

SUSTAINABILITY REPORT

AFGRI seeks to create value for all its stakeholders, be they shareholders, employees, suppliers, customers or the communities in which it operates. This policy is in line with the requirements of the King II Code on Corporate Governance, and is embedded within the structures and culture of the Group.

AFGRI subscribes to the principles of sustainable development, and these are an integral part of its strategic processes.

This report provides information about the Group's activities in the following areas:

- Employment Equity
- Black Economic Empowerment
- Health and Safety
- HIV/AIDS
- Community Involvement
- Training and Development (Education)
- Environment

EMPLOYMENT EQUITY

Following the investment by a BEE partner in the form of The Agri Sizwe Empowerment Trust, new Employment Equity Consultative Committees ("EECC") have been elected. These committees have been trained and readied for their implementation and monitoring roles. Progress is being made with the achievement of employment equity targets at middle and junior management and lower job category levels.

The achievement of employment equity targets at senior management levels has been impeded due to the unavailability of skilled persons from designated groups in some of the demographic areas in which AFGRI operates. However, some progress has been made with the assistance of The Agri Sizwe Empowerment Trust in the Financial and Logistic Services businesses.

A new employment equity recruitment approval process was approved by the AFGRI Board. This is intended to further empower the EECC in its monitoring function.

Employment equity is a strategic imperative and will remain a priority focus within AFGRI.

BLACK ECONOMIC EMPOWERMENT

AFGRI is mindful of its responsibilities in alleviating inequalities of wealth, income, skills and business opportunities, and believes it has an obligation to set the standard for transformation in the agricultural sector. This was the motivation behind the BEE transaction, in which The Agri Sizwe Empowerment Trust – comprising a broad range of BEE interests – acquired a 26,77% interest in AFGRI Operations. Three BEE directors representing the Trust have been appointed to the Board of AFGRI. Additionally, the Trust has nominated two representatives to sit on AFGRI Operations' Board, where they will assist in its transformation initiatives and identify new business opportunities. This transaction benefits many historically disadvantaged South Africans, including previously disadvantaged staff, who own 19,9% of the consortium within the Trust.

Both AFGRI and the Trust regard this transaction as the start of a sweeping process of transformation that will impact every aspect of the Group's activities. As mentioned, positive steps have been taken to monitor and accelerate employment equity targets within the Group.

This transaction clearly overshadows other BEE activities in which AFGRI is involved, but it is worth recounting some of the more prominent BEE projects being supported by AFGRI:

- AFGRI assisted in the establishment of Cropmasters, a BEE company in Zambia, which has achieved considerable success in its niche of equipment supply, focusing on the farming sector.
- AFGRI is involved in several projects aimed at uplifting the emerging farmer sector. In the Eastern Cape town of Matatiele, AFGRI launched a pilot among a group of small-scale farmers to increase their maize yields from an average of 200 kg/ha to 2 tons/ha by using conservation farming techniques. The plan is to expand the project to reach more farmers and assist them in improving their yields. The success of this pilot prompted calls to extend the project to other areas such as Phuthaditjhaba in the Free State, Badplaas and Bronkhorstspuit in Mpumalanga, Ventersdorp in North West, and Qamata in the Eastern Cape.

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- AFGRI is participating with the Industrial Development Corporation ("IDC") in projects for the development of emerging farmers. The IDC has set aside development funds of R58 million for a variety of mainly short-term and some medium-term projects. Farmers in Eastern Cape and Free State are being assisted in the growing of winter crops covering nearly 10 000 hectares. Assistance is also being provided to farmers growing summer crops over 15 000 hectares in Mpumalanga and southern KwaZulu-Natal (the latter with the assistance of the provincial government).
- AFGRI Finance has provided finance on preferential terms to several emerging farmers involved in maize and sugar cane farming, as well as cotton ginning. It also assisted in the establishment of the 100% black-owned Hamba Fleet as one of the country's most prominent transport groups.
- The Bethlehem Farmers Trust Apple Project, which was launched several years ago by AFGRI, continues to receive management support from AFGRI. This project has attracted national interest and last year won a productivity award from the National Productivity Institute ("NPI"). During the last five years this initiative has lived up to its mission to create jobs and empower previously disadvantaged farmers. In addition to the 94 members of the Bethlehem Farmers Trust (29 women and 65 men), 270 secondary job opportunities are created at the peak of the harvest season. By 2006/2007, some 2 500 indirect job opportunities will have been created.
- Subsequent to the financial year end, AFGRI became involved in a project to supply water to rural communities by way of "Roundabout Playpumps," whereby water is pumped from a borehole while children play on a roundabout. A number of "Roundabout Playpumps" will be erected in rural communities in Eastern Free State, Mpumalanga and KwaZulu-Natal during the current financial year.

HEALTH AND SAFETY

The Group continues to review its compliance with the relevant provisions of the Occupational Health and Safety Act and monitors all reported accidents involving employees. At least two employees at each operational site have been appointed and

received training in fire control and first aid. Systems are in place to ensure the safety and health of workers through emergency planning, fire and loss controls.

HIV/AIDS

The Deloitte prevalence audit done within AFGRI indicated a prevalence of approximately 20% of HIV/AIDS among employees. After the presentation by Deloitte to the AFGRI Operations Board the question arose of what action to take. On the recommendation of AFGRI's medical aid brokers, it was decided to utilise a comprehensive decision-making model administered by third party consultants. A low cost medical aid scheme is to be implemented with relevant intervention strategies linked to it.

COMMUNITY INVOLVEMENT

AFGRI is involved in several community upliftment programmes, particularly in areas where it operates. These take various forms, from literacy classes to pre-primary school training, with the objective of creating functional communities capable of integration into a modern, developing economy. Several sports teams and feeding schemes, especially those at crèches and primary schools, receive regular support from the Group. Various non-profit organisations are also supported.

TRAINING AND DEVELOPMENT (EDUCATION)

Training and Development is a continuous process with the main objective to engage talented staff in several educational and other training programmes. Functional training courses are presented to comply with legal requirements for different disciplines. Employees are also encouraged to apply for study assistance for part-time studies at various institutions, in order to obtain further qualifications.

Replacement Risk Analysis and Succession Pool Identification exercises have been undertaken as a management strategy with the focus on longer-term development and preparation of talented managers to be available for internal appointments in middle and senior management positions.

Learnership training programmes are offered to staff at junior levels to develop specific skills that are required for specialised positions. The outcomes of most learnerships are a qualification on NQF 2 and 3 levels, equivalent to Grades 11 and 12. There are currently more than 30 trainees taking part in learnerships for qualifications such as Chartered Accountants ("CA(SA)") and Tractor Technicians. AFGRI's first qualified CA(SA) trained under the Training Outside Public Practice programme will finish with her training at the end of December 2006. Candidates from the designated groups are targeted for new intakes.

A whole new approach to training and future recruitment is currently being developed in the Grain Silo Industry, where a number of designated candidates will be taken in on an experiential basis to work and be trained at different sites. Training material will be available in five languages and will be presented in accordance with the Unit Standards of the South African Qualifications Authority. External assessors will carry out assessments.

AFGRI will take part in the development of accredited training courses for learners in the milling industries, where an outside service provider has already been appointed by the AgriSeta to develop course material.

The Workplace Skills Plan and Annual Training Report will be submitted to the AgriSeta by 30 June 2006.

ENVIRONMENT

As a result of the Group's Environmental Philosophy, AFGRI places emphasis on the identification and management of environmental risks. AFGRI has control measures in place to ensure the Group's activities are environmentally friendly. Systems, policies and rules are designed to minimise any negative environmental impact of its operations. The systems, policies and rules are implemented at all sites and checked by regular internal and external audits and, where appropriate, by compliance with the ISO9002 rating. At all AFGRI operations, contingency plans are in place to cope with possible threats to the immediate environment, especially with regards to waste disposal.

Actions to date include:

- Environmental Impact Assessments have been conducted at the Animal Feed factories and deviances arising from the assessments are being addressed.
- AFGRI is seeking ISO accreditation at the Seed and Citrifruit factories.
- Most factories and silo operations have power factor correction installed, to reduce power consumption.
- Waste recycling programmes are in place at the factory operations and managed on a daily basis.
- Waste separation is an essential activity that has been implemented at the operations.
- New "Environmental Impact Analysis" and "Major Hazardous Impact Studies" have been performed as required.