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COMPANY PROFILE 2009





**Welcome to**



## Contents

- 1 About Sovereign
- 2 Vision, Mission & Values
- 3 Company Structure, Business Process Flow, Distribution Map
- 4 Board of Directors
- 5 Product Basket
- 6 Corporate Governance
- 7 Our Employees
- 8 BEE Overview and Empowerment Initiatives
- 9 Corporate Social Responsibility Overview



"Sovereign Foods has grown from a small family owned business which started in 1948 to a JSE-listed company, becoming one of the most important poultry suppliers in South Africa."



## About Sovereign

### Feeding the Nation Since 1948

Sovereign Foods has grown from a small family owned business which started in 1948 to a JSE-listed company, becoming one of the most important poultry suppliers in South Africa. The company has seen and played a role in chicken becoming the preferred source of protein in the country, a trend which continues to grow every year.

By equipping the business with the most advanced chicken farming assets in the world including a world-class processing facility, technologically advanced farming equipment and modern delivery fleet Sovereign Foods has seen its production capacity double since the beginning of 2008. All of these improvements have one aim in common: to produce and deliver the best quality frozen chicken products in South Africa.

Being a fully integrated company, Sovereign is able to control the quality of its products at every level of the supply chain to make sure that eggs, day-old chicks, chicken feed, broiler chickens, chicken processing and packaging are all produced to the highest standards.

Sovereign prides itself on a culture of relationship building, where the needs of its customers are the driving force of its business performance. Our aim is to become the preferred supplier of poultry products in the country.

#### Highlights and Achievements

- On the back of strong performance, the company was elected as one of SA's Top 20 companies for 2007 by the Financial Mail.
- The largest independent agricultural business in the EC and the 4th largest producer of poultry in South Africa
- Sell 8 000 tons of poultry per month
- Poultry sales of R1.1 billion per annum (FY2010 projected)
- 22 farms, 1 feedmill, 3 hatcheries, 1 abattoir
- Breed 1 000 000 day old chicks per week
- Employ 1 800 staff, 3rd largest employer in Nelson Mandela Metropole
- Own logistics fleet of 150 horses, trailers and other vehicles

## Our Vision

To become the most competitive poultry integrator on earth.

## Our Mission

Our 5 critical success factors are the driving force behind our vision:

1. Focused on beating our own records inside the business
2. Be a customer-centric operation, internally and externally
3. Focused on increasing the yield from operations
4. Have stringent quality measures in place in all areas of the business
5. Have a team that is engaged for motivation, passion & performance

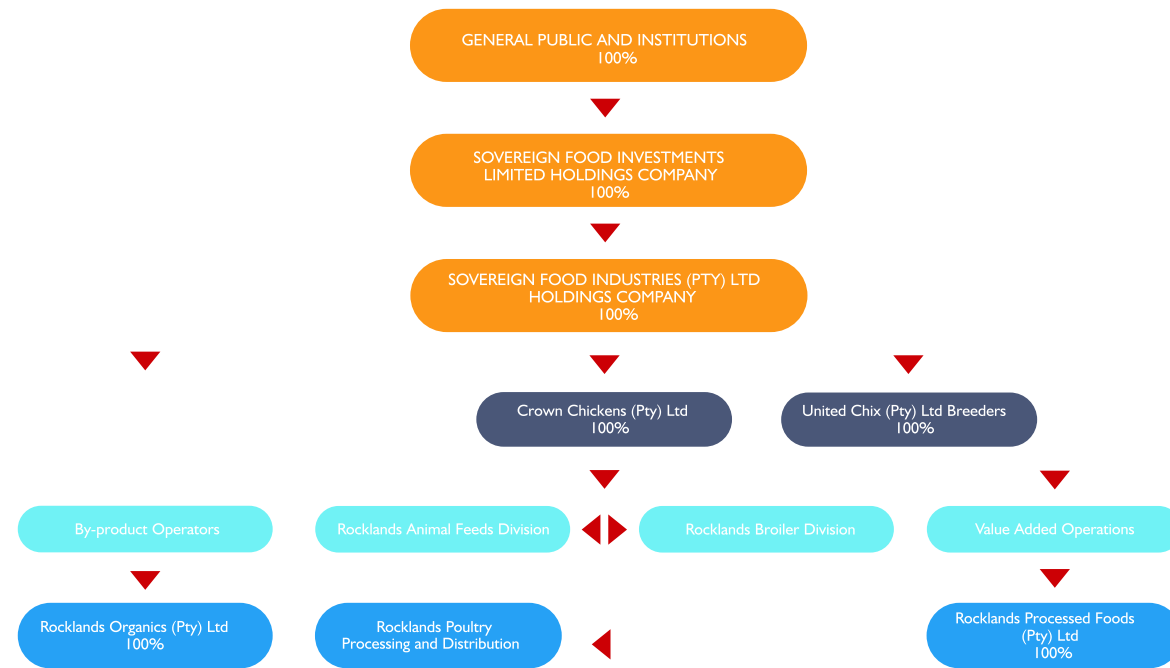
## Our Values

1. We are ferocious about cutting wastage in every area of our business and are forever obsessed with finding a better way of doing anything
2. We measure our success by the satisfaction of our customers, internal and external
3. We love what we do and believe we can be the best in the world
4. We pride ourselves on team success and focus on results
5. We speak with candour and respect and value every team member regardless of position, gender, age or race

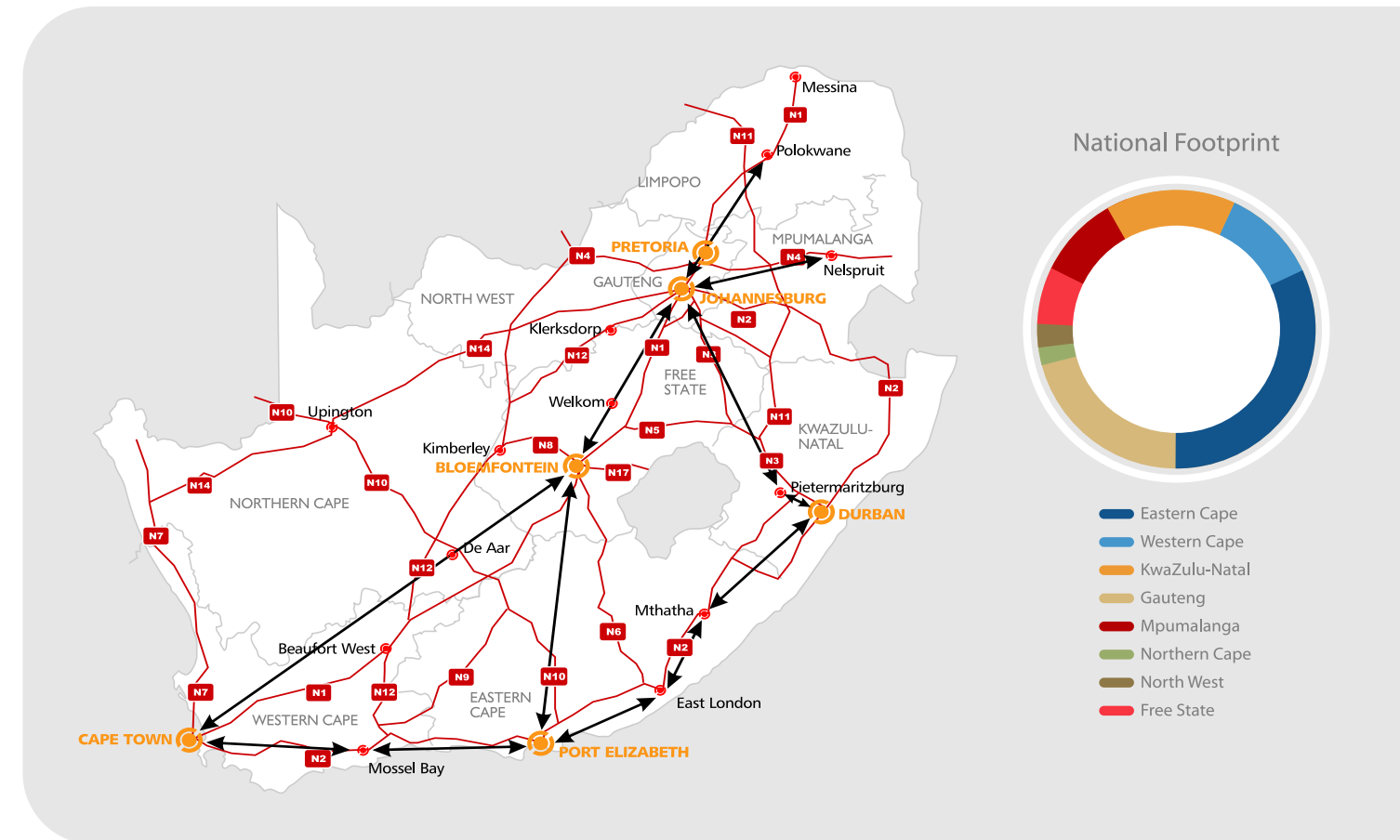




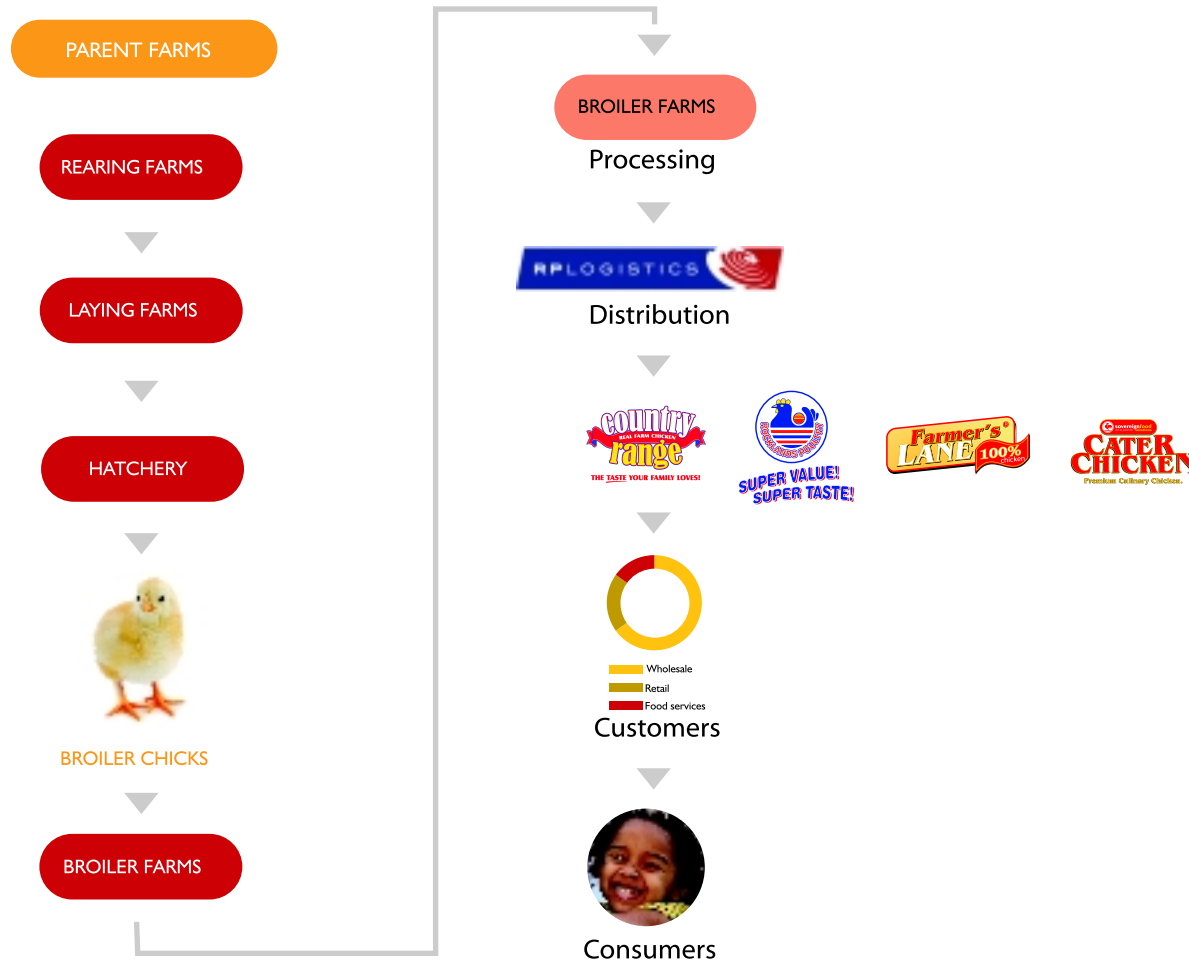
## Company Structure



## Distribution Map



## Business Process Flow



## Board of Directors





# Product Portfolio

## Feeding the Nation Since 1948

**Sovereign Foods' product portfolio consists of 100% frozen poultry products.** The company currently has two processing facilities. The main processing plant produces frozen whole chickens, de-boned chicken fillets, chicken portions, chicken by-products and downgrade products, whilst the value-added plant produces frozen coated products.

The products are distributed to two main market categories, namely the **'low-income consumer' market** and the **'food services' market**. All products are currently packed under 5 brands, including **'Country Range'** (targeted at broader low-income consumers), **'Chicken Barn'** (targeted at premium consumers) and **'Rocklands', 'Caterchicken and Farmers Lane'** (all targeted at the food services market). In addition to marketing its own brands, Sovereign Foods also packs house brands for a number of customers nationwide.

### IQF Range:

Mixed Portions  
Drumsticks  
Thighs  
Wings  
Leg Portions

### Primary Frozen Range:

De-boned Fillet  
Medium & Large Whole Birds  
Chicken Livers in a tub

### Secondary Frozen Range:

Soup Pack  
Gizzards  
Livers in a bag  
Necks  
Heads & Feet  
Hearts

LSM 4-8



LSM 1-4



LSM 8-9



LSM 9-10



# Corporate Governance

Sovereign Foods prides its reputation in the marketplace for fair dealing, accountability and openness in conducting its business affairs. The company strives to carry out its business within an ethical framework that gives effect to these principles. At the same time Sovereign Foods strives to benefit the community in which it operates, whilst it seeks to avoid or at least to minimise, any possible damaging effects that its operations may have on the environment. The board of directors and management endorse the principles of good corporate governance as set out in the King I and King II reports, especially the need to conduct the enterprise with integrity and accountability.

### Internal control and risk management

The directors believe the internal controls in use by the group are adequate to safeguard the assets from loss or unauthorised use and that the financial records may be relied upon to maintain accountability for group assets and liabilities. Internal controls are enhanced by accounting policies and organisational structures providing adequate segregation of duties. The group has been careful in the selection and training of administrative personnel. The cost of enhancements to internal controls is compared to the benefits to be derived from their implementation. Nothing has come to the attention of the directors to indicate any material breakdown in the functioning of the group's internal controls, procedures and systems during the year under review.

### Management reporting

The group has a comprehensive system of management reporting, which includes the preparation of annual budgets at board and divisional level, the comparison of actual results to budgets on a weekly, monthly and annual basis with some indicators being reviewed on a daily basis. On a monthly basis, cash flow, working capital and long-term borrowing forecasts are prepared, reviewed and reported on.

### Strategic planning

The strategic focus of the group is reviewed on a regular basis at both board and divisional level and the long-term strategy is reduced to near term operational plans and responsibilities.

### Equal opportunities

The directors believe in a policy of equitable employment for members of staff drawn from all sectors of the community. The group will meet the conditions and requirements of the Employment Equity Act.

### Code of ethics

With its mission and value statements in mind, the group has formalised a code of ethics. The code addresses issues to ensure the future success of the group and the trust and confidence of all its stakeholders.

### Environment

Environmental awareness is an integral part of the group's operations. The group is committed to ensuring that its operations, packaging and products are as environmentally friendly as possible and also considers the environmental impact of new and existing projects.



"The board of directors and management endorse the principles of good corporate governance as set out in the King I and King II reports, especially the need to conduct the enterprise with integrity and accountability."



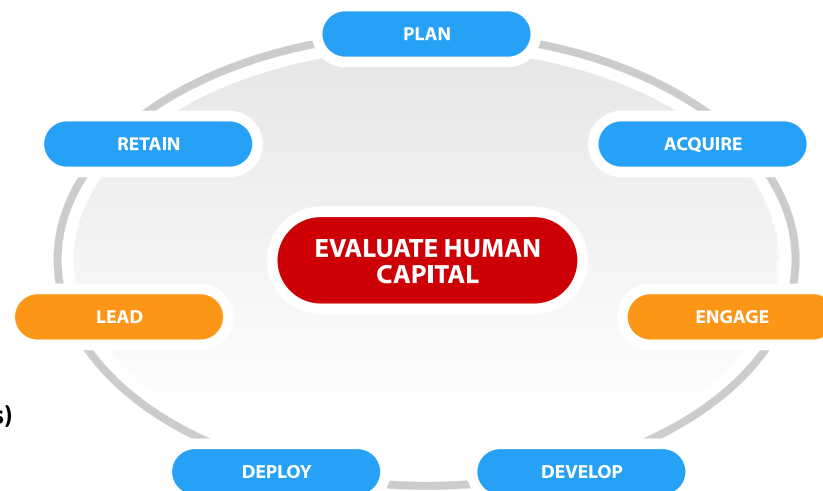


# Our Employees

Sovereign Foods takes great care of its employees, believing that they are our greatest asset in driving the company towards becoming the most competitive poultry integrator on earth.

We are focused on ensuring that the company recruits, grows and retains highly talented people through excellent people management practices such as:

- Having a development programme that is linked to personal growth and business requirements to grow and develop talent within the business
- Becoming a wonderful place to work where everyone of our staff can fully release their creativity, passion and feel part of a winning team.
- Having a performance driven culture that focuses on contribution and results
- Having a well structured staffing plan in place to ensure that all staffing needs are identified and planned for and that contributes to the overall strategic objectives of the Group.
- Have high levels of communication and engagement in the Group that ensures the commitment and participation of all staff



## Focus Areas

- Talent management (Primary focus)
- HR management issues
- Legal compliance

# Employee Benefits

Employee benefits are viewed as one of many retention strategies. Well structured packages with a degree of flexibility gives staff the opportunity to be engaged from the start.

Over and above for the benefits of monetary nature, exciting learning and development opportunities are offered at Sovereign Foods. We are passionate about staff development and want each employee to become the most they can be by providing opportunities for training and development.

The company has an extensive human resources policy in place to cover all areas of employment, including harassment protection, arbitration facilitation, employee health and safety, anti-corruption, and the like. Sovereign regularly invests in its people by extending education grants to employees who are interested in furthering their education as well as through extensive group wide occupational training. The company also promotes healthy living through its onsite clinic and newly launched AIDS Awareness Assistance Programme.

The following in house training initiatives are run by Sovereign Foods:

- Grow our Own & Sovereign MBA Programme
- Quality School
- Agricultural Graduate Programme
- Computer Training School
- Driver Training
- Apprenticeship School

# Training & Development

## Grow Our Own & Sovereign MBA Programme

Sovereign Foods is passionate about developing staff and growing them to their fullest potential. The Grow our Own programme is open to all Sovereign Foods employees irrespective of current position and is also targeted at labour broking staff. Some benefits of growing and developing our staff include the following:

- Employee retention;
- Increased employee loyalty;
- Higher employee productivity;
- More engaged and motivated employees;
- Branded as an employer of choice;
- Increased competency and skill levels of staff and
- Maintaining closer control over the skills and work habits acquired by our existing employees.

This purpose of the Sovereign MBA is to equip Grow our Own candidates with skills to grow them to their full potential. The Sovereign MBA has a formalised curriculum and academic calendar which are reflective of training, practising new skills, assignments, compilation of profiles and formal assessments.

This great and exciting learning opportunity is a business initiative and will be driven not only by Team Engagement but by all business leaders and those passionate about development.

## Quality School

As a strategic objective Sovereign Foods implemented a formalized Quality Management System to ensure staff are trained on HACCP procedures, requirements and policies. This ensures that our quality and food safety standards always meet national and international standards.

Internal training which is covered is focused on GMP and HACCP training interventions. It is compulsory for all employees joining the company and working (directly or indirectly) at the Processing Plant to attend GMP and HACCP general and specific on-the-job training. External training covers Poultry Meat Examiner (PME) and Poultry Meat Inspector (PME) training.

**HACCP** involves the systematic assessment of all the many steps involved in a food operation and identification of those steps which are critical to the safety of the product.

Sovereign Foods will next focus on ISO 9001 accreditation which will enable the company to export product outside the borders of South Africa.



“Employee benefits are viewed as one of many retention strategies. Well structured packages with a degree of flexibility gives staff the opportunity to be engaged from the start.”





**Accurate Farm** - one of the most advanced chicken houses run by Sovereign Foods and indeed, in the country.



### AGRICULTURAL GRADUATE PROGRAMME

The agricultural graduate training is mainly focused on the job training where trainees are exposed to world class farming principles. Sovereign Foods has four graduates which are based within the Broiler and Breeder Divisions. The trainees are also trained in a wide range of competencies and standard operating procedures. The aim of the programme is to equip the trainees to become knowledgeable farm hands with the aim of becoming permanent staff members.

Sovereign Foods has a long history of farming in poultry and therefore the need to grow employees within the Agriculture divisions to the respective National Qualifications applicable to farming. At the moment all training - theory and practical - is happening on the respective farms and at the Feedmill sites under the supervision of the TEM's, Farm Managers and Area Managers.

### COMPUTER TRAINING SCHOOL

As part of the company's strategic objective to up skill all Sovereign staff to Excel advance level of competence, as an executive initiative, the Computer Training Academy was established during 2009. The ultimate strategy of the Computer Training School is to empower our employees to perform at superior levels by ensuring that they have the necessary computer skills. We have a dedicated computer training venue which can host 12 learners at any given time. A highly skilled permanent facilitator currently runs all the relevant training courses, with two additional facilitators been appointed soon. The Sovereign computer school runs from Monday to Saturdays and training is conducted between 08:30 and 17:00.

#### Training statistics overview as of October 2009.

COURSES ATTENDED	Total trained	% completed
SharePoint Introduction	283	74%
Excel Introduction	210	55%
Excel Intermediate	161	42%
Excel Advanced	81	21%
Outlook Introduction	78	21%
PowerPoint Introduction	17	4%
Windows Introduction	3	1%

### COMPUTER TRAINING SCHOOL ctd

Sovereign Foods aims to ensure all computer training material complies with and is aligned with respective National Qualifications / Unit Standards as well as registering the Computer Training Academy as an accredited provider. This will in turn give us the license to not only train internal but external people at a cost and distribute certificates that are nationally accredited.

### DRIVER TRAINING ACADEMY

Sovereign Foods has identified a need for driver training within South Africa. The company has launched the Driver Training Academy as the part of the Grow Our Own programme. The academy aims to train drivers who previously had no skills to eventually successfully complete a Code 14 license. A permanent Trainer has been appointed and is currently training 12 drivers. The estimated time of successful completion of the Driver Trainer Curriculum is 6 months. In addition to the actual code 14 driver test, the learner will also be exposed to formal assessment relevant to the environment in which they operate. Before individuals are accepted onto the programme, they undergo a rigorous selection process. The ultimate strategy is to create a pool of competent drives, not only for Sovereign Foods but also for other businesses to assist with the national shortage.



"The academy aims to train drivers who previously had no skills to eventually successfully complete a Code 14 license."



### APPRENTICE PROGRAMME

The initiative was started around 2007 with the first intake in September 2008. The factory was and is used as the base of the operation and is linked to the processing maintenance department. Currently it has a budget of +- R 1.4 M a year. Every artisan employed in the company will and has at some stage already assisted by being a mentor to an apprentice on his shift or by training and helping them with assignments and tasks allocated to them.

In terms of our local community, the programme created 27 opportunities to develop and train local people. It gave them and the company the chance to contribute to the skill shortage in this country and community.

The goal is to train and develop at least 50 apprentices every 2 – 3 years. This will not only give Sovereign Foods the opportunity to select the best candidates for specific positions but also generates valuable skills that can be used in industry all over the country.

We make use of the existing infrastructure to train them and build experience. From the maintenance workshop through to the farms everywhere there is a need for someone with technical skills to fix and improve.

At this stage we can with great certainty place an apprentice with an artisan and know that he will be motivated and eager to learn and assist in any situation.

Short term however: All over the company there are extra hands to assist and help to ensure that the work is done in the quickest and most productive manner possible.



# Empowerment Initiatives

As a corporate citizen, Sovereign Foods fully supports the aims of the Broad-Based Black Economic Empowerment Act and advances its objectives wherever possible.

## In particular the group:

- applies the provisions of the act through its policies of employment equity in appointing and managing its human resources; and
- benefits the communities in the Eastern Cape province where it conducts its business by supporting and funding the development of emerging farmers and black-controlled retail distribution businesses.

Sovereign Foods practices preferential procurement, the three-year expansion programme, recently completed, will further increase the number of BEE broiler and breeder farms. The first BEE unit to be developed has been operational at Loerie since August 2007. The total investment in this project was R20 million, funded by a state grant, a grant by Sovereign Foods and a bank loan. The second BEE farming partnership was launched early in 2009 in partnership with the Simile Farmer's Trust. Simile took occupation of a state-of-the-art Broiler Farm and will manage the operation in accordance with a service level agreement and with Sovereign as its exclusive customer. In addition to its involvement in social and economic upliftment, Sovereign Foods also places a major focus on not only fair employment practices but also the development of its staff.

# Corporate Social Responsibility

Sovereign Foods is passionately committed to the upliftment of South African society ensuring opportunities for all people from every cultural group and community. Out of a desire to plow back into the community we have looked for local organisations who are involved in uplifting and improving the standard of living, the quality of life and the access to opportunities for unprivileged people. The organizations we have identified are all lead by committed individuals who are serving the community in a self-sacrificial manner, often without any formal salary or government support. We take tremendous pride in our involvement with these dedicated South African heroes who strive to make better tomorrows for people without basic support systems. For us to know that our contributions are helping orphans find homes, grandmothers be able to care for their grandchildren and people in deep poverty be given a basic meal is intensely gratifying and gives us a sense of hope for the generations to come. Amongst these supported projects are:

## Sovereign Foods currently supports:

**Isithembiso Babies Home**, a transition care facility for abandoned and abused babies;

- Sovereign Foods is currently the babies homes biggest financial supporter with a monthly cash donation of R15 000. The haven currently homes 14 babies all younger than the age of 4. The home has helped place close to 40 babies in either permanent or foster homes over the last 3 years.

**Ilitha Day Care Centre**, a township-based care centre for young children of working parents;

- Sovereign currently donates a sum of R5000 on a monthly cash basis to Ilitha Cares to cover the costs of Iris Veto's salary. The home has over 78 young toddlers who attend the crèche on a daily basis, requiring a staple meal, sometimes the only one they are able to have that day. The children are taught basic learning and discipline techniques such as hygiene and social values.

**The Gogo Trust**, a trust that provides aid to AIDS affected members of the community. The trust provides shelter, care and schooling for AIDS orphaned children in its pre-school as well as additional support to widows affected by the virus.

- Sovereign Foods currently supports the Gogo Trust with a R10 000 cash donation on a monthly basis as well as supporting their permanent care giver Gibmani Ntete with a monthly salary of R5 300.00. The preschool is operated on Christian principals and provides love and support for the children of this impoverished community.

**Jesus is Lord Ministries**, a ministry based in the northern areas of Port Elizabeth and focused on providing both food and life skills training to the region.

- Sovereign provides almost R25 000 a month to this charity in the form of a monthly cash donation of R10 000 and a donation of soup pack product to the value of R15 000. Sovereign Foods also recently donated a second-hand container to the shelter to store all of the food that is donated to them.

'We take tremendous pride in our involvement with these dedicated South African heroes who strive to make better tomorrows for people without basic support systems.'



**Miracle Meals**, a food feeding scheme which ensures assistance to those less fortunate via weekly product donations.

- Miracle meals is a food feeding scheme which ensures assistance to those less fortunate via weekly product donations. Sovereign Foods makes a monthly donation of 2 tons of Country Range Soup Pack to this organisation to be handed out to as many soup kitchens and crèches in the local community as possible

**Healthy Moms and Baby Clinic** – A babies clinic in JBay which assists with the need of the local community for basic hygiene and health care for new mothers and babies.

- The Healthy Mom and Baby clinic was established out of a need for specialized midwife services for pre and post natal mothers within the Kouga area. Sovereign Foods has offered financial support to the clinic by paying the monthly salary of R3 500 to the Assistant nurse to the organisation.

**Sponsorship Donations** - Sovereign also donates chicken products on a regular basis to various other worthy causes.

## SOVEREIGN FOODS STRATEGIC OBJECTIONS TO COPORATATE SOCIAL RESPONSIBILITY INITIATIVES

- To help and care for the poor!
- To increase awareness of NPO's and Charities, ensuring added support and recognition of their individual needs.
- To increase awareness of Sovereigns good corporate citizenship amongst stakeholders thereby improving brand reputation and the positive public profile of the company.
- To improve relationships with Parastatals, investors and customers through raised awareness of corporate social responsibility initiatives.
- To encourage full participation by the staff in the CSR initiatives of the company thereby enhancing staff retention and attracting new talent.

Documented as the poorest province in South Africa, the Eastern Cape's citizens at large remain in need of social and economic aid. Despite its current involvement in various community projects, Sovereign Foods recognizes this great need for social upliftment and continues to look for and identify suitable development opportunities in the region in an attempt to help improve the lives of the local citizens.