

# SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE REPORT

Sea Harvest strives to generate profit and create a sound investment for its shareholders while also prioritising its people, local communities and the environment. As a responsible corporate citizen the Company is committed to ensuring that the value it creates also serves to uplift and sustain its people, local communities and the environment, all underpinned by ethical leadership and sound corporate governance practices.

The Social, Ethics and Sustainability Committee ("the Committee") was established to monitor Sea Harvest's performance as a responsible corporate citizen and to perform its statutory functions in terms of the Companies Act, 71 of 2008, as amended (the Companies Act), the King IV Principles on Corporate Governance (King IV), the Listings Requirements of the JSE Limited, the Committee's Terms of Reference Charter ("the charter"), internal policies and any other applicable legislation. However, more importantly the Committee serves as a vehicle to ensure that the Company maintains its commitment to social upliftment and transformation.

The Committee is a sub-committee of the Company's Board of Directors (the "Board" or the "directors") and has an independent role with accountability to the Board.

This report describes how the Committee discharged its duties from its founding until the financial year ended 31 December 2017.

The Committee's charter was approved by the Board on 16 February 2017 and the Committee approved its 2017/2018 Annual Work Plan on 1 June 2017.

## MEMBERSHIP AND COMPOSITION OF THE COMMITTEE

Committee members at present are:

- Frederick Robertson (Chairman)
- Bahlelei Marshall Rapiya
- Mohamed Iqbal Khan
- Tiloshani Moodley
- Muhammad Brey

The Committee comprises Non-Executive and Executive Directors with the majority being Non-Executive Directors. The Chief Executive Officer is an *ex officio* member of the Committee with Sea Harvest executives invited to attend from time to time.

The Committee meets at least four times a year and reports to the Board each quarter and on other occasions when required.

## THE COMMITTEE'S ROLE AND RESPONSIBILITIES

The role of the Committee is to oversee social and ethical matters on behalf of the Board. It also serves to: Monitor relationships with all material stakeholders and ensure Company and societal transformation whilst mitigating impacts of the Company on the natural environment.

## 2017 SOCIAL, ETHICS AND SUSTAINABILITY HIGHLIGHTS

### RURAL ECONOMIC DEVELOPMENT AND CORPORATE SOCIAL INVESTMENT COMMITMENT 2017

Sea Harvest is committed to transformation where the Company's ambition to facilitate rural economic development in the Saldanha Bay Municipality (SBM) and the greater West Coast is unparalleled and enshrined in the Company's way of doing business.

The Company's social economic development and corporate social investment (CSI) is primarily focused on the West Coast and is spearheaded through the Sea Harvest Foundation NPC ("the Foundation"). Over 20 years ago, Sea Harvest formalised its approach to responding to the needs of society, specifically in the SBM and surrounding communities, with the establishment of the Sea Harvest Foundation. The Foundation has been used as a vehicle through which Sea Harvest has tried to drive social change by directing funds towards projects that benefit, uplift and empower communities along the Cape West Coast. In 2017 the Foundation was restructured as a non-profit company (NPC) in order to improve its ability to assess and respond to applications for support.

The Foundation reports to the Committee and during the financial year in review (2017) the Foundation spent over

R3.8 million on CSI in the local community. For more information on the strategic direction of the Foundation refer to page 53 of this report.

## SEA HARVEST FOUNDATION 2017 HIGHLIGHTS

- Distribution of bursaries for tertiary education to deserving black applicants from the local community.
- Provided assistance to local crèches in the SBM through the donation of sleeping mats, toys and jungle gyms.
- Donated a container and equipment to a local community neighbourhood watch, thus allowing them to create a mobile neighbourhood watch centre.
- Continued The Kids-for-Kids campaign where funds are raised in support of the Red Cross Children's Hospital Trust. This four-month campaign sees a portion of the sales of selected coated Sea Harvest products donated to the Trust.
- The building and the launch of three classrooms for Grade R at Diazville Primary School in partnership with the provincial Department of Education. Sea Harvest is excited to see the positive effect that this multi-million Rand investment will have on the lives of the children who will have the privilege of receiving tuition and care at the school.
- In addition to its CSI, Sea Harvest continues to play an integral role in the rural economic development of the SBM. The Company along with other corporates based on the West Coast, established the WCBDC over 20 years ago. The Centre offers technical skills training and mentoring support to assist entrepreneurs and in 2017 assisted over 4 000 entrepreneurs to fulfil their ambitions and create thriving businesses.

## TRANSFORMATION

### B-BBEE SCORECARD ELEMENTS

Sea Harvest's commitment to economic and social transformation will continue and that is illustrated by the Company's continued progression and improvement on the B-BBEE scorecard of its core subsidiary Sea Harvest Corporation ("SHC"). The most recent results for SHC in the 2017 B-BBEE Scorecard reveal its status as a Level 2 Contributor; a status which is valid until June 2018. In 2017, the Company continued to make strides on its transformation strategy, where through SHC, the Company was able to further transform its workforce and invest in Supplier and Enterprise Development (SED).

During 2017, SHC as the single largest employer in the SBM, continued to drive the key focus of SED on behalf of Sea Harvest where it spent over R100 million doing business with local small- and medium-sized suppliers (SMMEs) on the Cape West Coast, the majority of these being with black-owned businesses.

### SUPPLIER AND ENTERPRISE DEVELOPMENT 2017 HIGHLIGHTS

- Spent over R100 million with local suppliers.
- Provided R2.5 million in capital and assistance to Tabakbaai Laundry, a supplier development initiative started over 20 years ago. Tabakbaai currently provides a laundry service to SHC's operations.
- Provided assistance to a black-owned Hake Deep-Sea Trawl rights holder where over a five-year period the Company will transfer 40% of ownership in a vessel valued at R11 million to the parties. This transfer will assist the parties to successfully harvest Cape Hake and create employment in the sector.
- Initiated and is in the process of finalising the formation of a Fisheries Development Fund in partnership with Brimstone and the Masisizane Trust. This fund will provide approximately R100 million in cash and other capital including marketing assistance, vessels and assets, management expertise and processing of fish to SMMEs, as part of our enterprise development programme. The primary

objective of the Fund is to transform the fishing industry from the ground up by assisting smaller rights holders and new entrants to acquire boats, catch their quota, process catches, provide working capital and access markets.

- Employee transformation is an imperative at Sea Harvest and is implemented according to four transformation policies which guide employment equity, talent management, succession planning and learning and development throughout the Company. For a detailed explanation of the implementation and the results of the transformation policies refer to page 54 in the Human Capital section of this report. The transformation policies will be reviewed and updated annually and presented to this committee.

### EMPLOYEE WELLNESS AND EMPLOYEE SHARE SCHEME

Even though the Company is making strides in transforming its local communities through its procurement practices, Sea Harvest's core-focus in the SBM is creating fair, sustainable employment. Central to this focus is ensuring that its employees share in the wealth of the Company through the Employee Share Trust, whilst remaining healthy and safe through a variety of safety and health initiatives that the Company provides.

The Employee Share Trust was created to increase the circle of economic benefit of Sea Harvest; align the interests of Sea Harvest employees with all of those of all other shareholders and ultimately promote empowerment and wealth-sharing with employees. Above and beyond these objectives the share trust serves as a token of appreciation to the Company's employees for their hard-work and dedication to Sea Harvest. The scheme showcases and promotes a philosophy shared by the Board, where the message is clear – Sea Harvest remains committed to wealth-sharing to the benefit of its loyal employees.

In March 2017, 18 months after the Trust was launched, the scheme vested 50% of its shareholding as part of Sea Harvest's listing, resulting in SHC's qualifying employees receiving a payment of R36 million, which was split equally amongst

all beneficiaries of the Trust. The remaining 50% of the shares will vest in 2022.

Furthermore, in 2017, Sea Harvest continued the implementation of its successful employee and wealth wellness programme which provides employees with access to substance abuse support, an onsite clinic, financial management training as well as a savings scheme allowing staff to save money through SHC and receive a payout at the end of each calendar year. For more information on this programme and many more refer to page 28 of this report.

### HEALTH, SAFETY AND ENVIRONMENT

Sea Harvest is committed to ensuring the safety and security of all its employees while discharging their duties. Our employees are our most valuable resource and thus their wellbeing is of paramount importance. Their welfare is constantly reviewed to ensure best practice is kept to ensure their safety and security. In the unfortunate event that an employee is injured during operations, Sea Harvest has a comprehensive range of benefits which employees can utilise to assist them in their time of need. More information of these benefits can be found on page 54, in the Human Capital section of this report.

During 2017, Sea Harvest underwent a concerted effort to reduce injuries through various initiatives. One such initiative was the launching of a Safety, Health and Environment competition which not only helped create engagement and energy amongst employees at Sea Harvest's land-based operations, but more importantly, resulted in lower overall injuries during operations. At sea, the Company promulgated a revised Safety at Sea policy to ensure that Sea Harvest is at the forefront in the way it handles mandatory safety requirements at sea.

The Company's extensive security systems continued to perform well in 2017, ensuring the protection of the Company's employees and assets.

Sea Harvest believes in conducting its business in a sustainable manner to, *inter alia*, ensure that we preserve natural resources for future generations. Not only do we comply with the environmental regulations imposed by the local authorities and other international organisations, but our Company also plays an active role in initiating further measures to protect South Africa's environmental resources.

## SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE REPORT continued

During 2017, the Company faced increased pressure due to the drought which is currently gripping the Western Cape. Sea Harvest undertook various steps to reduce its water usage resulting in a 31% savings year-on-year. The Company's sustainable water usage culminated in the construction of a desalination and reverse osmosis plant which will be operational in early 2018. This will allow Sea Harvest to continue operations and relieve the pressure on the SBM. Refer to page 50 under the Natural Capital section of this report to read about Sea Harvest's commitment to the sustainable utilisation of water and other resources and its 2017 performance in this regard.

This committee has challenged Sea Harvest in ensuring that the Company's commitments to its employees, community and the

environment are maintained. A constant focus on these elements will show that commercial enterprise, the environment and community spirit are critical success factors in developing a healthy, relevant and sustainable business.

### REPORT TO SHAREHOLDERS

Management has confirmed that no instances of material non-compliance with applicable legislation or governance codes were raised or recorded.

A Board assessment and a self-assessment by the Committee conducted in February 2018 indicated that the Board and the Committee are both satisfied that the Committee performed all its statutory and Company charter duties.

The Committee has reviewed Sea Harvest's Annual Integrated Report and is satisfied that its content is relevant to the activities and responsibilities of the Committee.

### FRED ROBERTSON

*Chairman of the Social, Ethics and Sustainability Committee*

7 March 2018

