

Sustainability report 2010

RAINBOW W™



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INTRODUCTION

Rainbow's sustainability report is presented annually, with an abridged version forming part of the annual report.

The Board accepts overall responsibility for the advancement of sustainable development at Rainbow and as such has included a formal sustainability charter as part of the Risk Committee mandate. The Processing and Milling director is responsible for championing the sustainability initiative. The Risk Committee's role is to assist the Board in monitoring all aspects of sustainability, including health, safety, economic, environmental and social impacts.

Rainbow recognises that true sustainability cannot succeed in isolation and as such the sustainability strategy has been integrated in the overall business strategy and forms one of the five strategic drivers of the business. In line with the company's "Strategy into Action" (SIA) process, the sustainability strategy has been converted into a number of strategic goals, each with measureable key performance indicators and targets. This integrated management approach is fundamental to the sustainability focus and ensures strong alignment between the sustainability strategy and the day-to-day business activities.

The Risk Committee's oversight of the sustainability initiatives provides the business with the ideal platform to identify both risks and opportunities on an integrated basis. Through the SIA process, identified risks are profiled as key focus areas of the business.

MANAGEMENT OF SUSTAINABLE DEVELOPMENT

Sustainable development is an integral and essential part of doing business locally and internationally. Rainbow seeks to inform all stakeholders on a regular basis about what is being done in terms of the three pillars of sustainability, namely Economic, Social and Environmental sustainability practices. Rainbow's integrated Sustainability Report is based on the Sustainability Reporting Guidelines developed by the Global Reporting Initiative as well as the criteria of the Sustainability Reporting Index of the JSE Limited. These criteria have been used for guidance only, with the reporting predominantly focusing on issues that are specifically material to Rainbow's business and stakeholder base.

Rainbow uses corporate governance to underpin these practices to ensure that the fundamentals of fairness, accountability, responsibility and transparency are upheld and all stakeholders' expectations are met. Prioritising the management of all resources, scarce or not, and seeking to promote the development of previously disadvantaged groupings, are reflections of Rainbow's culture and the way it conducts business with its stakeholders.

Due to the relatively limited emphasis in this report on quantitative data, the services of an independent verification agency have not been used for this report.

The target audience for this report is all stakeholders that have an interest in the activities of Rainbow, with particular emphasis on shareholders, customers, consumers, employees, suppliers, government and local communities.



Key statistics

	2010	2009
Economic performance indicators		
Impact on suppliers (Rm)		
Total paid to suppliers	4 812	4 883
Total paid to BEE suppliers	746	717
Total contracted spend	1 833	1 729
Major sources of suppliers:		
– transport	386	370
– total contract growers	148	106
– BEE contract growers	34	15
– electricity	158	92
Impact on employees (Rm)		
Total payroll and benefits	1 084	1 010
Impact on providers of capital (Rm)		
Total interest paid to funders	1	5
Total dividends paid to ordinary shareholders	210	198
Retained income	145	120
Impact on public sector (Rm)		
Total taxes paid	558	470
Impact on community (Rm)		
Social responsibility expenditure	3	2
Environmental performance indicators		
Water consumption (kilolitres)*	7 378 805	
Energy consumption:		
– coal (tons)	23 515	26 300
– gas (kilolitres)	31 981	32 178
– diesel (kilolitres)	17 511	17 005
Recycled waste products:		
– cardboard waste (tons)	352	305
– coal ash (m ³)	5 032	5 627
– litter (m ³)	401 813	406 770
– plastic waste (tons)	306	126
– scrap metal and timber (tons)	322	339
– treated water (kilolitres)*	2 318 267	
– treated water as percentage of total water consumption (%)*	31	
Non-compliance, prosecution and fines		
	Nil	Nil
Social performance indicators		
Full-time employees	7 386	7 416
Net full-time employment creation	(30)	(237)
Bargaining unit employees (%)	73	72
Training expenditure (Rm)	15	15
Disabling incident frequency rate**	1,05	1,10

* In the 2010 financial year Rainbow invested R0,6 million to install and upgrade water meters at all farming operations, resulting in a more accurate measurement of water consumption. The 2009 readings are therefore not comparable and have been omitted.

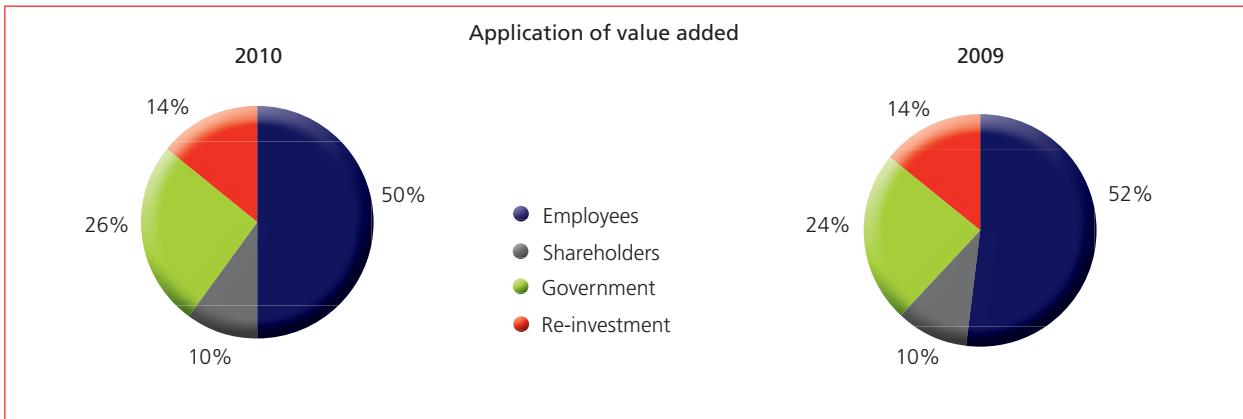
**Disabling incident frequency rate relates to the number of disabling incidents per 200 000 man-hours worked. A disabling incident is defined as any incident in which an employee is booked off work for more than a shift following the incident.

Creating value for stakeholders through sustainable economic growth and development encompasses a number of elements. In generating economic value for shareholders and other stakeholders, Rainbow provides a quality and affordable food source to the South African nation and creates jobs both within the business and along the supply chain in the formal and informal sectors. Rainbow is committed to doing business through fair commercial competitive practices and to trading with customers and suppliers that subscribe to the same high ethical business practices.

The business generated R355,5 million in net income during 2010, from which major stakeholders benefited in varying proportions as indicated in the table below. Employees were the main beneficiaries, followed by government through taxes and shareholders through dividends.

VALUE ADDED STATEMENT

	2010		2009	
	%	R'000	%	R'000
Revenue		6 952 789		6 811 448
Paid to suppliers		(4 812 043)		(4 882 731)
Value added by operations		2 140 746		1 928 717
Finance income		14 877		22 875
TOTAL VALUE ADDED		2 155 623		1 951 592
Applied as follows:				
TO PAY EMPLOYEES				
Salaries, wages and benefits	50,3	1 084 031	51,8	1 010 100
TO PAY PROVIDERS OF CAPITAL	9,8	211 073	10,4	202 814
Interest paid		900	0,3	5 059
Dividends paid	9,8	210 173	10,1	197 755
TAX	25,9	557 759	24,1	469 752
Normal tax	8,3	178 155	6,4	124 203
VAT	11,9	257 040	11,4	222 884
PAYE	5,0	108 002	5,4	105 816
Rates, taxes and RSC levies	0,7	14 562	0,9	16 849
RE-INVESTED IN THE BUSINESS	14,0	302 760	13,8	268 926
Depreciation	7,3	157 425	7,6	149 229
Retained earnings	6,7	145 335	6,1	119 697
	100,0	2 155 623	100,0	1 951 592



Economic sustainability practices continued

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BEE)

Rainbow fully supports the principle embodied in the BEE Act, No 53 of 2003, the BEE Codes of Good Practice and the Agricultural BEE Sector Transformation Charter aimed at ensuring greater participation by black people in the country's agriculture sector.

Empowerdex, an external South African National Accreditation System, has been engaged to evaluate and verify Rainbow's current BEE performance, but are comfortable to extend the certification performed by Siswe Ntsaluba ES Incorporated on 21 January 2009 to the end of March 2010.

BEE scorecard

BEE category	Element	Weighting	Score
Direct empowerment	Ownership	20	10,63
	Management	10	2,68
HR development	Employment equity	15	2,79
	Skills development	15	4,51
Indirect empowerment	Preferential procurement	20	8,33
	Enterprise development	15	15,00
	Social economic development	5	1,64
Total score			45,58
Recognition status			Level 6 – 60% contributor

Preferential procurement policy

Over the last year Rainbow incorporated the new codes of BEE and measured all suppliers accordingly. Rainbow has focused on SME development and with aligning ourselves to meet and exceed the target of BEE Preferential Procurement.

Rainbow will continue to ensure that:

- All specifications for products and services have clear parameters and guidelines so that they can be easily understood
- Sufficient lead time is given to allow proper analysis of potential new BEE suppliers
- Potential suppliers will be audited to eliminate risk to the business
- Its BEE information across all aspects of its supply base is continually enhanced.

BEE spend	2010 Rm	2009 Rm	2008 Rm	2007 Rm
Total contracted spend*	1 833	1 729	1 407	785
BEE spend	746	717	521	204
BEE spend %	41	41	37	26

* excludes expenditure on commodities.

Value adding supplier

Rainbow qualifies as a value adding supplier per the codes – this is a formula that looks at the net profit before tax plus labour cost as a percentage of revenue. The result was in excess of 25%, hence the value adding supplier status. This translates into enhanced procurement recognition for Rainbow's customers. A factor of 1,25 is applied to the spend with Rainbow, resulting in an effective 75% recognition level for Rainbow's customers.

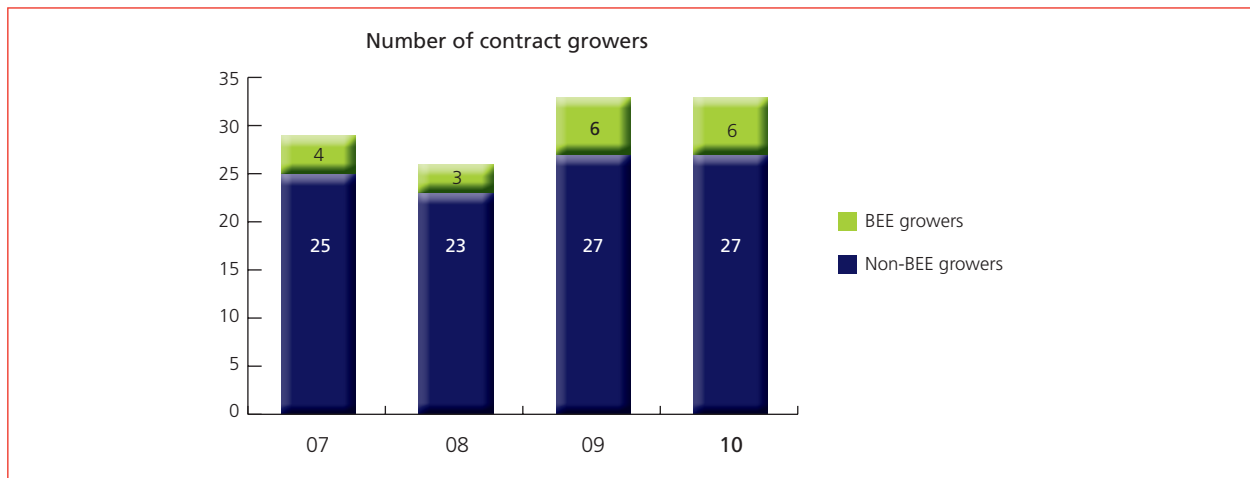
Contract growers

Within the context of BEE enterprise development, the Rainbow contract grower initiative has proven its significant potential to deliver true empowerment to previously disadvantaged persons in the poultry industry. A contract grower is a farmer that rears chickens on behalf of Rainbow using the grower's own farm and facilities, with Rainbow supplying the chicks, feed and transfer of skills.

The fundamental principle is that the farms must be owner-managed ensuring that there is a true transfer of skills, knowledge, accountability and responsibility from Rainbow to the grower. All growers are managed and mentored against the Rainbow standards and best operating practices. Rainbow's key performance indicators are used and best operating practices manuals are followed, ensuring that the strictest animal welfare and biosecurity practices are enforced.

Growers or potential growers are given all the necessary guidance and support, including the development of the business plan, access to finance, and day-to-day management of their independent growing operation. Regular interactive workshops are held with Rainbow's local and international partners, suppliers and specialists to ensure that the necessary knowledge and skills are transferred and maintained at the highest levels.

Rainbow is proud of its BEE growers and their continuing outstanding performances. For the reporting period, Rainbow's expenditure on contract growers was R148 million, R34 million of which was paid to BEE growers, representing an 8% increase over 2009.



Key stakeholder concerns and sustainability risks

While shareholders are primarily concerned with value creation, government and local communities are looking to Rainbow to create direct and indirect job opportunities, improve community infrastructures and protect the environment. Rainbow's economic strength is therefore critical to all stakeholders.

Rainbow recognises that it has an important role to play in the poultry and food industry, including technological development, avian health, improvement of manufacturing standards and over and above compliance with legislation, facilitating relevant industry self-regulation.

CONSUMERS

Consumers are becoming increasingly proactive with regard to issues such as health and safety, farming practices, animal welfare, product safety and product labelling. Rainbow regards these issues as critical to its business and addresses them in a variety of ways.

Key area	What do we do?
Consumer health and safety	<p>Certified meat inspectors, processing and engineering personnel ensure safe products complying with defined specifications</p> <p>Safety, health, environment and quality teams verify processing, food safety, legal and quality compliance by conducting audits</p> <p>Total Integrated Management System tools are used to monitor, trend, verify, validate and report facility standards, equipment standards, processes and activities that impact on processing performance, food safety and product quality</p> <p>Cold chain maintenance during processing</p> <p>All four processing plants and five feed mills are ISO 22000 certified</p> <p>Ensuring that raw materials (chickens), ingredients and packaging materials are traceable and mock recalls are conducted</p>
Locally produced	Rainbow products are produced from 100% South African reared chickens
Labelling	<p>Conforms to the regulations in Foodstuffs, Cosmetics and Disinfectant Act, No 154 of 1972, and compliance with the new regulation R146 will be completed by March 2011</p> <p>Supports the Consumer Goods Council of South Africa and Global Standards (GS1) in listing of all products with GS1</p> <p>Labelling of all saleable units with EAN-13 barcodes and cartons with ITF-14 barcodes</p> <p>Carton labels reflect production batch number, case number, production date and sell by date</p> <p>Suppliers of packaging material with pre-printed barcodes are obliged to comply with GS1 standards</p>

Key area	What do we do?
<p>Farming practices <i>Animal welfare</i></p> <p><i>Bird housing</i></p>	<p>Rainbow subscribes to the British Poultry Council's Assured Chicken Production Programme that sets the highest standards for the nutrition and welfare of poultry</p> <p>Birds are reared in environmentally controlled houses or temperature controlled and ventilated open-sided houses</p> <p>Birds are able to roam around with free access to feed and water within the houses</p> <p>By housing the birds Rainbow mitigates the risk of the birds coming into contact with any wild birds and their faeces, both of which could be carriers of disease</p> <p>Stocking density of each house on a farm is determined by the floor space of the house and the equipment within the house</p> <p>Access to all farms and houses is regulated by strict biosecurity measures that include:</p> <ul style="list-style-type: none"> • Use of security personnel • Fences around all farms and chicken houses • Personnel shower on entry and exit and wear company garments and gumboots <p>Footbaths are present at all doors to houses</p>
<i>Feed</i>	<p>Feed raw materials are controlled by the Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, No 36 of 1947</p> <p>Feed raw materials are mainly maize and soya based ingredients with vitamins and proteins added to ensure the development of healthy flocks</p> <p>Feed formulations are specified by internal nutritionists</p>
<i>Animal health and safety</i>	<p>Flock treatment is controlled by the Medicines and Related Substances Control Act, No 101 of 1965</p> <p>Medication, dosages and methods of application may only be prescribed by Rainbow veterinarians and withdrawal periods are strictly monitored</p> <p>Rainbow maintains a "human list" of medicines to eliminate use of human medicines for flock health to protect consumer health</p> <p>Strict biosecurity practices are maintained</p> <p>Notifiable disease management teams ensure maintenance and verification of the notifiable disease prevention and action programme</p> <p>Animal welfare audits are conducted</p> <p>The SPCA regularly inspects the houses and processing plants to ensure that the processes and practices are humane</p>
Halaal status	<p>Chickens are slaughtered by Halaal slaughterers and all ingredients used for Rainbow brands have Halaal status</p> <p>Inspectors from the South African National Halaal Authority and the Muslim Judicial Council ensure that all practices are in accordance with Halaal standards</p>
Consumer insight	<p>Marketing and product development teams ensure that Rainbow develops and markets relevant products at competitive prices</p> <p>Rainbow keeps abreast of national and international trends through research and consumer interactions within a variety of target markets</p>

Consumer and customer service

Rainbow uses the National Complaints System to receive feedback from consumers and customers, covering complaints, queries and compliments. Rainbow provides a care line for all Rainbow products. All details are centrally logged and emails are forwarded daily to the National SHEQ Department where dedicated personnel manage all complaints. Personal contact with consumers and customers, response time and actions taken to prevent the same problems from occurring again, are keys to the success achieved thus far with the care line. The information is communicated to all relevant teams for action and presented to Executive Management at the National Management Review.

BUSINESS PARTNERS

Rainbow's customers are managed by multidisciplinary teams of staff, from sales and marketing, new product development, safety, health, environment and quality, engineering and finance, who ensure that Rainbow's relationships with these parties are managed in the most efficient, professional and ethical manner.

Rainbow is committed to ethical and non-collusive business practices.

Independent accredited auditors conduct customer announced and unannounced audits at all processing facilities to verify compliance with food safety, product specifications and quality. Customer audits include, but are not limited to, compliance with the following customers' requirements:

- KFC
- Nando's
- Steers
- Wimpy
- Pick n Pay
- Woolworths
- SPAR.

Animal welfare audits are conducted by independent accredited auditors throughout our agriculture discipline to verify compliance with animal welfare requirements.

Rainbow received the following customer recognition awards during the past financial year:

- Yum! (KFC)
 - Overall Supplier of the Year award
 - Three of the four processing plants achieved audit scores above 90% for both announced and unannounced audits with an average score of 90,2%
- Checkout Group
 - Shoprite Natal Perishable Supplier of the Year award.

These achievements are a tribute to all at Rainbow and demonstrate commitment to food safety, quality and service.

SUPPLIERS

Suppliers are managed to predetermined standards to ensure product quality and food safety.

Raw materials for feed are supplied by reputable accredited suppliers only. New materials are fully tested prior to being approved for use. Internal raw material analysis verifies the Certification of Analysis or Certification of Conformance submitted by suppliers with each batch of raw materials delivered to the feed mills. Raw material microbial status is verified for each batch and Salmonella-free feed is supplied. Raw material traceability is tested by conducting mock recalls.

Contract growers and other outsourced service providers are managed by Rainbow to ensure both legal compliance with food safety standards, animal welfare standards, quality standards and that Rainbow's standards and service level agreements are adhered to.

To sustain and continuously improve win-win partnerships with our strategic suppliers, Rainbow's formal Supplier Assessment Towards Excellence (SATE) programme is implemented to ensure that supplier performance consistently conforms to Rainbow criteria and that continuous improvement in supplier performance is realised.

The formal Supplier Management Programme incorporates:

- Verification of compliance with Rainbow's product quality, animal welfare and food safety requirements
- Based on operational food safety, quality and commercial risks identified for each incoming raw material, high risk suppliers are reported to Rainbow's national materials review team for inclusion in the supplier audit scope to eliminate and reduce risks for the business
- Verification of annual compliance with South African legislation
- Approval of ingredient and packaging specifications at design stage
- Occupational health and safety and environmental responsibilities and compliance
- The national materials review team oversees the management of food safety, quality and commercial risks.

To sustain and improve legal compliance, ingredient suppliers' confirmation records on unsafe substances such as melamine, sudan red, dioxin in guar gum, Red 2 G, Red fermented rice, cadmium, honey imported from China, erythrosine and Chinese sourced ingredients are maintained, reviewed and shared with customers. Although melamine as a monomer or as an additive in plastic packaging is not a South African industry focus, Rainbow pro-actively monitors melamine risk for the business.

By maintaining an approved suppliers list, based on our commercial and quality screening process, the SATE programme has greatly improved and enhanced Rainbow's processing plants' food safety management system. SATE adds value to Rainbow's business, by building beneficial partnerships and recognising supplier performance and is aligned with Rainbow business strategies. The Rainbow approved suppliers list is divided into three categories: primary packaging, secondary packaging and ingredients.

REGULATORS AND COMPLIANCE

As a participant in the food industry, Rainbow complies with the strictest standards and continuous monitoring by internal and external parties ensures that these standards are adhered to. There were no incidents of non-compliance, prosecution or fines during the review period.

Key area	What do we do?
Total Integrated Management System (TIMS) manages risks associated with feed safety, flock health and flock welfare, food safety, product quality, consumer safety and adherence to specifications, service delivery, effect on the environment and occupational health and safety	<p>International Standards Organisation (ISO) principles are embedded in the TIMS across the supply chain (from "farm to fork") to ensure customer satisfaction, to build customer trust, to reap commercial benefits and to drive sustainability in a changing environment</p> <p>Reviewed by Executive Management annually to determine suitability and effectiveness</p> <p>Various skills development and communication strategies to ensure employee awareness</p> <p>Internal audits and external audits by independent audit bodies verify compliance with feed safety, quality and legal requirements</p> <p>Contingency programmes, planned preventative maintenance programmes and disaster recovery programmes are maintained and tested across the supply chain</p> <p>Maintenance of integrity of the cold chain is managed by distribution centres with satellite hubs, as well as primary and secondary distribution fleets</p> <p>Any product that is identified as being challenged within the cold chain is isolated, tested and destroyed if necessary</p>
Regulatory bodies	State veterinarians and health inspectors concerned with consumer protection have 24 hours a day, 7 days a week access to Rainbow's processing plants to verify legal compliance with the Meat Safety Act, No 40 of 2000
Management systems	<p>Succeeded in the implementation and certification of specific ISO Management Systems as planned (refer table overleaf)</p> <p>External audits are performed to verify compliance</p>

Key stakeholder concerns and sustainability risks continued

ISO Management Systems have been implemented as follows:

ISO or SANS	Operation	2010	2009	2008	2007
ISO 22000	National office	Yes	Yes	Yes	*
ISO 22000	Hammarisdale further processing plant	Yes	Yes	Yes	*
ISO 22000	Rustenburg and Worcester primary processing plants	Yes	Yes	Yes	Yes
ISO 22000	Hammarisdale primary processing plant	Yes	Yes	Yes	*
ISO 22000 ISO 9001 ISO 14000 OHSAS 18001	Feed mills	Yes	Yes	Yes	Yes
ISO 22000 ISO 14000 OHSAS 18001	Agricultural operations	*	*	*	N/A
ISO 17025	Laboratories	Yes	Yes	Yes	Yes
ISO 22000	Distribution centres	*	*	*	N/A

* In process of being implemented.
N/A – not applicable at that time.

INDUSTRY

Rainbow has active representation on the following industry bodies:

Organisation	Capacity
Consumer Goods Council of South Africa (CGCSA)	Various personnel participate in sub-committees
Southern African Poultry Association (SAPA)	Various personnel participate in sub-committees
South African Agricultural Processors Association (SAAPA)	Rainbow's agriculture director serves on the Board of SAAPA
Animal Feed Manufacturers Association (AFMA)	Member
Council of Logistics Management	Member
Logistics SA	Member
South African Bureau of Standards (SABS)	Rainbow's national quality assurance officer is a member of the South Africa National Standards Technical Committee and workgroups

STAFF

Rainbow recognises the importance of its people and is focused on building a community of inspirational people who have a common purpose. Specific focus areas include:

Key area	What do we do?
Human capital	Rainbow firmly believes that sustainability is synonymous with achieving long-term human capital development and attaining its corporate social responsibility objectives. Rainbow's "Strategy into Action" agenda has been the vehicle to further drive investment in long-term sustainable human capital development. During the last year, Rainbow made good progress towards achieving its objectives, strengthening relationships with all its stakeholders and synergy with its social partnerships, and actively realising its corporate social responsibility objectives
Talent management	<p>Attracting and retaining talent is a challenge for Rainbow, and one of its key areas of strategic focus includes leadership and talent management programmes aimed at engaging and retaining exceptional calibre employees who are committed to the process of transforming the organisation from "Good to Great"</p> <p>Underpinning this are individual development and training plans, and this along with sound succession planning, ensures that high potential employees are recognised and prepared for the future</p> <p>As part of Rainbow's improved talent management process, it is redeveloping its people development systems and practices, facilitated by an HR development and management system to ensure that the HR function maximises its strategic business partnership. Rainbow specifically aims to improve on the development of its female and ACI talent pool</p>
Employee relations	<p>Rainbow acknowledges the right of all its employees to freedom of association, and actively drives best management practices in all its operations in order to create a work environment conducive to productivity, participation, and organisational stability</p> <p>Through constructive recognition agreements, Rainbow has a significant bargaining unit, with 71% of its employees within the bargaining unit, and for whom its recognised trade unions negotiate annually their salaries and conditions of employment. To ensure proper communication and engagement with its recognised trade unions, Rainbow's social partners, various recognised trade union and regional and site-based employee representative forums are in place to facilitate information sharing and consultation</p> <p>In order to ensure equitable and fair working conditions, Rainbow has a well developed disciplinary and grievance policy and procedures. These policies and procedures are communicated to all its employees during their induction, through training, is available on the intranet, and through ongoing communication of Rainbow standards, rules and policies</p>
Remuneration	<p>Rainbow's philosophy is to reward for performance that achieves the organisation's objectives. Competitive remuneration packages are structured in order to attract, reward and retain the talent needed to achieve Rainbow's strategic goals. Salaries are reviewed annually</p> <p>Rainbow continually reviews its reward and remuneration policies and strategy in line with industry best practice, and through regular review and benchmarking of its reward, compensation, and benefits policies and procedures. By doing this, Rainbow ensures that it implements an effective and equitable compensation practice across the organisation</p>

Key area	What do we do?
Resourcing	<p>Resourcing scarce skills and skilled employees during the year's poor economic climate has proved challenging. There has been significant focus on improving the existing resourcing strategy and practices, and progress has been made as follows:</p> <ul style="list-style-type: none"> • Enhancing the use of psychometric tools in aiding the recruitment decision • Improving the use of resourcing performance indicators as part of an integrated HR dashboard • Leveraging technology and maximising use of its e-recruitment portal • Effective management of resourcing service providers and service level agreements • Maximising the effectiveness of media advertising channels for resourcing • Growing the bursary and graduate entry channels • Focus on employment equity appointments <p>By acknowledging that no resourcing strategy operates in isolation, but rather is integrated into the overall HR strategy and policy framework, the following key activities have been implemented:</p> <ul style="list-style-type: none"> • Updating staff retention strategy for driving talent retention • Updating recognition and reward policies and strategies with special consideration of market relatedness • Repositioning of remuneration for crucial core business positions • Streamlining the recruitment process in order to make it more effective and efficient • Sourcing at various universities and other institutions for qualified candidates • Reviewing the learnership and graduate trainee programmes to accommodate different professional and technical qualifications, and align them with future organisational needs
Employment equity	<p>Rainbow is an equal opportunity employer committed to a policy of employment equity. Progress towards achieving its workforce diversity objectives are measured through functional key performance indicators and monthly progress measurements and reporting</p> <p>The targets set through Rainbow's employment equity plan for the period from 2005 to 2010 have already been achieved in most levels, and in some areas exceeded. Rainbow is committed to achieving the Department of Labour targets within the set timeframe</p> <p>Rainbow continues to engage and consult with its representative regional employment equity committees for all issues relating to workplace diversity. The celebration of events and initiatives such as world AIDS day, and the "sixteen days of activism" campaign are supported by the business as they represent a means to actively demonstrate the business's concern for diversity within its workplaces</p> <p>The integrated business transformation or journey programme previously rolled out to management within the business, has been further rolled down to staff and is in the process of being rolled down to all employees at all levels within the organisation. This provides the opportunity for all employees to connect with and relate to fellow employees from many different cultures, backgrounds and genders, and encourages employees to view each other as unique individuals</p> <p>Rainbow's commitment to transformation has been crystallised in the 2005 – 2010 "Strategy into Action" agenda</p>

Key area	What do we do?
Staff health and safety	<p>National health and safety policy adopted by the Board which commits all operations and facilities to the provision and maintenance of a working environment that is healthy and safe</p> <p>Senior managers investigate lost time injuries and determine actions to prevent a recurrence of incidents</p> <p>Risk management audits (both internal and external) and health and safety key performance indicators are key elements in evaluating performance</p> <p>Health and safety register specifically designed to highlight and address any legal issues</p> <p>Occupational health care infrastructure with accredited service providers to provide best practice</p> <p>Health and safety risks are mitigated by having:</p> <ul style="list-style-type: none"> • Dedicated risk control personnel in each operation • Health and safety committees in each operation consisting of elected health and safety representatives, workers' union representatives and management, who meet on a monthly basis to address risks • Occupational health and safety risk identification and assessment • Policies and procedures on how to mitigate each of the risks, in addition to ensuring compliance with all legislation • Centralised reporting and monitoring of all issues and incidents • Training programmes for all employees in all aspects of health and safety, ensuring appropriate understanding, accountability and responsibility for health and safety <p>Substantial improvements achieved in safety performance and external audit ratings in the last year with a resulting decrease in the disabling incident frequency rate (DIFR) to 1,05 compared to the previous year's 1,10 and 1,23 in 2008</p> <p>Disabling incident frequency rate relates to the number of disabling incidents per 200 000 man-hours worked. DIFR is defined as any incident in which an employee is booked off work for more than a shift following the incident</p> <p>During the current year, Rainbow initiated the development of an occupational health and safety management system based on the OHSAS 18001 principles. Implementation is currently being piloted at the four processing facilities and regional agricultural divisions with completion expected during the 2011 financial year. This new system should ensure improved management of occupational health and safety risks</p>
Employee wellness and HIV/AIDS	<p>Through its employee wellness programmes, Rainbow ensures that its employees have access to support initiatives that focus on health and wellness, alcohol and substance abuse, and HIV/AIDS. Rainbow's HIV/AIDS policy covers the workforce and guides the company in the management of HIV/AIDS, placing emphasis on education and peer education, prevention, and voluntary counselling and testing</p> <p>Employee wellness is supported through employee wellness service providers such as "Careways", partnership with "Life Occupational Health" and "Occuwell" to provide Rainbow with professional onsite services in many of the operations</p>

Key stakeholder concerns and sustainability risks continued

Rainbow's employment statistics are as follows:

Employment statistics as at 31 March 2010											
	Race								Total		Total
	African		Indian		Coloured		White		M	F	
	M	F	M	F	M	F	M	F			
Executive directors	1						7		8		8
Senior managers	3	2	6	2			65	6	74	10	84
Middle managers	20	4	17	6	9	3	78	40	124	53	177
Total management (number)	24	6	23	8	9	3	150	46	206	63	269
Total management (%)	8,9	2,2	8,6	3,0	3,3	1,1	55,7	17,1	76,6	23,4	100,0
Senior supervisory/staff	230	76	85	39	101	35	180	120	596	270	866
Other	2 665	1 613	130	50	804	821	51	117	3 650	2 601	6 251
Total (number)	2 919	1 695	238	97	914	859	381	283	4 452	2 934	7 386
Total (%)	39,5	22,9	3,2	1,3	12,4	11,6	5,2	3,8	60,3	39,7	100,0

Employment statistics as at 31 March 2009											
	Race								Total		Total
	African		Indian		Coloured		White		M	F	
	M	F	M	F	M	F	M	F			
Executive directors	1						8		9		9
Senior managers	3	1	6	2			69	7	78	10	88
Middle managers	20	4	17	6	10	3	84	42	131	55	186
Total management (number)	24	5	23	8	10	3	161	49	218	65	283
Total management (%)	8,5	1,8	8,1	2,8	3,5	1,1	56,9	17,3	77,0	23,0	100,0
Senior supervisory/staff	225	73	93	39	98	35	198	123	614	270	884
Other	2 644	1 674	127	41	771	812	48	112	3 610	2 639	6 249
Total (number)	2 913	1 752	243	88	879	850	407	284	4 442	2 974	7 416
Total (%)	39,3	23,6	3,3	1,2	11,9	11,5	5,5	3,8	59,9	40,1	100,0

Reconciliation of employee movements for the year			2010	2009
Employees at the beginning of the year			7 416	7 653
Add:	Recruitment		739	833
Less:	Deaths		(68)	(71)
	Discharges		(321)	(398)
	Disabilities		(26)	(22)
	Resignations		(259)	(441)
	Retirements		(95)	(133)
	End of contract			(5)
Employees at the end of the year			7 386	7 416
Staff turnover (%)			10,0	12,1

The employee statistics for 2010 should be seen in the light of a low labour turnover of only 10%.

Rainbow's employee training and skills development spend was as follows:

Employee training and skills development spend for the year ended 31 March 2010											
	Race								Total		Total
	African		Indian		Coloured		White		M	F	
	M	F	M	F	M	F	M	F			
ABET	32	17			4	4			36	21	54
Specific skills	1 096	923	208	88	512	620	324	205	2 140	1 836	3 976
SHEQ	165	129	18		44	25	65	2	292	156	448
HIV	47	31	1	1	9	13	27	6	84	51	135
Total (Number)	1 340	1 100	227	89	569	662	416	213	2 552	2 064	4 616
Total (%)	29,0	23,8	4,9	1,9	12,3	14,4	9,0	4,7	55,2	44,8	100,0
Total spend (Rm) excluding skills levy											15,4
Total spend (as a % of total salaries and wages)											1,7

Employee training and skills development for the year ended 31 March 2009											
	Race								Total		Total
	African		Indian		Coloured		White		M	F	
	M	F	M	F	M	F	M	F			
ABET	60	63			22	13			82	76	158
Specific skills	1 102	1 214	164	70	151	154	208	110	1 625	1 548	3 173
SHEQ	50	5	3		306	129	76	4	435	138	573
HIV	810	925	52	2	925	1 254	102	99	1 889	2 280	4 169
LDP/SDP	1				9	13	5	6	15	19	34
Total (Number)	2 023	2 207	219	72	1 413	1 563	391	219	4 046	4 061	8 107
Total (%)	24,9	27,2	2,7	0,9	17,4	19,3	4,9	2,7	49,9	50,1	100,0
Total spend (Rm) excluding skills levy											15,1
Total spend (as a % of total salaries and wages)											1,8

ABET = Adult basic education and training

SHEQ = Safety, health, environment and quality

LDP = Leadership development programme

SDP = Supervisory development programme

COMMUNITY

Rainbow continues to play a role in the communities in which it operates through an active corporate social investment strategy which focuses on the areas of education, HIV/AIDS and upliftment.

Rainbow is also making regular contributions of trial and excess stock to the Food Bank. The Food Bank directly gives food support to more than 100 000 families nationwide. In KwaZulu-Natal alone they have more than 15 000 families involved in their food support programme directly benefiting from Rainbow's food donations. These donations go a long way in assisting the Food Bank as they work to address food security and malnutrition in the lives of ordinary citizens in our country.

CORPORATE SOCIAL INVESTMENT

Rainbow, as South Africa's largest processor and marketer of chicken, provides protein to a large number of South Africans, thus playing a fundamental role in feeding our nation. Rainbow therefore believes that it has a fundamental responsibility to assist in improving the lives of disadvantaged communities in the areas in which the company operates. Rainbow has therefore recently developed a corporate social investment (CSI) policy which is aligned to the company's strategy, contributing to the company's overall mission and vision, whilst making a significant impact in the communities within which it operates.

A key focus of Rainbow's CSI policy is education, and Rainbow is proud to be involved with the Star Schools project. Rainbow has partnered with Star Schools to drive this programme, allowing underprivileged children access to extra maths, science and English lessons.

Rainbow encourages the learners to continue their studies in such fields as food technology and engineering, and given the shortage of skills in these areas, will ensure a valuable future resource to Rainbow.

Rainbow has an established bursary programme aimed at the children of our employees, and is able to provide a bursary to children with good academic results and potential, but without the financial means to achieve a tertiary qualification. An annual bursary budget of R0,3 million is set aside to assist the children of Rainbow's employees. Total CSI spend for 2010 (excluding bursaries, HIV, health and wellness spend) was R2,8 million.



Rainbow takes full responsibility for the impact it has on the environment by charging every Rainbow employee to ensure effective use of resources. The cost of all resources is allocated to the relevant function. In addition, Rainbow favours suppliers and partners who have similar environmental policies.

Rainbow strives to use the best environmental practices on all land used for farming, processing, milling or distribution operations, whether it be owned or leased.

Land usage analysis as at 31 March 2010 (Hectares)						
	Owned	Partners	Dormant	2010	2009	2008
Farming operations	8 264	530	296	9 090	9 132	9 818
Processing and milling operations	56		1	57	57	57
Distribution and administration centres	36			36	37	42
Total use	8 356	530	297	9 183	9 268	9 959

NATURE CONSERVATION

Rainbow supports nature conservation as an important national heritage.

In this regard, Rainbow leases approximately 630 hectares to the North-West Parks Board for the enlargement of the Rustenburg Nature Reserve, for one rand per annum.

Additionally, at the company's 1 547 hectare Roodevaal farm near Koster in the North-West Province, Rainbow has permission from the Department of Nature Conservation to conserve game. Bordered by three game farms, it actively supports the North-West Parks Board and game farming in the area by helping to ensure wildlife and plant diversity.

ENVIRONMENTAL MANAGEMENT SYSTEM

During the current year, Rainbow initiated the development of an environmental management system based on the ISO 14001 principles. Implementation is currently being piloted at the four processing facilities with completion expected during the 2011 financial year. This new system should ensure improved management of environmental risks.

CLIMATE RISK MANAGEMENT AND CARBON DISCLOSURE

Rainbow has participated in Remgro's carbon footprint calculations for 2010, providing information on its direct greenhouse gas emissions relating to equipment owned or controlled by Rainbow, as well as indirect emissions from electricity consumption, business travel (air travel, car rentals and hotel accommodation), third party vehicle fleets and paper consumption. Remgro is using this information to compile its submission to the Carbon Disclosure Project 2010, an international investor community initiative to ascertain the risks and opportunities posed by climate change on the leading publicly listed companies in the world.

ENVIRONMENTAL AND SUSTAINABILITY RISKS

The Risk Committee is responsible for overseeing the adequacy and overall effectiveness of the Group's risk management function and its implementation by management. The Board considers risk management to be a key business discipline designed to balance the risk and reward and to protect the Group against uncertainties that could threaten the achievement of the business objectives. During the year, the terms of reference of the Risk Committee was extended to also include oversight of sustainability within the Group.

The Risk Committee reviews the Group's risk profile on a regular basis and the committee attests that there are adequate systems of internal control in place to mitigate the significant risks faced by the Group to an acceptable level. The systems are designed to manage, rather than eliminate, the risk of failure or to maximise opportunities to achieve business objectives.

The Group risk register summarises the significant risks faced by the Group, taking into account the likelihood of occurrence, the potential impact and the related mitigating factors and compensating controls. Management's treatment of risks is aligned to the risk appetite and tolerance approved by the Board. Management have implemented appropriate risk response strategies in relation to the Group's major risks. The adequacy and effectiveness of these strategies are reviewed on an ongoing basis to ensure that they are responsive to changes in the dynamic environment in which the Group operates.

The table overleaf provides a brief description of the key environmental and sustainability risks to which the Group is exposed, and the mitigating controls in place to manage these risks.

Environmental sustainability practices continued

Environmental risks	Risks are mitigated by
Fires	An environmental policy providing the framework for setting and reviewing environmental objectives and targets
Air pollution	Environmental management programmes and key performance indicators that are monitored regularly
Natural resource depletion	Effective training programmes
Hazardous chemical, diesel and gas spillage	Effective biosecurity and security procedures at all operations
Odours from processing plants and mills	Effective health and safety procedures
Poultry disease outbreaks on farms	Supply agreements with registered waste companies for the safe disposal of deceased birds and contaminated or hazardous waste
Energy consumption	Fire breaks maintained on all farming operations
Ground and surface water pollution	Bund walls around all diesel tanks
Waste disposal	Chemical store rooms allowing for segregation of hazardous chemicals
Water shortages and water quality	Electronic fuel filling and monitoring systems, computerised vehicle routing system to route deliveries in the most efficient manner and technologically advanced tracking system to monitor the adherence to the most efficient planned route
	Continual water quality assessments and proactive management to ensure sufficient water supply
Sustainability risks	
Disease outbreaks at farms	The Group adheres to good farming practices and the following extensive precautionary measures are in place to ensure the health of the flocks: <ul style="list-style-type: none"> • Bio-exclusion procedures in place (physical access controls, shower procedures, site clothes, foot dip tanks, vehicle sprays at key sites, insulated houses, trained employees) • Testing of flocks every month for Avian Influenza, Newcastle disease, Salmonella and Infectious Bronchitis
Scarce resources	A sustainability framework is in place for setting and reviewing environmental objectives and targets Investigation of alternative energy sources for the long-term, e.g. litter, wind, solar energy
Non-compliance with laws and regulations	Legal compliance framework in place Formalised Total Quality Management System to test compliance Ongoing employee and Board training and awareness programmes

ENERGY USAGE

Electricity

Over the past three to four years, Rainbow has been investing in energy efficient lighting systems for its poultry houses and processing plants. The majority of the poultry houses are fan-ventilated and improvements in fan technology have resulted in the ability to move air more efficiently and reduce electrical consumption on each farm. With the recent national electricity outages and the need to reduce electricity consumption while retaining power to essential systems, several new generators have been purchased with timers to ensure that non-essential lighting is turned off when not necessary.

Gas

The predominant source of heat in the poultry houses is now liquid petroleum gas (LPG). During the past two years, Rainbow has been converting its heating for chicken houses from coal fired water boilers to cleaner and more efficient gas heating. Significant investment has been made to properly insulate poultry houses in order to minimise air leakage and hence limit LPG consumption. This resulted in decreased gas consumption for the last two years, despite an increase in production volumes.

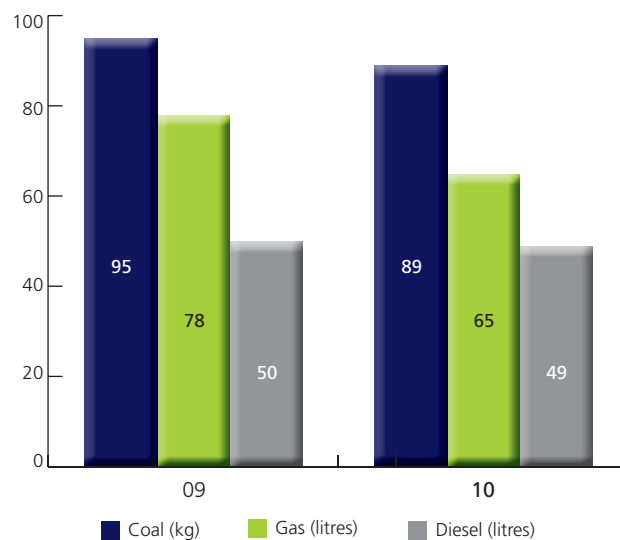
Energy usage analysis for the year ended 31 March 2010

	Coal Tons	Gas Kilolitres	Diesel Kilolitres
Farming operations	488	31 964	4 684
Processing and milling operations	23 027	17	3 382
Distribution and administration centres			9 446
Total	23 515	31 981	17 512

Energy usage analysis for the year ended 31 March 2009

	Coal Tons	Gas Kilolitres	Diesel Kilolitres
Farming operations	2 597	32 166	4 018
Processing and milling operations	23 703	12	3 991
Distribution and administration centres			8 996
Total	26 300	32 178	17 005

Energy usage per ton produced



Environmental sustainability practices continued

Energy cost analysis for the year ended 31 March 2010					
Rm	Coal	Gas	Diesel	Electricity	Total
Farming operations	0,4	95,4	32,8	45,3	173,8
Processing and milling operations	20,8	0,5	25,5	98,5	145,3
Distribution and administration centres			72,4	14,5	86,9
Total	21,2	95,9	130,7	158,3	406,0

Energy cost analysis for the year ended 31 March 2009					
Rm	Coal	Gas	Diesel	Electricity	Total
Farming operations	1,7	123,3	25,8	37,0	187,8
Processing and milling operations	20,4	0,5	35,0	42,9	98,8
Distribution and administration centres			94,9	12,3	107,2
Total	22,1	123,8	155,7	92,2	393,8

WATER USAGE

Poor water quality and potential water shortages are significant potential risks to the business. Rainbow has mitigated the risk of water shortages by building additional reservoirs to hold capacity in times of shortage and is looking at ways of reducing the demand for water in rearing the parent stock and broiler birds as well as in the slaughtering process. With significant water usage, water effluent needs to be managed and every effort is made to recycle the effluent water. Measuring wastage enables early detection of system defects that can be rectified to minimise potential losses and impact on the environment.

Water recycling at the three primary processing plants involves flocculating out the solids and proteins from the water, before reducing both the biological oxygen demand and chemical oxygen demand to acceptable levels. Some of the recycled water is used as grey water for cleaning and the balance is discharged to municipal effluent plants for further recycling.

Water usage analysis for the year ended 31 March 2010					
Kilolitres	Borehole	Municipal	Water Board	Third party	Total
Farming operations	285 463	2 171 471	1 112 482	107 501	3 676 917
Processing and milling operations	54 656	3 540 175			3 594 831
Distribution and administration centres		107 057			107 057
Total	340 119	5 818 703	1 112 482	107 501	*7 378 805

* Rainbow recognises water as a valuable resource and in 2010 spent R595 000 to install and upgrade water meters on all farms to enable a more accurate measurement of water consumption. This resulted in the increase shown from 2009 water consumption figures.

Rainbow has targeted the following water usage levels in its operations:

Operation		2011 Target	2010 Actual	2009 Actual
Farming operations:				
Rearing farms	litres/bird	28	29,0	29,1
Laying farms	litres/bird	60	61,4	63,3
Hatcheries	litres/chick	1	1,0	1,0
Broiler farms	litres/bird	4	4,2	4,2
Processing plants	litres/bird	13,9	14,4	13,4

WASTE AND RECYCLED PRODUCTS

Rainbow analyses all types of waste material generated. Options for possible re-use and disposal are assessed to ensure that it is used or disposed of in the most environmentally friendly way.

Currently Rainbow uses the following recycled products from other suppliers in its processes:

- wood shavings as bedding for the chicken houses
- recycled paper is utilised in the finished product outer carton packaging
- recycled plastic is utilised in the manufacture of plastic catching crates.

Rainbow has also added the recycling codes and statements such as "Care for our environment and dispose of packaging responsibly" to our packaging material. We have also challenged our strategic packaging suppliers to assist us with finding ways of implementing the 4R's to all packaging materials we use: Reduce, Recycle, Re-use, Recover.

EMISSIONS TO AIR

Rainbow recognises its responsibilities in terms of the Air Quality Act, No 39 of 2004, and as such ensures that the animal matter reduction plants and coal-fired boilers and their boiler stacks are well maintained and routinely inspected.

Additional management process changes have taken place within the rendering plants to ensure:

- Capacities of all cookers and driers are not exceeded
- Alternative disposal of raw material is available through registered waste companies
- Cooking recipes are balanced to prevent odours
- Routine scheduled maintenance is carried out for the effective running of all equipment
- The use of specialist consultants to investigate possible further improvements in rendering of processing waste material.

While there is currently no legislation governing vehicle emissions, Rainbow is conscious of this impact on the environment and as a result all vehicles are maintained and replaced on a regular basis to minimise both emissions and diesel fuel wastage.

ENVIRONMENTAL IMPACT ASSESSMENT

Rainbow conducts environmental impact assessments as required by the Department of Agriculture and Environmental Affairs when considering investment in new or upgrading existing facilities.

This process allows for comments and input from all interested stakeholders and affected parties. An environmental management plan is established for the construction phase of these projects, to serve as a guide to assist in minimising the potential environmental impact of the project activities.



Conclusion

Due to the nature of its activities, Rainbow has the potential to make a valuable contribution to sustainability through the management of direct impacts, as well as through indirect impacts arising from the influence the business has on consumers and suppliers. Consumers and investors are increasingly expecting companies to demonstrate concern for their employees, to minimise the environmental impacts of their products, to require ethical performance of suppliers, and to support the communities in which they operate. Rainbow believes it makes sound business sense to embrace sustainability as a strategic issue and to proactively manage and report on our sustainability performance.

Rainbow has managed to demonstrate through financial benefits derived from improvements in waste management and recycling and reduction in the consumption of resources like gas and coal that sustainability practices also benefit the shareholder as well as other stakeholders. The focus on the reduction in energy consumption is a key aspect of Rainbow's strategy to combat the excessively high rate increases experienced on energy resources.





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