR 1.9 billion), as well as preferential markets in the EU and the USA (ZAR 1.3 billion).
- 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. The sale and distribution of sugar also supports many jobs. For example, research conducted in South Africa found that approximately 200,000 small retailers were selling Illovo products.
- There are diverse views on the effects of sugar in the market place. In South Africa, this is reflected in ongoing debates about the effects of sugar on health and proposed legislation to introduce a sugar tax. In Malawi, however, sugar can be an important source of dietary calories for the poor. Illovo’s approach in each country therefore reflects these different concerns.
- 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.
- In South Africa, Illovo has worked with the South African Sugar Association (SASA) to support the research and dissemination of science-based facts about sugar. The Group has funded training and education of community-based healthcare workers in the townships and in rural areas, providing them with accurate information on nutrition that they can pass on to communities. In markets such as Malawi and Zambia, Illovo supports government programmes to fortify sugar with Vitamin A to help address micronutrient deficiency, particularly amongst children.

- To help monitor the affordability of its products, Illovo conducts regular consumer research to understand the price points required by consumers at various disposable income levels. It has also introduced smaller pack sizes in some markets for consumers unable to afford larger packs.

# Recommendations and challenges

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- **Communication on business understanding amongst stakeholders**

Whilst there are well regarded capacity building programmes and support for outgrowers, there was a desire amongst outgrowers to better understand the rationale and outcomes of decisions taken by Illovo concerning mill activities and medium to long term objectives. Given the changes happening within the business, particularly following the full acquisition of Illovo Group by ABF, as well as external factors that may affect the industry, outgrowers would welcome more timely and transparent communication about future plans.

We recommend a focussed engagement programme to enhance business understanding amongst community stakeholders, particularly outgrower communities.

- **Assessment and capacity development of local community needs**

As Illovo works to develop the capacity of outgrowers, this should not be done separately from the capacity development of communities where outgrowers and workers live. Community dependency on Illovo for a wide range of support – from social infrastructure to school supplies – was a recurring theme we observed among stakeholders we interviewed. This places unrealistic and unsustainable expectations on the business and risks straining community relations when expectations are not met.

A more structured approach to assessing and prioritising community needs is recommended, working in tandem with local government and development agencies. A needs assessment will help the business to prioritise issues and inform a coordinated, sustainable response. The process will also help Illovo better align its efforts with more strategic community investment, accelerating the shift towards shared value outcomes.

- **Monitoring and evaluating impact**

All significant projects over an agreed financial threshold should have proper project plans, inclusive of baseline assessments, in order to evaluate their effectiveness post-implementation. In the area of education, for example, investments in schools should be linked to KPIs such as improved literacy rates, graduation rates or, for higher levels, entry into the workforce. A framework for monitoring and evaluating the impact of projects should be part of the project plan.

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