



INTEGRATED REPORT

2020

Standing true to our values



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OUR NEW BUSINESS AS USUAL

With all the turmoil in the sugar markets and the exchange rate rollercoaster, there is nothing we can control out there. What we can reasonably influence though is our level of production and the costs of production. We need the support of every stakeholder to achieve our Simama 20-20 strategy, which in turn guarantees value-creation for all.

ABOUT THIS REPORT

This is the ninth Integrated Report of the Royal Eswatini Sugar Corporation (RES Corporation), previously the Royal Swaziland Sugar Corporation. The report outlines the issues, activities, relationships, interactions and performance of RES, within its operating and marketing contexts during the period between 1 April 2019 and 31 March 2020. The aim of the report is to provide not only to shareholders, but other stakeholders with an interest in the Corporation's activities a balanced and integrated insight into the ability of RES to create value in the short, medium and long term, which we define as one to two years, three to five years, and five to ten years respectively.

Reporting Boundary

The scope and boundary of the report remain unchanged from those of the prior year and, as before, the material issues have been identified and reported upon with regard to, and in cognisance of, the six capitals – financial, manufactured, intellectual, human, social and relationship, and natural – outlined in the International Integrated Reporting Council (IIRC)

<IR> Framework. The report was also prepared with regard to the principles described in the King IV Code on Corporate Governance (King IV).

Certain forward-looking statements are made in the report, particularly in relation to the impact on strategy, capital expenditure (Capex) and operational processes in the context of global and regional markets and economic trends. These statements are necessary, not just for the completeness of reporting, but because this impact will be materially felt, not only in the short term, but in the medium and long term as well. There are significant implications for strategy implementation and value-creation.

(For more on strategy and operations please see pages 24 and 54.)

Financial and non-financial reporting

The report extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes attributable to or associated with our stakeholders that have a significant influence on our ability to create value.

Materiality and material matters

While no formal process was undertaken during the year under review to further identify the material aspects that form the basis of the scope and boundary for this report, the material aspects previously identified have not changed in any significant manner. Further

materiality issues as they pertain to ongoing stakeholder management are discussed in our Stakeholder Relations section of this report on page 47.

Navigation

In our report, we endeavour to describe our approach, activities and mandate in terms of our capitals, with associated icons to aid reference and navigation:

For more on our capitals, see page 12.



Directors' Statement of Responsibility

The Board of Directors acknowledges its responsibility in ensuring the integrity of this report, and has applied its collective mind to its presentation and preparation. The Board believes that this report is a fair representation of the performance of the Group and its material matters. The Board of Directors has approved the 2020 Integrated Report on the recommendation of the Audit and Risk Committees. The Group Financial Statements were audited by KPMG.

**£3.37bn**

Revenue

**£326m**Cane-growing
contribution**£407m**Sugar-milling
contribution

RES CORPORATION AT A GLANCE

Despite crop yields during the year under review being down, the combination of good performance at our factories and an increase in the sugar price, we have seen an increase in our profit before tax (PBT).

**£24m**

Ethanol contribution

**£407m**

Profit before tax

**£300m**Attributable to
shareholders

MESSAGE FROM
THE CHAIRMAN

DR AT DLAMINI - Chairman

The year under review has yielded some very good results for RES despite ongoing depressed global prices, and our own production being lower due to storm damage early in 2019, adverse climatic conditions, as well as the cutting of young cane following the long season the year before. However, despite the reduction in sugar volumes due to the adverse climatic factors, the business was managed in such a way as to contain costs and maximise sugar available to the market to derive benefit from the better price that was available. This led to better than expected results for the year 2019/20.

**E3.37bn**
Revenue

The Corporation's good financial performance also reflects efficient operations at our factories throughout the season, as well as excellent ethanol production.

Governance and ethics

The Board appreciates its crucial role in exercising ethical and effective leadership in order to achieve the governance outcomes outlined in King IV.

The maintenance of ethical standards and ongoing efforts to achieve an ethical culture remain a key focus of the Board and its commitment to being a responsible corporate citizen. In this regard, the Risk and Social and Ethics Committee continued with monitoring the management of ethics, fraud and corruption, IT governance matters, and safety and health within the workplace, as well as the Company's activities. Our overall aim is always for the Corporation to meet its obligations and responsibilities to society and the natural environment.

During the year under review, in the wake of global concerns about executive remuneration, the Board, through the Remuneration Committee, commissioned PwC to review and evaluate the incentive schemes at RES, to ensure that they continue to follow best practices with good corporate governance.

With the coming into effect of IFRS 16 on leases, the Audit Committee also spent considerable time evaluating the appropriateness of the approach adopted by the Corporation in implementing the new standard. The committee continued to monitor compliance with financial risk management measures as part of improving the internal control environment. In addition, the Board also established ad hoc committees during the year to assist it in overseeing significant capital investments and funding.

During the year under review the Board executed all its scheduled activities as set out in the Board Charter and the Board of Directors' Annual Work Plan. On behalf of all the members of the Board, I would like to congratulate Her Royal Highness Princess Lomajuba on her appointment as chairperson of the Technical and Support Services Committee as part of our commitment to the promotion of gender balance.

(For more on the activities of our committees, see page 69.)

Delegation

The Board also successfully delegated to management aspects of stakeholder management with respect to financiers on IGP and other growth initiatives under consideration. Other matters delegated included succession planning for levels below executive management, and the consideration of substantial capital investments by ad hoc committees tasked with receiving and evaluating reports and proposals from management for further recommendation and approval by the Board.

(For more on governance, see page 68.)

Strategic considerations

In addition to the challenges faced by the global and regional industry, the year under review also presented the Corporation with certain strategic challenges which entailed some difficult decisions on the part of the Board. In the light of unfavourable developments mainly in the regional sugar markets, and reflected in some resistance within South Africa to sugar originating from Eswatini, we opted to pursue opportunities for optimising the Corporation's portfolio of assets through acquisition. This, however, necessitated postponing the implementation of Phase 3 of our Integrated Growth Programme (IGP).

(For more on strategy see page 24.)

In the matter of strategy, the Board was very active in providing guidance on the formulation of strategic objectives in keeping with the Corporation's strategic intent to reduce production costs, while at the same time increasing revenue streams by investigating new products and markets. Despite the hold put on Phase 3 of the IGP, Phase 2 was fully commissioned with the view to pursuing our low-cost strategy.

Also related to strategic implementations was our oversight of the Corporation's name change to Royal Eswatini Sugar Corporation (RES) to ensure alignment with Legal Notice No 80/2018, and our review of the revised mission and vision statements and values for RES.

There were a number of other projects in which the Board was involved, among them replacement capital investment in production infrastructure to improve efficiencies

and enhance the quality of our manufacturing assets, and managing and reducing costs through the pursuit of our growth strategy. This was underpinned, among others, by both the Mhlume factory's expansion and operational excellence across the business.

Throughout the year we maintained our focus on being well informed on business developments through our ongoing fruitful and productive engagement with the executive team, and the quarterly reporting by the Board's various committees. It is gratifying to see the extent to which we continue to leverage technology to improve efficiencies, while at the same time taking cognisance of the risks posed by digitalisation initiatives.

Our people and their wellbeing

The Corporation has continued to invest in its human capital, with its ongoing emphasis on attracting talent and the retention of critical skills, technical and leadership development and succession planning. In all this we continued to be guided by international best standards, including those of ISO, with the Corporation retaining its health and safety certification despite a concerning negative trend in this area.

(For more on employee health and wellness, see page 41.)

Our environmental compliance has faced some challenges with respect to boiler emissions and effluent discharge. The Corporation is, however, extremely mindful of its responsibilities and we are confident that we are doing everything within our ability to address the shortcomings.

As a responsible corporate citizen, we continued during the year to invest in sports, health, empowerment and cultural activities for the benefit of our surrounding communities and society at large. I am pleased with our contribution to the improved standard of living of our employees and neighbouring communities through our human capital and corporate social investment (CSI) programmes.

Dividend policy

An important aspect of the Board's considerations during the year was our review of the Dividend Policy, revised down to 50% of profits, in the light of the difficult trading outlook for sugar, and the reduction in demand. The aim was to protect the Corporation through increased internal funding of projects. The Board took a decision to fund all major growth related investments on a 60:40 debt to equity basis.

We are pleased to have been able to fulfill investor expectations in terms of cash returns, with the payment, despite challenging trading conditions, of a dividend of 134.6 cents per share during the year.

(For more on finance, see page 76.)

Stakeholders

It is pleasing that we have been able to deliver value not only for our shareholders but for various stakeholders, by creating employment opportunities – and thereby contributing substantially to the country's GDP and fiscus – as well as through our partnerships with, and procurement from, local suppliers and community development initiatives.

We are grateful to our internal and external stakeholders who continue to be key to our operations as a business. Of particular note is the joint effort by industry players and the Government of Eswatini in handling the matter of the Vuvulane residents. While we recognise that our relationships with some of our stakeholders continue to be strained, we remain resolutely committed to ongoing engagements to achieve a mutually beneficial resolution of issues.

(For more on stakeholders and Growers, see pages 47 and 64 respectively.)

Looking ahead

I could not close my remarks without referring to the advent of the COVID-19 pandemic, and its devastating impact on health, as

well as on social and economic conditions locally and worldwide. We are very mindful, both as a business and as an employer, of the wellbeing of our people and communities, as well as of the human and financial cost that may ensue. We are confident that management is doing everything possible to minimise the negative effects of the outbreak on our employees and business operations in this regard.

We are aware of the risks posed by negative sentiment towards Eswatini sugar emanating from industry organisations in South Africa, and will also, in the medium term, need to take into account the sugar market volatility, as well as global issues, such as Brexit and US-China trade tensions. Nonetheless, we look forward to the future with anticipation and remain optimistic that management and employees will rise to the challenge.

Acknowledgements

My sincere appreciation goes to my fellow Board members and the RES management for their diligent engagement on company issues. I also wish to thank all of our stakeholders, especially our employees, suppliers and government ministries, for their continuing belief in our business and interest in our great Company.

Special thanks are due to Mr Stephen Potts, who has served as General Manager – Finance since January 2002, and who will now be heading the Corporation's Special Projects. On behalf of the Board, I would like to thank him for his valued contribution. I would also like to take this opportunity to congratulate Mr Dumisani Dhlwayo who takes over the position and responsibilities of GM Finance.



Dr AT Dlamini
Chairman

Tidbit



THE STATE OF OUR IGP

Despite the hold put on Phase 3 of the IGP, Phase 2 was fully commissioned with the view to pursuing our low-cost strategy.

WHO WE ARE



OUR VISION

Leading Africa's future in sustainable sugar and renewable products



OUR MISSION

We are an agribusiness that competitively and sustainably adds value for all stakeholders



OUR VALUES

Integrity

We conduct ourselves in an honest, fair and open manner in all our dealings

Delivery

We meet our targets and deadlines

Respect

We respect, value and care for each other



1955

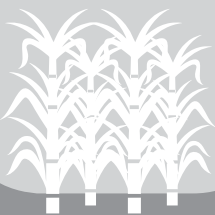
Commonwealth Development Corporation (CDC) undertakes sugar cane trials at Mhlume; Mhlume (Swaziland) Sugar Company Limited, registered as a sugar factory and cane estate

1957

Komati River Barrage, with 88km gravity canal, commissioned to provide the required irrigation. Known as Mhlume Water, this system is managed by Inyoni Yami Swaziland Irrigation Scheme (YSIS)

1958

Mhlume Sugar Estate incorporated

1950**1960****1960**

Mhlume Mill commissioned with a production capacity of 90 tonnes cane per hour (tc/hr)

1966

CDC assumes sole ownership of Mhlume (Swaziland) Sugar Company Limited

1973

Tibiyo TakaNgwane, in conjunction with CDC, carries out a pre-investment study for the expansion of sugar production

1975

Third mill is planned and developed by Tate and Lyle Technical Services Limited. Tate and Lyle Technical Services Limited enters into partnership with the Swaziland Government and Tibiyo TakaNgwane

1977

His Majesty King Sobhuza II, OBE, Ingwenyama of Swaziland, acquires 50% of share capital of Mhlume in trust for the Swazi nation

1970**1978**

The Ingwenyama names the third mill Simunye Sugar Estate

1979

The Royal Swaziland Sugar Corporation Limited is created as a Joint Venture between the Swaziland Government and Tibiyo TakaNgwane, with the agreement to subscribe for E40.1 million of equity share capital

**1980****1980**

Simunye Sugar Mill, capable of producing 120 000 tonnes sugar per annum, is commissioned

1992
RSSC is listed on the Swaziland stock exchange

1995
Distillery is commissioned

1990



2000

2001
RSSC merges with Mhlume (Swaziland) Sugar Company Limited

2002
A new, enlarged RSSC is launched, employing more than 3 500 permanent staff and producing two-thirds of the country's sugar

2004
Mananga Sugar Packers is established at Mhlume Mill as a joint venture between RSSC and TSB Sugar

2007
Distillery expansion is commissioned to utilise all Mhlume and Simunye molasses in order to increase its notional capacity to more than 32 million litres of ethanol per year

2009
Purchase of 50% shareholding in IYSIS by RSSC at a cost of E46 million

2011
Installation of the 30 MW turbo alternator at the Simunye mill, at a cost of E120 million

2012
RSSC acquires a 25% shareholding in Quality Sugars (Pty) Limited

2012
Purchase of Swazican Citrus lease at IYSIS and the conversion of 600ha from citrus to cane, thereby increasing cane and sugar production

2010



2014
Integration of our information systems into SAP in line with global best practice

2017
Phase 1 of the Integrated Growth Plan began

2018
Mhlume factory expansion Phase 1 was completed and Phase 2 began. The new equipment was already in operation, and aligned to crush the additional Outgrower cane.

2019
Phase 2 of the Integrated Growth Plan was completed during the off-crop (April)

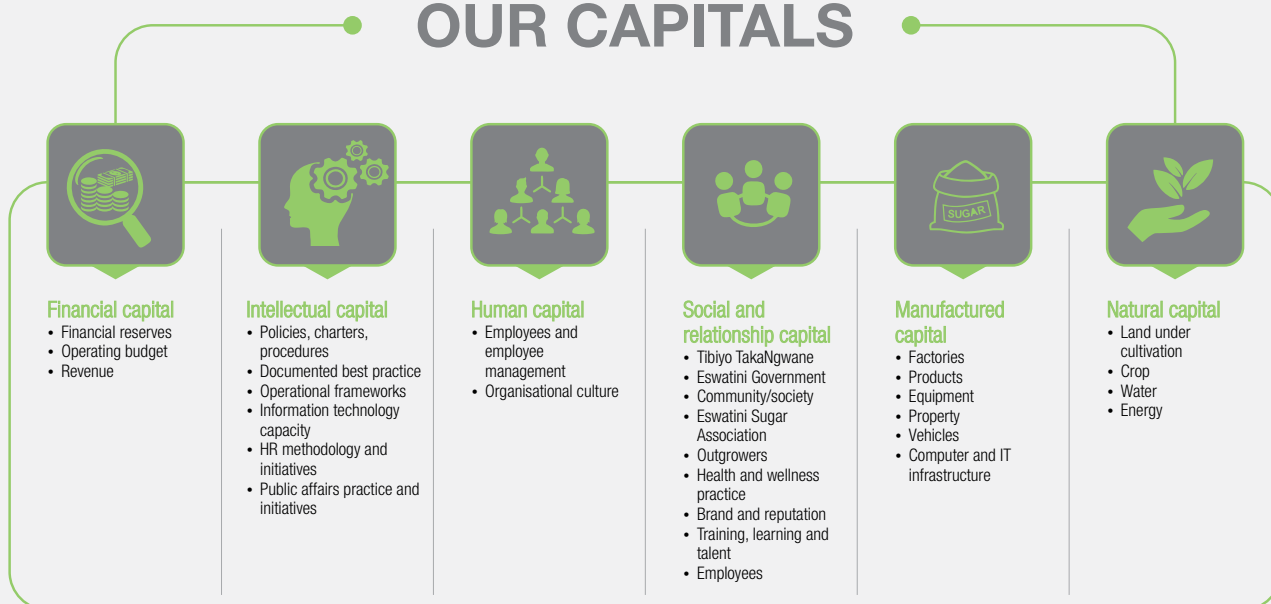


2020

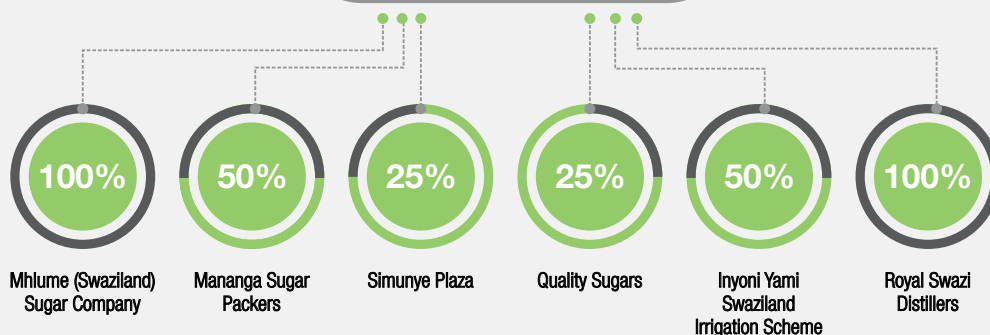
2020
Royal Swaziland Sugar Corporation changes its name to Royal Eswatini Sugar Corporation, expressed in a newly designed logo as RES Corporation

Our vision and mission encapsulate our purpose, our goal to be an industry leader on our continent, and our determination to grow our business and products sustainably.

OUR CAPITALS



INVESTMENT PORTFOLIO



OUR OPERATING ENVIRONMENT

The international picture

The year under review has seen a significant deficit persisting in world markets, with global prices still in the process of recovering from the 10-year low recorded in 2018. While prices have registered a slow rise, they have thus remained low. Nonetheless, consumption continues to grow more than capacity, with a resulting deficit in the markets, and the possibility of problems for the global industry arising from that in the short term.

With high stocks in the system and the resulting high consumption ratio, there has also been a rise in alternative crop prices. In India in particular, there remain large stocks to clear, although there is the likelihood of a smaller crop occurring in that country in the 2019/2020.

The European Union (EU)

In Europe, some major producers have recently undergone rationalisation or consolidation, which has resulted in factory closures. Despite this, spot EU prices remain attractive, and are aligned to import parity at around €160 per tonne for No 11. This is enough to attract the required level of duty-free sugars in the context of the region's poor beet crop during the year.

South Africa and the Southern African Customs Union (SACU)

In our own region, prices for both brown and white sugars have generally been at a premium, matching world market levels, with the Kenya quota continuing to be attractive. In this respect, it continues to be important for RES to capitalise on regional trade agreements to which Eswatini is a signatory.

SACU consumption has certainly been affected by the sugar tax that has been imposed in South Africa. Even though the legislation was introduced in the prior year, its impact has begun to make itself felt in the 300 000 tonnes that have effectively been taken out of the market. This has come about as the soft-drink manufacturers have reformulated their products to comply, and are no longer

FIGURE 1 - Global production, consumption and stocks

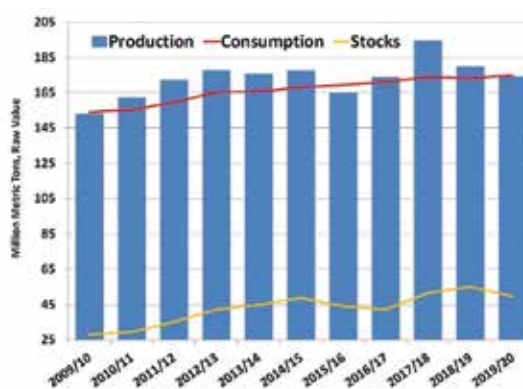


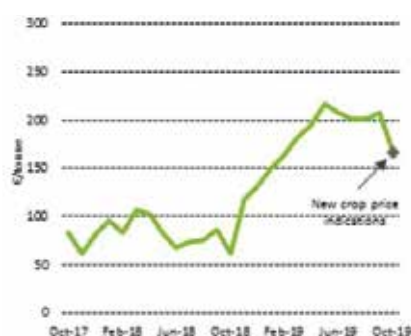
FIGURE 2 - Global supply/demand balance (Oct/Sep basis)



FIGURE 3 - Global raw sugar and stocks/use ratio



FIGURE 4 - Global supply/demand balance (Oct/Sep basis)



buying sugar in the amounts seen previously. While Eswatini has not suffered to the same degree as the South African producers, there is a need to make up the shortfall through exports, and the Corporation is thus viewed as a serious competitor, with the potential to capture markets.

South African resistance

For the above reasons, South African producers have approached their Government with the aim of reducing the amount of sugar that we sell in that country. The South African Department of Trade and Industry (dti) has been reviewing the idea of an industry master plan to help save the local industry and jobs. As no trade barrier can be erected because of the terms governing the common market, the dti has supported attempts to limit the amount of sugar coming into the country with a “buy local” campaign.

Two factors are nevertheless working in our favour:

- As the Corporation always sells at a slight discount in South Africa, our pricing is more attractive to the major South African supermarkets and retailers, whose loyalty to

customer needs, particularly in the light of Coronavirus economic constraints, may outweigh a willingness to “buy locally”

- Most of our sugar destined for the South African market is sold to pre-packers, so the battle is predominantly being waged by that sector.

During the year under review, we have still sold around 453 000 tonnes into the South African market.

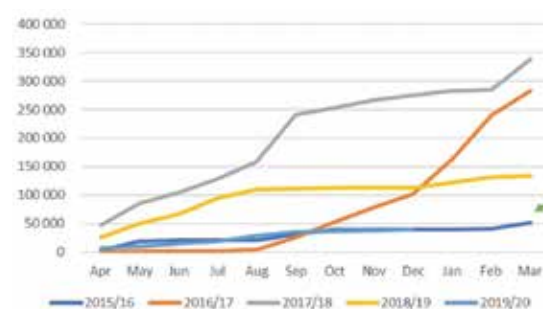
Looking ahead

Despite its reforms, the EU will always need to import speciality sugars, as well as some raw and

very high polarity (VHP) sugars from quality suppliers, such as that which comes from Eswatini in general and RES in particular. The import demand will undoubtedly fluctuate year-on-year depending on the EU crop and other factors, but we have conservatively assumed a modest premium over the No. 11 price, for both EU and world market sales in the short to medium term.

We also envisage a modest SACU growth in consumption from a lower assumed base, and we expect regional price premiums and quotas to remain in place as the US quota will continue to reflect high prices.

FIGURE 5 - SACU Sugar Imports (int.) 2015/16 to 2019/20



FIVE-YEAR REVIEW

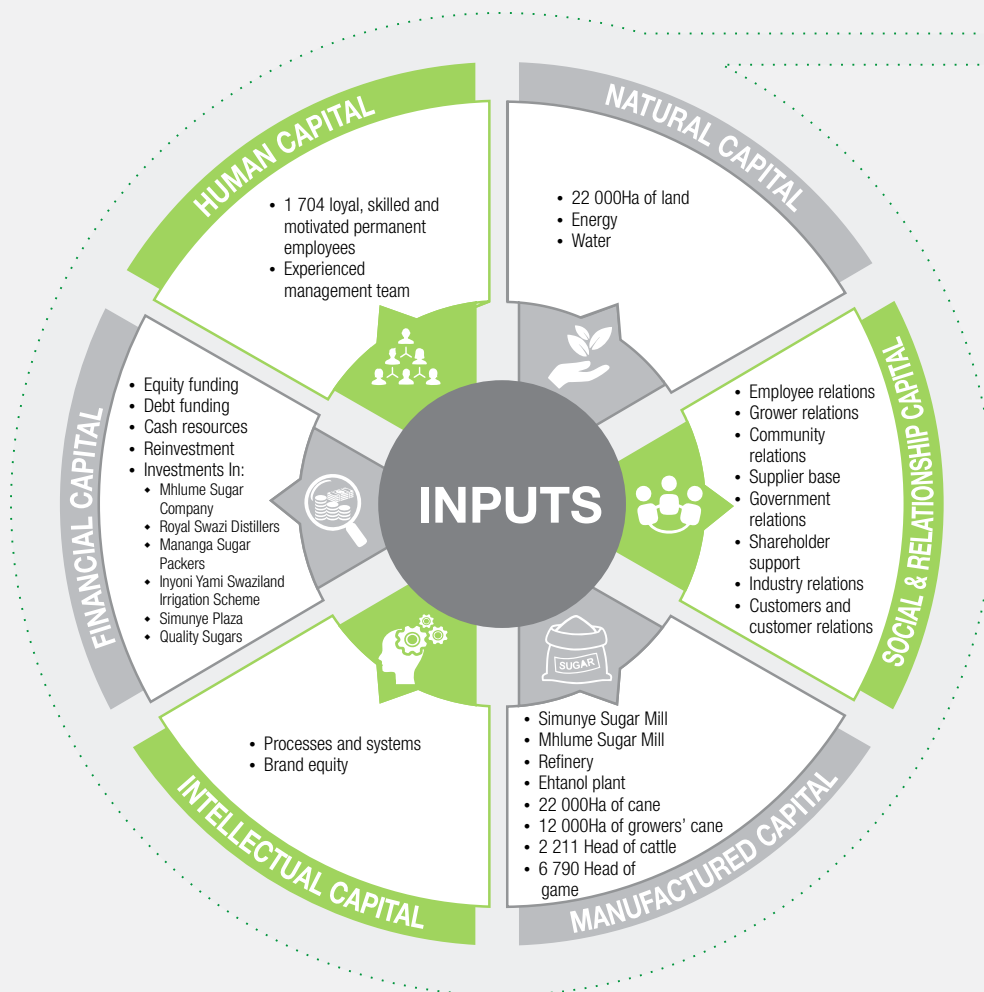
	March 2016	March 2017	March 2018	March 2019	March 2020
Production					
Sugar (96° tons)	485 529	400 102	435 763	505 575	460 659
Ethanol ('000 Litres)	35 316	33 218	25 468	29 844	35 701
Financial Results (E M's)					
Revenue (RES)	2 865	2 958	2 953	3 047	3 372
Profit attributable to shareholders	273	393	301	218	300
Balance sheet & cash flow (E M's)					
Total assets	2 646	2 940	2 944	3 130	3 492
Shareholders' funds	1 755	1 893	1 982	2 053	3 372
Net borrowings	-	-	-	145	112
Net cash from operating activities	426	572	391	75	496
Financial ratios					
Operating Margin %	12.5	18.2	11.1	8.0	11.3
Return on Net Assets (%)	17.7	24.1	16.7	11.6	13.1
Return on shareholders equity (%)	15.6	20.8	15.2	10.6	14.7
Interest cover (times)	48.2	78.0	173.5	21.1	13.9



453 000

tonnes sold into South
African market by Eswatini
Sugar Industry





Sugar cane growing

Harvesting

Refining

Ethanol Distilling

Our business model constitutes a basic part of our financial and intellectual capitals, and governs the manner, in which we conduct our business activities, to produce outputs which create value for our stakeholders.

STRATEGY



For more information on how our Strategy enables value creation for our stakeholders, please refer to pages 47 to 51

RISKS



For more information on the Risks that may impact our value creation, please refer to pages 28 to 34

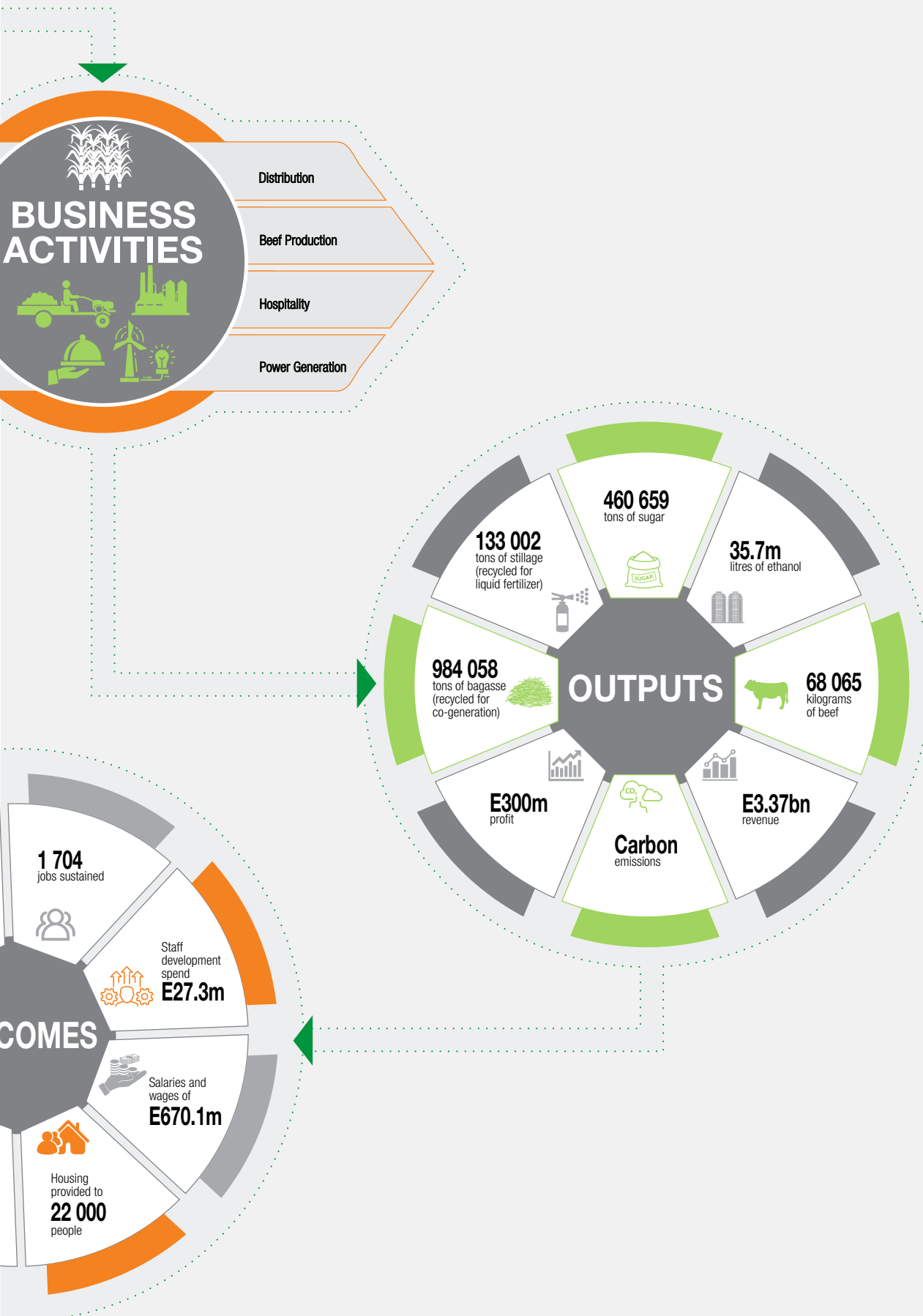
E199.9m
to taxes paid
to government



OUTPUTS



Healthcare
services of
the value of
E27.1m



04

CREATING VALUE



The decision to cut cane early was a strategic one, designed to confine the effects of the dry season to the year under review, and to enable us to return to the full 12-month cycle in 2020/2021.

MESSAGE FROM THE MANAGING DIRECTOR

“

NM JACKSON - Managing Director

While the financial year of 2019/2020 was tougher than we had expected, all things considered, it turned out to be a good year. Climatically we experienced storms in February/March 2019 that resulted in cane lodging. This affected the growth of the crop. This was further exacerbated by the extended previous season, a phenomenon that had the effect of the harvesting of a younger crop throughout the 2018/19 season. Consequently, the mills finished the 2019/20 in the middle of November with a lower crop and sugar volume when compared to the 2018/19 season.

Tidbits



TOUGH TIMES AHEAD

The South African Sugar levy has resulted in the market shrinking by 300 000 tons.

The decision to cut cane early was a strategic one, designed to confine the effects of the dry season to the year under review, and to enable us to return to the full 12-month cycle in 2020/2021.

It has been our resourcefulness in changing our approach to water usage at the height of the serious drought that affected us previously, that has enabled us to face the issue with far greater confidence. Our self-imposed water restrictions and our careful analysis of resources have given us the ability to control usage and maximise savings, especially in the area of electricity used for irrigation activities.

We have also, during the year under review, advanced our strategic initiative to increase the area of cane under drip irrigation. This provides a double advantage in that not only does it save water by replacing the wasteful flood-irrigation of fields where gravity-fed water is conducted by furrows to the crop, but it allows us to increase the yield, by up to 40 or 50 tonnes per hectare. It also reduces the replant cycles, and therefore future planting outflows, as drip fields yield a minimum ratoon of 10 years compared to other systems that range from 5 to 7 years. We have at present about 15 000 hectares under drip – about 66% of the farm – and we are examining ways of implementing the system in the remaining 34%.

Strategic developments

We examine our Integrated Growth Programme (IGP) yearly to determine if our tactical decisions remain correct. Our review during the year's reporting period led us to postpone the IGP altogether for the year. We have become sensitive to expanding our land under cultivation, as we monitor the development of socio-political concerns in South Africa, where there are indications of a potential push back on sugar originating from Eswatini. In addition to the reason above, suspending the IGP was also to allow us to pursue a strategy to expand the Corporation's portfolio of assets through acquisitions.

(For more on our strategy, see pages 24.)

FIGURE 6 - Cost Per Tonne Of Sugar



Southern African Customs Union (SACU)

The effect of South Africa's health-care levy on sugar began to express itself on this market during the year under review, with an estimated 300 000 tonnes effectively being taken out of the market with the reformulation of carbonated drinks.

The resulting competition to export this shortfall has resulted in the South African industry vocally resisting Eswatini imports and together with their government, promoting a "buy local" campaign. However, because we sell our product in South Africa at a slight discount, it still remains attractive to retail outlets in that country, and during the year under review, the Eswatini sugar industry have sold about 453 000 tonnes, generally through the medium of pre-packers, who are bearing the brunt of the campaign.

(For more on our operating environment, see page 13.)

Cost of production

Under our Simama 20-20 short- to medium-term strategic initiative, we have for many years been

vigorously focusing on reducing our unit cost of production. We have been successful in this, and are in fact on world-class levels in this regard. While we have once again performed well, we did not, however, attain our targets during the year under review because of the decline in sugar production resulting from the climatically enforced early cane-cutting. We are nonetheless confident that in the course of restoring normal production in FY2021, we will return to our declining trend in unit cost.

New products

RES is now producing a new type of Demerara sugar, the revenues from which will flow back into the Corporation. The advent of the Coronavirus pandemic has also provided us with the opportunity of producing alcohol-based sanitiser, 80% of which is comprised of ethanol. We have already donated amounts of the product to the Government to aid in the national fight against COVID-19, but will also be bottling and marketing it commercially as a line item under our "First" brand.



It was important for RES Corporation to ensure that contractors were also equipped to fight the spread of the Corona virus



15 000
hectares under
drip irrigation

We have also been examining the potential of introducing Newcane sugar – a low-GI sugar originating in Australia. The sugar is produced by a less thorough washing of the crystals in the final stages of the manufacturing process, and results in a clean free-flowing product. The equipment for this will be installed at Simunye once the factory has the required FSSC food-grade certification, which our Mhlume factory already possesses, and we have allocated capital expenditure to this end.

(For more on our factories, see page 56.)

Growers and ESA

Our relationship with the Growers and the Eswatini industry continues to be troubled by the dispute over the beneficiation of bagasse. The Independent Review Committee (IRC) ruled on the matter during the year under review, and in December 2019 the Corporation offered to make a without-prejudice payment to allow negotiations to begin, whereas the growers demanded a full and final settlement. The matter has not yet been resolved.

(For more on Growers, see page 64.)

People management

The Corporation has operated for the entire year under review without a Group Human Resources Manager. However, after exhaustive efforts to identify the best candidate, an appointment is due to be made early in FY2021. We continue to be very active in developing our people, and I would like to highlight the activities and achievements of our Leadership Academy, which continues to broaden its reach – even beyond Eswatini borders. Their work has greatly contributed to promoting top-

quality management training, both to RES and to the country as a whole.

(For more on HR, see page 38.)

Looking ahead

The impact of COVID-19 will undoubtedly be a factor in our thinking in the short to medium term. It already had an effect at the end of the financial year, with the closure of borders towards the end of March 2020. We were then in the midst of our off-crop process, and the importing of equipment needed to restart the mills was hampered. We were forced to start one of the mills without a turbine that had been sent away for refurbishment. This compelled us to import significant amounts of power. Elements of the commissioning of equipment will most likely need to be done remotely.

(For more on our factories, see page 56.)

While the overall impact of COVID-19 will be hard to quantify in advance, prices, which will determine our strategic thinking, have also shown a dramatic movement as the pandemic took hold globally.

EARLY FEBRUARY 2020

No. 11 price: 15cents/lb

No.5: US\$ 407/tonne

White premium: US\$76/tonne

There may also be related difficulties in securing the required labour for cane-cutting, some of which comes from across our borders. We will also have to consider alternative procurement of process aids, such as lime and flocculants.

In addition, we will need to continue keeping a tight rein on our unit cost, while at the same time pursuing vertical, rather than horizontal expansion by increasing our crop yields through efficiencies and the ongoing conversion to drip irrigation.

Our efforts to expand our product line will continue through reviewing ways in which we can produce and market rum for the commercial market, and also grow our capacity to generate enough energy to become self-sufficient and possibly to export it.

With all these things considered, it is gratifying to report that the Corporation, having held off on capital expenditure on major projects – something that has provided us with much stability in a turbulent time – remains in a very strong position. Our formula of higher production and tight control on operating costs has borne fruit.

We look forward to promising projects in the pipeline in the medium term, and an excellent outlook in the long term.



Acknowledgments

I would like to thank our Chairman, Dr AT Dlamini, and the Board for their wise and skilled support. I am grateful too to my management team, whose efforts, commitment, and expertise have greatly contributed to our being able once again to deliver good results through the skilful management of our resources and the inculcation of our continued pursuit of unit cost reduction.

I would also like to express my appreciation to our stakeholders. Our continued productive and mutually respectful relationships are central to our continued ability to create value.

On a personal note, I would like to congratulate Mr Stephen Potts on his outstanding contribution over many years to the success of RES as GM Finance. Stephen has now been appointed GM Special Projects, on a two-year contract that commenced on April 1, 2020. In this capacity he will be examining the acquisitions we wish to make.

Our ethanol division has been through a difficult time during the year. Mr Mbongeni Zikalala sadly and suddenly passed away in August 2019, and on behalf of the management team, I extend our sincere condolences to his family, colleagues and friends. On another matter I would like to thank Exco member Mr Muhawu Maziya, our GM Commercial, who stepped into the breach with great success, and

enabled us, over and above his other responsibilities, to manage the uncertainty that had arisen after the explosion in 2018, to cope with reinvigorating our marketing and logistics.

Finally, I would like to thank all our employees. I, and all the management team, greatly value their application and commitment to everything they do within RES, and which, once again, despite a year of considerable challenges, has enabled us to produce some very good results.

Siyabonga kakhulu.


NM Jackson
Managing Director



We partnered with all key stakeholders to ensure a coordinated response to the spread of the Corona virus. Regional Administrator Themba Msibi receives sanitiser from RES GM Commercial, Muhawu Maziya. A total of 1 500 litres of sanitizer was distributed to 38 clinics.



OUR STRATEGY

Driving down the
unit cost by 20%
by 2020

Our strategy is a key part of our intellectual capital. The year under review marked the last in our five-year Simama 20-20 strategic plan to reduce our unit cost by 20% by year 2020. While we have seen many challenges and opportunities over the past five years, FY2020 was characterised by the suspension of certain strategic IGP initiatives relating to our growth strategy, which consists of expansions that were scheduled at the Mhlume and Simunye mills, and increasing the area under cane.

This suspension took place against a background of changing circumstances in our markets and developments in our pursuit of acquisitions.

Strategic themes

Strategy for the year under review continued to comprise two distinct but overlapping themes with different time frames:

- **Low-cost strategy** – This is a short- to medium-term initiative, comprising the maximisation of shareholder value via a combination of growth, optimisation and operational excellence leading to a reduction in unit cost. It has been well-embedded in the business, principally through the IGP which has been under way for more than three years. In addition, this strategy underpins our Simama 20-20 and Simama 20-25 initiatives, which aim to reduce

the unit cost of production by 20% within a five-year period.

- **High-value strategy** – This is a longer-term initiative which envisages RES transitioning to a more diversified, flexible portfolio, including high value-add products tailored to a new customer base.

As a result of placing our horizontal expansion on hold during the year under review, we focused on the strategic pillar relating to operational excellence and on enabling the various capitals that support that objective.

This was translated operationally into capex on sugar dryers and pans for overall recovery optimisation at the mills, as well as work on the boilers. These projects had been strategically linked to Phase 4 of the IGP, and are related to the generation of energy.

Additional initiatives were undertaken in water security, as well as in support functions such as procurement and storage, where the aim has been to reduce inventory investment.

(For more on our operations, production and procurement see pages 13, 54 and 61 respectively.)

Energy strategy

Our energy strategy has two pillars:

- **Self-sufficiency** – This relates to the Corporation's need to have security of supply, particularly in our mills and for irrigation, with the latter, especially with the installation of our GPS-enabled drip systems, drawing significant power from both mills and local villages.
- **Exporting power** – The feeding of RES-generated energy into the Eswatini grid.

The boiler maintenance work and the procurement of new equipment for the factories was thus in the nature of preparatory work for the time when our energy projects will be implemented.

During the year under review, cross-function synergies and soft-skills have also been the focus of much practical strategic implementation. The objective of this work has been to ensure that RES remains agile and flexible in its ability to deal with unforeseen challenges, of which COVID-19 is an ultimate example.

Our intense feasibility studies on energy generation continued during the year under review, in order to enable us to produce tangible proposals that could be presented to the Board. Over time, this process has been complicated by various challenges posed by uncertainty regarding Eskom, its possible unbundling and its conflicting intention to introduce alternative ways of energy generation – something that would render futile our intention to sell power back to the grid. This also faces challenges emanating from the local energy body, Eswatini Electricity Company (EEC), which has been pursuing its

own initiatives which could rule it out as a potential RES energy customer.
(For more on energy, see page 56.)

Strategic business strengthening

We undertook two major initiatives in this regard during the year under review:

- **Building a project management capacity** – devising a new policy and process, and universal, customisable methodology
- **Change agility** – we undertook a training programme whose implementation will enable agile responses to immediate challenges.

We have equipped Change Champions in order to boost our organisational change agility



04 CREATING VALUE OUR STRATEGY

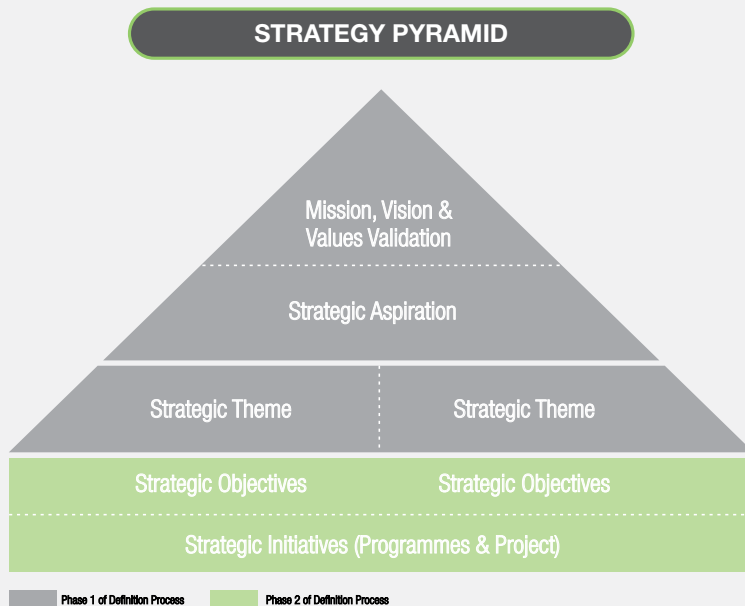
Strategy review

During the year under review, and before the advent of COVID-19, the Corporation held a Strategic Review Workshop in order to examine the Corporation's external environment, and consider anew its mission, vision and

values. The aim was to assess and outline a range of projects and initiatives in the context of transition to a high-value strategy from the low-cost strategy which has been in place for over three years and which is encapsulated in the IGP philosophy.

This process has led to the determination of strategic objectives and the prioritisation of potential initiatives. Strategic objectives were formulated to guide the business as it continues with its aspiration to reduce unit costs whilst increasing revenue streams.

Our planning was based on a strategy pyramid devised to guide the process.



Tidbit

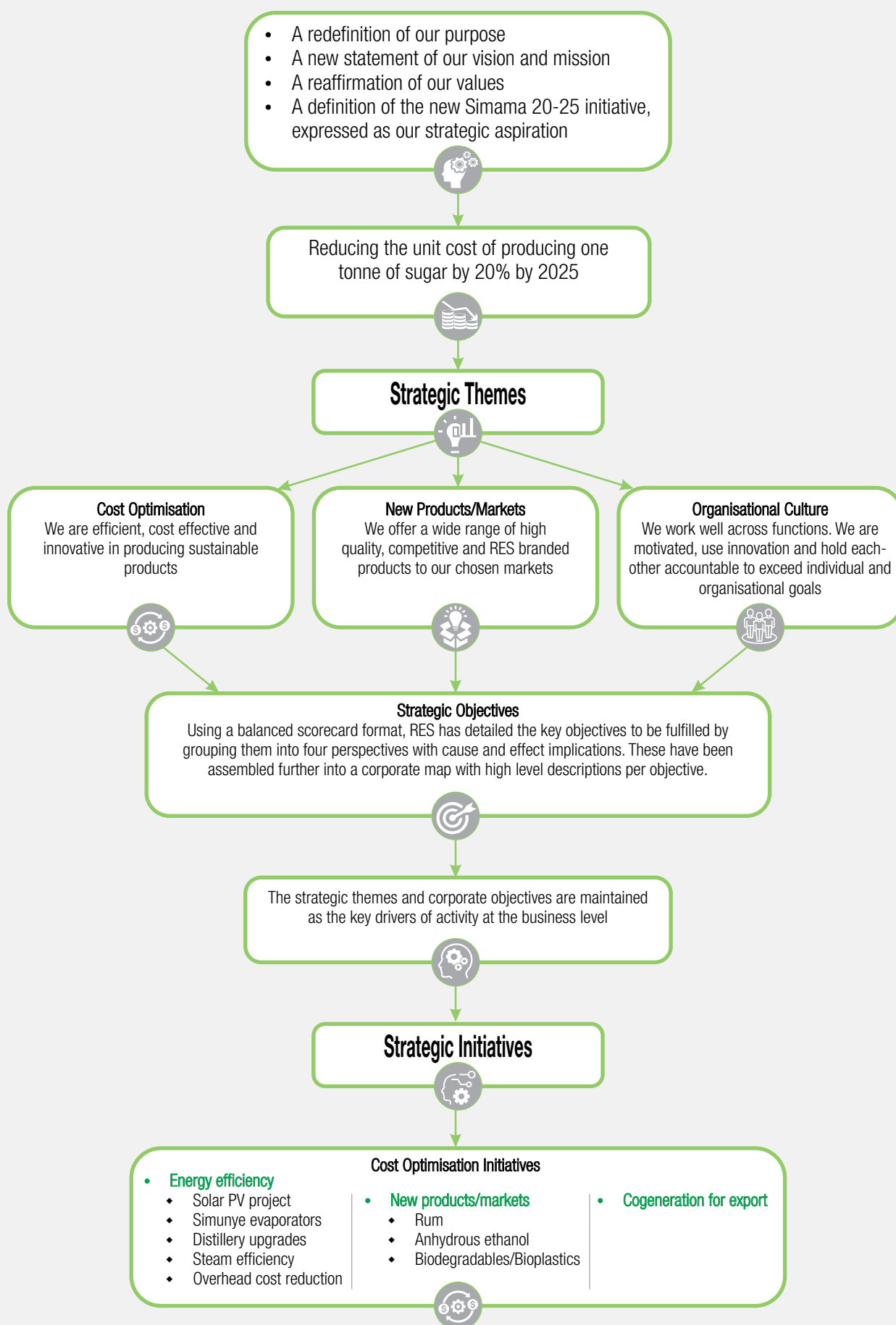


MAKING OUR BUSINESS MUSCLE STRONGER

The two major initiatives to strengthen our business have been the building of project management capacity and change agility capability



Increasing knowledge is necessary for the success of our strategy implementation. The 2020 graduation ceremony came right after our launch of the new RES Corporation branding.



Looking ahead

All immediate future strategic direction and implementation will certainly be coloured by the impact of COVID-19, and our approach in the short to medium term will be governed by the outcomes of local, regional and global responses to the pandemic.

The outcomes of this procedure are:

- The Enterprise-wide Risks/ Opportunities Register (EWROR)
- The allocation of top risks to the Executive Committee (Exco), and the allocation of priority risks to Process Owners

Our procedure is used in conjunction with the our Strategic Risk Rating Matrix.

MATERIAL MATTERS

RES defines its material matters as those issues and opportunities that have a significant impact on the ability of the Corporation to create value for stakeholders and influence strategy.

Our material matters during the year under review have remained largely unchanged from the previous year.

Key Drivers	Material Matters
Natural and manufacture resources [Natural & manufacture capitals]	We are dependent on our natural resources, including water security, land as suitable soils, as well as our manufactured capital of energy, all of which are critical to the value creation process. The Corporation continued with efforts to secure water availability that is critical to sugar cane production and increasing cane yields. Particular focus was given to a Bosch study as part of managing power supply risks.
Employees [Human Capital]	RES views its employees as the most vital assets in creating sustainable value. We therefore focus on employee safety, health and wellness, as well as ensuring the availability of an appropriately skilled workforce, including training through the RES Leadership Academy.
Technology [Intellectual & manufacture]	Technology facilitates value-creation and in this regard significant work has been done on embedding the SAP ERP system.
Production equipment maintenance [Natural & Finance]	The efficient use and proper maintenance of production equipment is a strategic imperative in respect of achieving sustainable and cost-effective production.
Operational cash flow and funding [Financial]	Our assets – cash flow from operations and funding from providers of capital – form part of the Corporation's growth strategy. They are central to our ability to deliver value to shareholders, to achieve investment returns and create value for all stakeholders.
Market access [Financial Capital]	Access to markets for our products and meeting customer requirements, such as the maintenance of ISO quality, environment and food-safety standards, are all fundamental aspects of our business sustainability.
Social Licence to operate	This aspect of our business is key to long-term sustainability, and demonstrates our consideration of legal, ethical and economic responsibilities as a socially responsible corporate citizen.

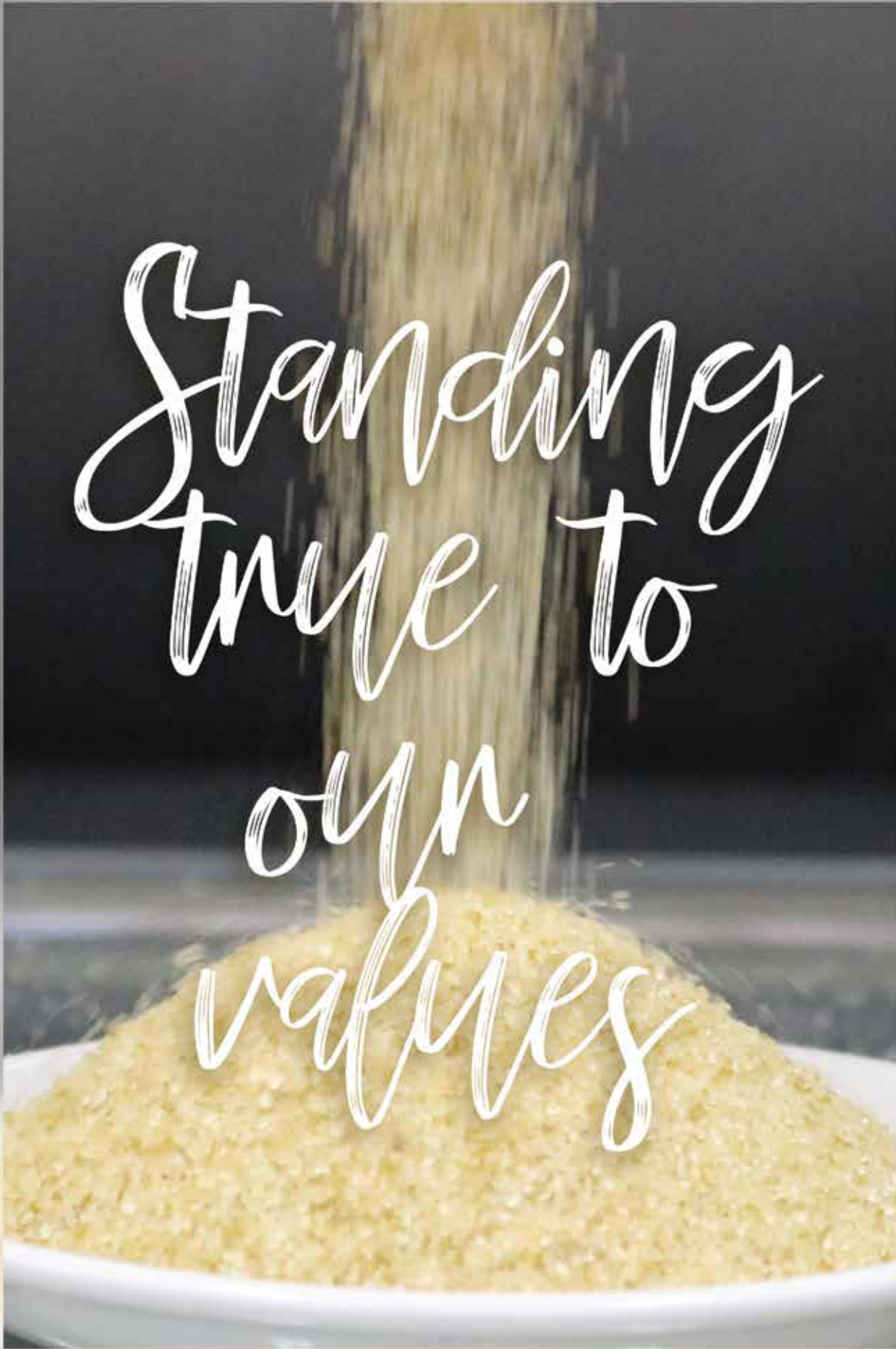
MANAGING RISK

The management of risk is a key part of our intellectual capital. We have continued to monitor developments likely to impact the achievement of strategic objectives.

ASSESSING AND MITIGATING RISK

RES has an established procedure for the ongoing assessment, mitigation and prioritisation of the risks that we identify as having the capacity to impact on our ability to create value and to deliver performance and results against our strategy, is rigorous, and our findings and determinations are reviewed diligently by the Risk and Social Ethics Committee, which in turn reports to the Board.

(For more on governance, see page 68.)



Standing
true to
our
values

Rank	Risk	Causes	Consequences
1	Sugar Markets	<ul style="list-style-type: none"> Significant price decreases in SACU Import tariff protection triggered by ITAC but not at desired level Threat of imports into SACU (sugar dumps) Implementation of South African sugar tax Currency strengthening significantly, reducing export returns Significant reduction in EU sugar prices Sustainability of SACU if Namibia and Botswana exit the SACU arrangement for sugar EU cutting sugar imports from Africa Trade wars between developed nations 	<ul style="list-style-type: none"> Decreased profitability; Negative impact on sustainability Loss of market-share
2	Sugar Industry structure	<ul style="list-style-type: none"> Current structure of Eswatini sugar industry impacting supply and demand of product. 	<ul style="list-style-type: none"> Slow decision-making leading to lost opportunities Non-identification of lucrative opportunities Reduced profitability and sustainability Strained miller-grower relations
3	Ageing production assets	<ul style="list-style-type: none"> Limited Capex and Opex in line with business needs and priorities Capex typically in line with maintenance rather than replacement. Focus on sweating the assets 	<ul style="list-style-type: none"> Loss of production High maintenance cases and breakdown frequency
4	Instability or power supply	<ul style="list-style-type: none"> Failure of equipment due to age and maintenance Potential malfunction of equipment Increasing cost of fuel Lack of diversity of fuel types Reliance on EEC 	<ul style="list-style-type: none"> Negative impact on productivity, morale and sustainability Increase in production costs Opportunity cost lost in saving 'imported' power Business Interruption insurance claim Impact on manufacturing equipment
5	SAP Embedment	<ul style="list-style-type: none"> Adjustment issues due to process changes and more robust control environment Delay in training strategy (transactional training was done, but process training and embedment not yet completed) Budget module not yet in SAP (HTML interface) 	<ul style="list-style-type: none"> Inefficient use of existing operational, management and real-time reports, to deliver insights Increased workaround time for reporting Inability to achieve ROI on SAP implementation and unlocking organisational valued Use of other reporting methods, e.g. Excel
6	Extreme weather conditions	Climate change	<ul style="list-style-type: none"> Reduced cane yields Damage to RES assets Damage to infrastructure Water contamination Loss of life/injuries to workforce
7	Business continuity	<ul style="list-style-type: none"> Natural disasters Utility suppliers unable to provide services Non-maintenance of machinery and equipment 	<ul style="list-style-type: none"> Financial loss Reputational damage Operational loss

Controls	Opportunities	Controls
<ul style="list-style-type: none"> • Currency hedging • Forward contracts • Lobbying and influencing • Product differentiation through improved quality • Investigation into alternative sugar products / markets • Strategic risk review workshops 	<ul style="list-style-type: none"> • Increased production • Positive impact on sustainability • Increase of market share – i.e. expansion into other countries / regions 	<ul style="list-style-type: none"> • ITAC tariff protection • Look to grow sales volumes in COMESA. Continuous engagement at SACU through the Eswatini and South African governments.
<ul style="list-style-type: none"> • Continuous engagement at industry level and with relevant stakeholders • Strategic risk review workshops 	<ul style="list-style-type: none"> • Improved decision making and operational efficiencies - ability to market own sugar 	<ul style="list-style-type: none"> • Progress strategy to advocate and lobby stakeholders to promote a new vision for the sugar industry • Lobby key stakeholders in sugar industry • Engage with Steercom for Eswatini sugar industry to progress RES new vision
<ul style="list-style-type: none"> • Annual Budget Review • Business Cases and IRRs • Factory audit through RCL Technical Support Agreement • Strategic risk review workshops 	<ul style="list-style-type: none"> • Improved efficiencies • Lower unit cost of production • Increased productivity 	<ul style="list-style-type: none"> • Review Capex Replacement Plan (10-year focus) in the IGP • IGP looks at expansion and replacement Capex • Property team to revisit the Property Plan
<ul style="list-style-type: none"> • Capital Replacement Programme in place for equipment • Maintenance Programme in place, including machine condition monitoring • Skills training • Initiation of solar project • E10 fuel blending feasibility study successfully undertaken, with opportunities for co-generation (harvesting of biomass) • Strategic risk-review workshop 	<ul style="list-style-type: none"> • Self-sufficiency • Reduced unit costs • New revenue centre 	<ul style="list-style-type: none"> • Capital Replacement Programme • Maintenance Programme, including machine condition monitoring • Skills training • Install more generation capacity to utilise future excess bagasse - Bosch study underway • Implementation of solar initiative
<ul style="list-style-type: none"> • Training on process, transactions and reporting options • Report-rationalisation to limit reports to system-generated reports • Documentation of processes • Strategic risk review workshop / IT Steering Committee monitoring 	<ul style="list-style-type: none"> • Improved efficient decision-making through IT • Full realisation of ROI • Standardised system across the business 	<ul style="list-style-type: none"> • Implement change management • Expedite SAP training for transactional users • Improve super-user programme • Implement SAP process embedment • Implementation of BPC
<ul style="list-style-type: none"> • Preparedness programmes • Environmentally-friendly technologies • Long-term weather forecasting incorporated in planning and company strategy 	<ul style="list-style-type: none"> • Efficient response to incidents • Improved cane yield (increase in rainfall) 	<ul style="list-style-type: none"> • Continue with long-term weather forecasting
<ul style="list-style-type: none"> • Emergency preparedness plans • Contingency plans 	<ul style="list-style-type: none"> • Reduced business interruption cases • Sound policies and procedures limiting incidents • Increase awareness • Improve response mechanisms to incidents 	<ul style="list-style-type: none"> • Business impact analysis including the identifying of product-specific limitations that may impact production • Identification of alternate sites for manufacturing or offices in the event of disaster • Business continuity plans

Rank	Risk	Causes	Consequences
8	Water security and storage	Changing climatic conditions (e.g. drought, El Nino effect) Below national average of water storage Disputes/ strained relations with downstream users Breach of tripartite agreement on water resources	Drought Low level of stored water in dams Reduced cane yields Increase in production costs
9	Change in regulatory environment	<ul style="list-style-type: none"> • Pace of regulatory change in Eswatini and other best practices • Failure to recognise when to involve Legal or Compliance • Lack of awareness of regulatory requirements • Limited scope of compliance • Accountability of non-compliance • BRICS agreements favouring only BRICS • Misinterpretation of King IV requirements • Non-compliance with international reporting standards 	<ul style="list-style-type: none"> • Fines, penalties, loss of licence to operate • Civil litigation • Reputational damage • Criminal sanctions • Loss of market share
10	Quality of product delivered	Different requirements by different customers: Kosher/ Halaal	<ul style="list-style-type: none"> • Customer dissatisfaction/ complaints • Loss of customers • Product returns/recalls

RES's top 12 risks for 2019/20 in comparison to 2018/19 are summarized as follows:

2018/2019 Ranking	Movement	2019/2020 Ranking	Risk Name	Residual Rating		Gross Risk Score
				Probability	Severity	
1	→	1	Sugar Markets	9	10	90
5	↑	2	Sugar Industry Structure	8	8	64
11	↑	3	Ageing production assets	7	6	42
3	↓	4	Instability of power supply	6	6	36
8	↑	5	SAP embedment	6	6	36
20	↑	6	Extreme weather conditions	6	6	36
New risk		7	Business Continuity	5	7	35
12	↑	8	Water Security & Storage	5	6	30
6	↓	9	Change in regulatory environment	5	6	30
26	↑	10	Quality of product delivered	5	5	25
New risk		11	Ethanol markets	5	5	25
18	↑	12	Pest & disease outbreaks	4	6	24

Note:

Gross Risk Score (GRS) – The overall risk rating determined by probability and severity of a risk

Controls	Opportunities	Controls
<ul style="list-style-type: none"> Implementation of real-time monitoring of river-flows Efficient irrigation systems Drought Management Strategy developed Construction of holding dams Strategic risk-review workshop 	<ul style="list-style-type: none"> Water conservation Increased cane yields Water security / sustainable production 	<ul style="list-style-type: none"> Long-term strategic drought risk-management initiative in RES strategic map Engage with the Government to start feasibility studies for new dams Agree with the Government on implementation of criteria for inter-basin water transfers Progress water security and ensure timely implementation of initiatives Increase amount of cane fields under drip irrigation systems Monitor water abstraction Reports to Water Affairs Department
<ul style="list-style-type: none"> Ensure all colleagues complete compulsory assigned compliance training Institute business practices that detect and prevent violations of regulations Ensure disciplinary procedures are enforced for non-compliance Compliance with ISO 14001 and 45001 certifications Report financials according to international standards Increase in stakeholder and shareholder interest Ability to monitor and report on risks more efficiently 	<ul style="list-style-type: none"> Compliance with legislation and regulations Decrease fines, penalties, loss of license to operate 	<ul style="list-style-type: none"> Ensure all colleagues complete assigned compulsory compliance training Institute business practices that detect and prevent violations of regulations Ensure disciplinary procedures are enforced for non-compliance Environmental and Health and Safety policy Adequate resources to monitor and report on any issues triggered by the system ISO 14001c) Environment aspects defined Listing of compliance Register containing licence requirements and renewals Monitoring of implemented systems ISO 45001 Hazard-identification process during the operations process Register containing list of legislation, directives, regulators, permits, licenses or other forms of authorisation, judgments or court orders, treaties, conventions and protocols, collective bargaining agreements, contractual obligations
<ul style="list-style-type: none"> Increased quality monitoring Certificates of analysis 	<ul style="list-style-type: none"> Competitive advantage Premium price -increased revenue Access to new (high-valued) close markets 	<ul style="list-style-type: none"> Continue with quality monitoring Certificates of analysis Tracking and reduction of customer complaints Certification of yeast supplier in Germany



Engaging traditional leadership has been a key part of our stakeholder relations management programme.

RISK AND OPPORTUNITIES RATING MATRIX – FY2020

Severity	Probability										Safety/ Health	Operations/ BI	Reputation/ Environment	Earnings/ Capital
	1	2	3	4	5	6	7	8	9	10				
10											>5 Fatalities	BI >3 years	Prolonged International Condemnation	>E100m
9											Disastrous event	Total Failure	International Media Coverage	E75m - E100m
8											Long Term Liability	>50% Failure	Irreparable Damage To Natural Resource	E50 - E75m
7											Multiple Fatality	Critical	Senior Executive Prosecuted	E30m - E50m
6											>1 Fatality	Loss of production >6 Months	Significant Fines	E20m - E30m
5											Single Fatality	Serious	National Media Coverage	E10m - E20m
4											Serious Irreversible Effect	Moderate <1 Month Downtime	Attention From Local Media	E5m - E10m
3											Moderate Disability	Moderate <1 Week Downtime	Minor Reversible Effects	E2.5m - E5m
2											Reportable Injury	Minor Asset Damage/ No Production Loss	Minor Local Media Coverage	E1m - E2.5m
1											No Medical Treatment Required	Easily Addressed	Local Public Complaints	<E1m
	50 Years	20 Years	10 Years	5 Years	2 Years	1 Year	6 Months	3 Months	1 Month	Weekly				
	In extreme circumstances		Has not yet happened, but could		Could happen/ has happened elsewhere		Could easily happen		Happens often					

We stand true to our values.
 We are millers. We are growers. With a focus to deliver.
 To meet our targets and deadlines.
 Always being responsive in our duty to the gift of the cane.
 Always enabling a more sustainable world.
 As we seek more to be givers, not takers.

We look outwards.
 We look to others and care how we can serve their need best.
 As it is in the community that we rise higher and help even wider.
 We take humble servings from our past.
 Knowing that it is in striving for united impact that we move with
 greater purpose.

Our business is growing and evolving.
 We were the Royal Swaziland Sugar Corporation.
 Today we are the Royal Eswatini Sugar Corporation.
 You can call us RES Corporation.

Change is perfect.



05

OUR BUSINESS

A graphic consisting of three overlapping circles. The top circle contains an icon of four stylized human figures. The bottom-left circle contains a globe icon. The bottom-right circle contains a bar chart icon with an upward-pointing arrow.



RES operations depend on integrated support functions and areas of the business that are not directly involved in production or sales, but on which the realisation of our five-year strategic objective, as well as our ability to create value depend.

Our people are central to our ability to create value. Their skills, dedication and their commitment to our strategic objectives all form the basis of our human and social and relationship capitals.

HR and strategy

With our short- to medium-term strategic Simama 20-20 initiative entering its final year in FY2020, the strategic focus within HR was on performance management. We identified certain necessary interventions and presented our findings to both the management team and organised labour. These have now been budgeted for, and will be implemented during the coming year.

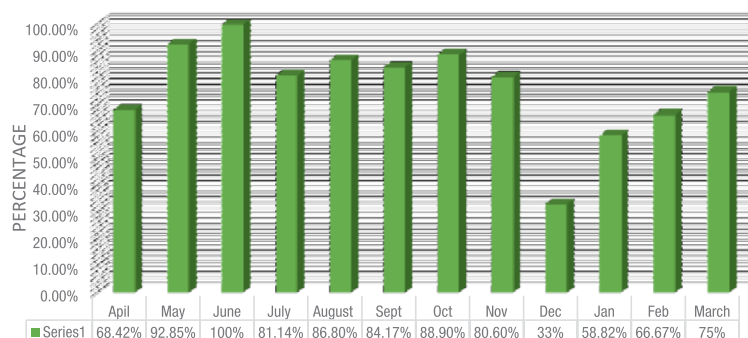
Performance management

RES performance management is based on a balanced scorecard approach, which in FY2020, was in its third year of implementation, and it is our belief that despite trends elsewhere in which ratings are removed, our system of linking short-term incentives to performance management should be retained. We have concluded that no value would accrue from making any changes in this regard.

Our recommendation was thus to consolidate and further embed appropriate and relevant practices. While much of our rating is accomplished electronically, a challenge that remains is that there are areas within RES where it is still being handled manually. Since the system's inception, we have thus been identifying, training and migrating particular groups of employees from the manual to the electronic version.

Another determination that we have made is that across the organisation there is a need to strengthen the conversation and coaching interactions between line managers and the employees who report to them.

FIGURE 7 - Recruitment turnaround time 2019/20



Operational initiatives

There were a number of operational initiatives in which HR was engaged during the year under review.

- **Recruitment turnaround time**

The HR Operations department continued to track recruitment turnaround time for all positions at RES, with the average recruitment turnaround time percentage for the year under review standing at 79.12% against a targeted 80%, and still 4% above the prior year.

- **Success Factors**

Recruitment Module

We continued to drive optimisation of this SAP module, which was implemented in October 2018. Further training and awareness was required for employees to make their job applications through the system, and for line managers and consultants to progress through all its stages until vacancy closing. We have also now extended system usage for approvals of new hires and appointments.

(For more on IT, see page 44.)

- **Kronos biometric time and attendance system**

Having already successfully implemented this system in sections of agricultural production, we introduced it at the Simunye Factory from January 2020, obviating the need for manual and unintegrated use of clock-cards, which require manual input into SAP. However, as a result of the advent of

COVID-19, biometrics were suspended, and training dates had to be rescheduled online, changing the finalised adoption date from March 2020 to August 2020.

- **Employee relations (ER)**

We faced two key challenges in the sphere of employee relations during the year under review. The first was the disciplinary action that was instituted against 58 employees for refusing to obey a lawful instruction. The second related to housing, soft loans and LP gas benefits that were for the first time correctly taxed by the regulatory body. While these matters tested the quality of employee relations within the Corporation, a successful resolution was reached in both cases, although with the dismissal of 25 permanent Water Resources employees.

A further issue was the random alcohol testing extended to low-risk areas, resulting in an upturn in disciplinary cases for substance abuse.



E18.2m
bonus paid to
permanent staff

There was an improvement in the time taken to conclude the Cost-of-Living (COL) negotiations, compared to the previous year. SAMASA negotiations were concluded in good time, enabling increases without backdating. The average increments successfully awarded are as follows:

- 5% – Non-represented employees
- 5.5% – SAMASA employees
- 5.75% – SAPWU employees

In addition, negotiations on the outstanding harmonisation of terms and conditions of service for Mhlume and Simunye were accelerated. Training on industrial relations (IR) skills was conducted for the benefit of shop stewards, and to improve the Employee Relations climate.

A team-building session for management and labour representatives was conducted in February 2020 to foster a culture of teamwork and flexibility.

Remuneration and benefits

Remuneration is a critical aspect in the attraction and retention of staff, and during FY2020 a number of our remuneration elements were reviewed, including:

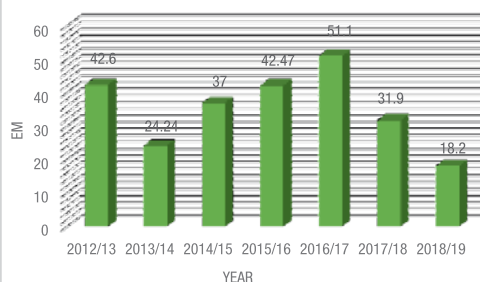
- Free mobile calls, in partnership with MTN, for any RES employee who is part of this closed user-group facility.
- Group Life, to the value of three times annual salary; permanent health insurance at 75% of basic salary, and E15 000 funeral cover, inclusive of the E5 000 family support fund.

RES is also investigating the incorporation under the RES Provident Fund Administration umbrella, of the retirement contribution for seasonal employees so that they can benefit from housing and home loans.

Short-term incentive (STI) bonus

In line with STI thresholds, and following the FY2019 results, the Board approved a payment of the calculated STI bonus, with E18.2 million paid to an eligible 1 645 permanent staff and 2 150 seasonal employees in the July 2019 payroll.

FIGURE 8 - STI Bonus payment (past 7yrs)



Leave management

Sick-leave	Days	Employees registered	Cost	3-Year average
	9 598	1 971	E5.76m (2019: E3.7m)	7 631

Leave	Liability
	E18.98 million (2019 : E23.8m)

The leave liability showed good levels during the Christmas shutdown period even though most departments remained in production. Management will continue its efforts to reduce the leave liability.

Long-Service Awards (LSA)

RES held its annual LSA event in November 2019, with two new beneficiary categories:

- 40-year-tenure bracket, with seven employees benefiting
- Fixed-term employees who have previously not benefited from any of the milestones, with seven acknowledged for 10 years' service.

Tidbit



GETTING BETTER

We achieved an improved turnaround on the time taken to conclude COL negotiations compared to last year



When our people stay with the company and continue to give their service, it is imperative that we honour them.

	NMDP 1	NMDP 2	MDP 1	MDP2	SMDP	TOTALS
Internal	13	0	10	0	10	33
External	8	20	12	26	9	75
TOTALS	21	20	22	26	19	108

Learning and talent

Our Leadership Academy conducts programmes in partnership with Stellenbosch University. These continue to focus on empowering future leaders to lead and create high-performing teams that optimise day-to-day operations through critical thinking, innovation and participation. The aim is to manage unpredictable and unprecedented changes, as well as future challenges emanating from the Fourth Industrial Revolution (4IR).

With 108 graduates in the year under review, (2019: 82), the three flagship programmes offered are:

- New Managers Development Programme
- Managers Development Programme
- Senior Managers Development Programme

In addition, in partnership with the Gordon Institute of Business School (GIBS), two skills courses were delivered internally:

- Strategic Decision-Making, attended by 42 Senior Managers
- Women as Leaders, attended by 24 women at management level

A total of 2 748 employees were trained during the year under review.

Training and Development	2019/20 Expenditure (E)
Leadership Development	2 977 631
Business Skills	287 509
Technical Skills	14 884 469
Apprenticeship	14 689 239
TOTAL	32 838 848

Talent development

During the year under review, the strategy of promoting internally-developed technical skills was implemented in order to anchor business operations in adherence to high-quality training tailored to the sugar industry. This contributes towards keeping abreast of rapidly changing technologies and delivering value.

A significant investment of E1 250 148 per apprentice over a four-year period in entry-level skills for apprentices is made. To ensure effectiveness, year-on-year we maintain average staffing levels of 80% and above.

Graduate Traineeship Programme

This programme is an important conduit for our talent development and serves as a feeder to engineering positions in the Operations Division as well as into middle management and professional positions in our Services Division.

Challenges remain in attracting graduates in the discipline of agricultural engineering, and our current complement of Engineers in Training (EITs) stands at 68%, whereas we have maintained 100% in mechanical engineering.

The stability in this talent pipeline can be attributed to the review and diligent management of the programme and a remuneration structure that has made it more attractive.

Succession planning

The Corporation has achieved its strategic objective of having at least two successors per critical role by March 2020 with the various divisions having completed their succession plans and subsequent approval by Exco. Our Success Factors – Succession Planning module enables real-time updating of succession plans to ensure that they are continuously aligned to business talent dynamics.

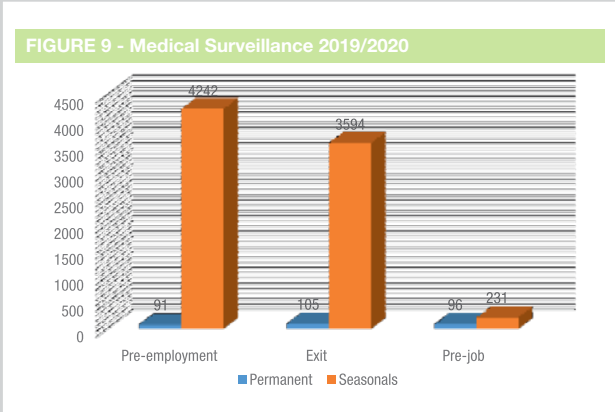
A number of training interventions have been implemented to equip potential successors with the necessary skills and competencies for the roles for which they have been earmarked. Where no talent has been identified and developed internally, continuous efforts are being made to target an external pipeline.





EMPLOYEE HEALTH AND WELLNESS

Health and Wellness forms an important part of our human, intellectual and social and relationship capitals. Our commitment to our people and our communities is evident in the thorough care and meticulous attention to the medical issues and challenges facing them, as well as our concern for their wellbeing in the workplace.



The mandate of the Health and Wellness department, through its clinics on the estates, is to attend to the medical needs of employees, and to ensure that it has the capacity to deal promptly with any emergencies that may occur.

We have established a quick turnaround time in dealing with illnesses among employees, and we are also able to provide analyses of trends, illnesses and other medically-related issues with which they may be faced.

Medical Surveillance

Through the services of our Medical Surveillance Unit, we are able to compile statistics for the Corporation on a departmental basis. We comply with recognised standards, such as ISO certifications, and maintain medical records for all employees. This enables us to identify occupationally-related illnesses for the purposes of management, treatment and prevention.

In this regard, the main issue faced during the year under review was noise-induced hearing loss, incurred mostly in the factories. In conjunction with Integrated Management Systems (IMS), we have been endeavouring to improve the situation through medical

surveillance, and suitable and effective hearing protection and deployment, and education. Most of the cases we have faced, however, are chronic cases arising from conditions prevailing many years ago, before effective tracking and documentation was available.

Education and communication

The department also strives to promote good health among employees through education. During the year under review, we continued to make use of the participation of wellness champions, who are trained to instruct their peers in each department. We also make use of communication channels across the business. *(For more on communications, see page 48.)*

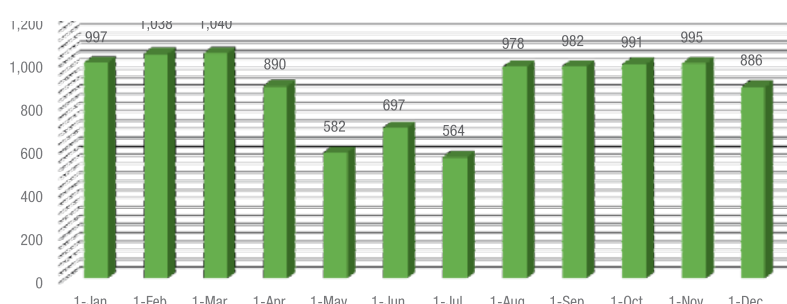
The overall aim of this ongoing initiative is not only to improve health consciousness among employees, but to improve productivity, in line with the Simama 20-20 strategic objective of reducing the unit cost of production. Our Biggest Loser competition and free gym access has gone a long way to enabling this.

We also run campaigns throughout the year to boost the uptake of free medical services which include breast and prostate cancer screening for employees.

Communicable and chronic diseases

HIV, tuberculosis and malaria continue to constitute the main health challenges faced by our employees and communities. Other less serious infections, such as influenza with its seasonal spike were also, as always, prevalent during the year. Diabetes and hypertension continued to be the main chronic conditions that present at the clinics.

FIGURE 10 - RES employees on ART 2019/20



HIV	<p>Our treatment and management regime for this disease is guided by Eswatini Government protocol. It is difficult to track because we can only gather statistics according to clinic visits. Nevertheless, the number of visits during the year under review has declined. Government's "fast-track initiative" which provides six months of treatment to patients who adhere to treatment and are immune-suppressed, has aided in this respect as we see less cases at the clinics. Actions during the year included:</p> <ul style="list-style-type: none"> • The introduction of a Dolutegravir (DTG) regime in September 2019 for all eligible clients • Continued monitoring of HIV-positive teenagers monitored twice-yearly, as compared to virally suppressed adults, who are monitored every 12 months • The introduction of pre-exposure prophylaxis for eligible adults who are continually exposed to patients with HIV, such as discordant couples or those who take care of HIV patients at home • Continued addition of Zidovudine syrup (AZT), as introduced in 2018, for exposed babies.
Tuberculosis (TB)	<p>There was a decrease of about 77% in the number of new TB infections during the year under review, amounting to seven new cases among employees. When these are combined with incidences in the community, we have noted a decrease of about 24%. We believe that this is due to education, compliance with treatment, and also to the sick leave given to employees who return to the workplace only when they are not infectious. This therefore results in less transmission.</p>
Malaria	<p>There was a decrease in this disease during the year under review, of around 35% year-on-year. This is attributable to spraying in the villages and to the education provided to employees, communities and visitors to the malaria-infested areas.</p>

Routine medical examinations

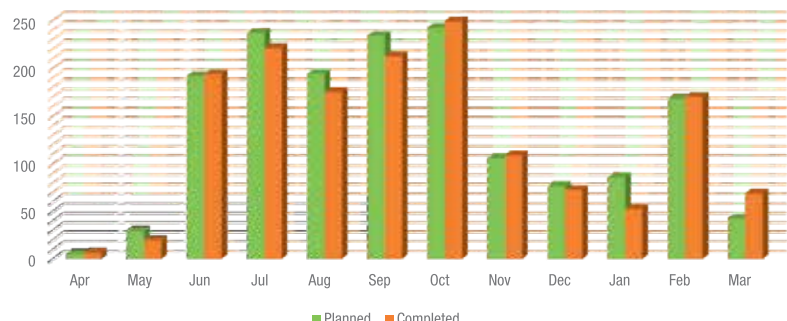
We have achieved 97% of routine employee medicals across the estate – an improvement over the prior year. For seasonals we always attain 100%.



77%

decrease in new TB infections

FIGURE 11 - Routine medical examinations



Injuries on duty (IOD)

IOD statistics showed an encouraging improvement with an approximate decrease of around 20% year-on-year, with no chronic injuries, which meant that all injured personnel were able to return to work, with only about 15% requiring more than three days to recover.

Health and wellness initiatives – FY2020

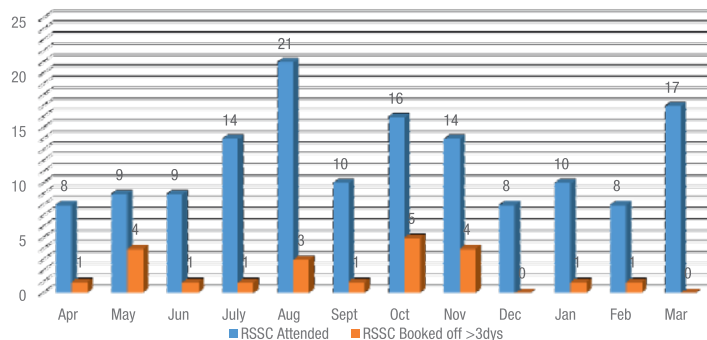
- Tripartite meetings continued successfully for monitoring trends, decision-making and approval of operations
- Psychological care outreach to departments has been done successfully
- SODV trainings were done across the estate
- The Health and Wellness dinner to boost morale and sense of belonging for employees was successfully hosted
- Corporate wellness campaigns were held and resulted in an increase in investment of bonuses
- The Sukuma Challenge walk that was planned for March 2020, was cancelled due to COVID-19.

Looking ahead

It is abundantly clear that a serious challenge, not just for the workforce and local population, but also to our medical services, will be the pandemic outbreak of COVID-19. Should healthcare workers contract this disease, a great strain will be placed upon our ability to function effectively in the short to medium term. The Corporation's ability to operate could also be impacted, if numbers of employees are forced to take sick leave in order to recover.

The potential exists for medical supplies to become more expensive, with appropriate personal protective equipment (PPE) also possibly in short supply in the medium term. We believe, however, that we have already prepared enough equipment to see us through any initial outbreak that may occur.

FIGURE 12 - RES employees on art 2019/20



97%
of routine employee
medical checkups

Tidbit



LESS INJURIES ON THE JOB

Injured on-duty statistics improved by 20% compared to last year.



A dinner hosted by the MD as the champion for Health and Wellness



RES swept the boards at the Swabcha awards



The RES MD was again honoured for his stewardship



Here's to sustainable Health and Wellness!



A time to celebrate the gift of good health

IT forms a fundamental part of our intellectual and human capitals, and our IT department drives an increase in value for all stakeholders by improving cross-functional IT adoption and the effective use of technology and innovation.

RES is a technology-driven organisation, possessing a mature framework for innovation and the adoption of technology, with all our people aware that it is our technology that enables us to deliver measurable process efficiencies. This is evident in the decrease in manual processes, the number of innovations proposed yearly and the percentage of our spend on value-adding technology.

Strategic themes

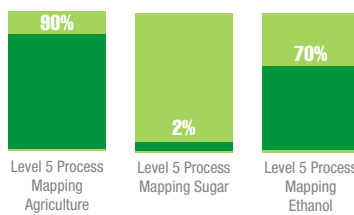
The seamless interaction between our business activities and the technology that facilitates our agility in the face of climatic and commercial challenges, was once again in evidence during the year under review, in which we continued to pursue our digital strategic themes enabling:

- Customer focus and service
- Ownership
- Business process automation
- Information management
- Adherence to our digital governance and innovation framework through COBIT
- Technology management.

These are realised through our digital imperatives:

- *Information and data* – in support of decision-making
- *Leveraging technology* – in implementing process automation for a paperless work environment, data collection and analytics
- *Innovation and agility* – for rapid adaptation to business demands.

FIGURE 13 - Reducing unit cost of production – Simama 20-20 strategic projects



Operational initiatives

Business Process Management (BPM)

During the year under review we continued to implement and integrate the technology required for improvements in BPM. This entails implementing system integration, identifying rework loops and information gaps, eliminating silos and improving compliance with ISO standards, by addressing:

- Ongoing inefficiencies that hinder operational excellence
- Elimination of duplication due to a lack of mapping standards
- The lack of a central depository for processes mapped by the various departments.



Our company continues to create value by hiring several contractors that help us achieve our goals

The 'Lunch with the MD' initiative facilitates ongoing engagement with the workforce and acknowledges that good ideas lie with the people who are at the coalface of the operation.



IT immersion techniques

In undertaking business process projects the IT team immerses itself in the area of work to better understand the work environment. One of the techniques we use in this regard is Undercover BA, where the Business Process Excellence team puts itself in the business' shoes in quest to understand how to best improve or re-engineer some of the business' processes. This exercise includes the business analysts donning Personal Protection Equipment (PPE) to spend working time experiencing a day-in-the-life-of those engaged with the examined function.

Another IT project during the year under review was the successful implementation of the SAP Success Factors recruitment model, which improved the average recruitment turnaround time percentage to 79.12% against a target of 80% – bettering the prior year's rating by 4%. This improvement may be attributed to the efficiency attained from the implementation.

(For more on HR, see page 38.)

Other IT projects initiated in FY2020 and ongoing

Project	Division/s	Benefit	Status
Business Planning and Consolidation (BPC)	Finance	Increased process efficiency	In progress
Inventory management – Material requirements planning (MRP)	Commercial, Operations, Finance	Reduction in inventory, improved stock holding	In progress
Inbound logistics	Operations	Reduction in no-cane stops	In progress
Business Process Optimisation	Agriculture	Increased process efficiency	In progress
Intercompany compliance	Finance	Increased process efficiency	In progress
Managed farms accounting systems	Finance, Agriculture	Increased process efficiency	In progress

Management and monitoring

All projects undertaken by IT are monitored at a management level by the IT Steering Committee, which is responsible for:

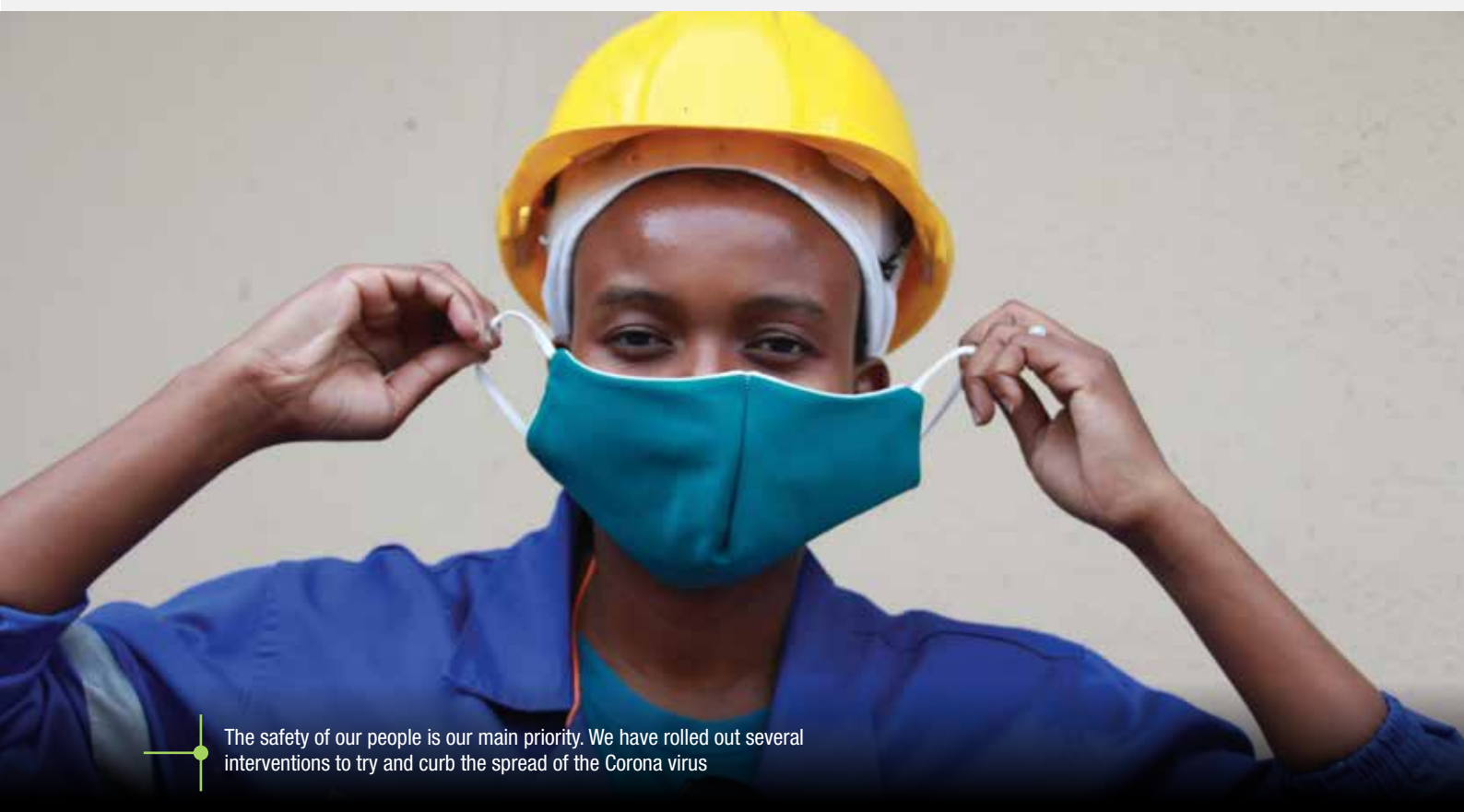
- Alignment of IT and corporate strategy
- Management of the IT investment portfolio
- Management of IT services and assets
- Ensuring value is delivered by IT
- Ensuring IT-related risk is managed.

For more on IT governance, see page 44.



90%

progress on Agric
process mapping



The safety of our people is our main priority. We have rolled out several interventions to try and curb the spread of the Corona virus

Facilities and maintenance

The work of Property Services deals with an important part of our manufactured and social and relationship capitals, with a number of successfully implemented initiatives, and improvements in facilities and service, being registered during the year under review.

Overview

We accomplished several targeted projects during the year, with the master data clean-up exercise being completed. This resulted in significant improvement in billing, and the rehabilitation of two Tshaneni oxidation ponds greatly improving our waste-water treatment capacity.

With the advent of the COVID-19 pandemic, we have also installed hand-washing sinks across the business to contribute towards important measures against the infections.

Cost-savings

In cost saving initiatives in support of Simama 20-20, we continued with our policy of partly in-sourcing elements of our maintenance function, and piloted the installation of single geysers to service duplexes and expedite our harmonisation programme in previously coal-fired houses at Mhlume and A-type houses at Lusoti.

As a department we continue to review our manpower costs by declaring some positions redundant whenever a position becomes vacant through natural attrition. An example of this during the year under review was our hiring, at lower cost, of certified handymen with the potential to add operational value, to fill previous foreman, artisan and supervisor positions.

House occupancy

Our occupancy rate per village, has remained stable year-on-year.

Security and crime prevention

We play a significant role in dealing with issues, and during the year under review, we noted improvements due to the engagement in February 2019 of a new security service provider on a five-year contract. Crime declined by about 24%, and the recovery of property losses greatly improved. The gathering of intelligence was strengthened while crime-prevention awareness campaigns also contributed to the overall positive trend.

Environment and community

During the year under review, we opened the landfill to other third parties for the depositing of solid waste, an initiative that is contributing towards improving environmental protection. We also provided recreational facilities at affordable rates to all residents and other third parties as part of our role as a socially responsible corporate citizen. This has resulted in improved wellbeing for users.

Challenges

Property Services continued to face challenges during the year under

review, posed by:

- Competing business priorities depriving the department of much-needed funding to expedite the maintenance of infrastructure and to reduce backlogs
- The unavailability of a particular range of house-types remains an issue with which we are still grappling, in our efforts to improve the employee value-proposition (EVP) and satisfy customer requirements
- A combination of stringent environmental quality standards for waste-water effluent quality and exorbitant cost of effective mitigation measures.

Looking ahead

Against the background of difficulties that will continue as the COVID-19 pandemic exerts its influence on all Corporation operations, in the short, medium and long term, we envisage:

- Aligning housing availability with point of requirement
- Maximisation of RES housing stock use
- Security of villages without posts.

FIGURE 14 - House Occupancy

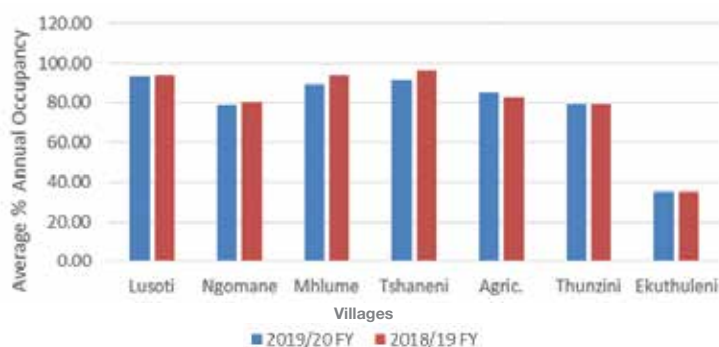
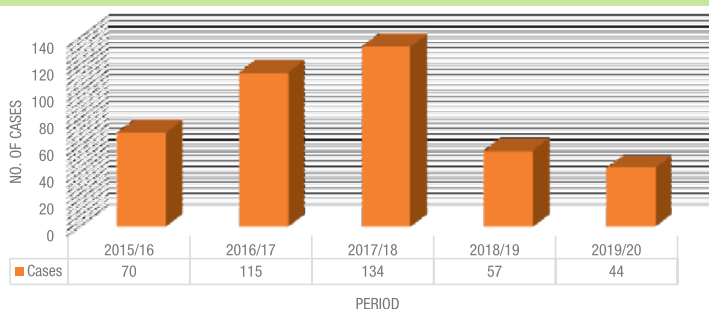


FIGURE 15 - Crime trend



Communications, stakeholder management and corporate social investment initiatives are an important part of our human, intellectual and social and relationship capitals.

Corporation name change

Perhaps one of the most important communication developments during the year under review was the launch of the new name and corporate identity for the business. The historic RSSC was replaced with the new, modern and easily remembered and pronounceable RES Corporation. Standing for Royal Eswatini Sugar, the RES component not only acts as the springboard for what the business is becoming, it recalls too the new name and identity of the country.

The new logo design reflects certain physical aspect of the business, with the five stalks of its growing cane representing the pillars of our business – cane growing, milling, ethanol, energy and social capital investment.

The new brand is the result of iterated input from many individuals and teams, with full roll out of all aspects and collateral continuing to take place.

Building on this new identity, during the year under review both our internal and external communication platforms continued to ensure that the brand is visible, and to promote awareness of RES as an employer of choice and an active contributor to the socio-economic development of the Kingdom of Eswatini.

External communication

The Corporation received broadly positive coverage in traditional communication media with only a small proportion of articles reflecting negative sentiment.

THE PHILOSOPHY OF OUR BRAND NEW LOGO

3 letters instead of 4 previously. Easy to say and remember.



Thicker font, bold and stands out. Easier to reproduce and even use on smaller items.

All our activities and behavior are bound by our values.

Our business strives to be green.



We have grown in leaps and bounds in the discipline of Integrated Reporting. With the recognition, we can only improve.

Internal communication

The value of our SMS platform Chumana, as a medium for conveying information among employees on urgent matters, as well as other important messages, is increasingly being appreciated and internalised.

During the year under review we have seen growing usage, with the number of employees taking advantage of the offering continuing to escalate.

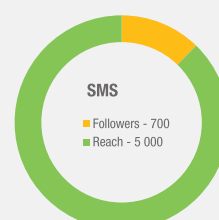
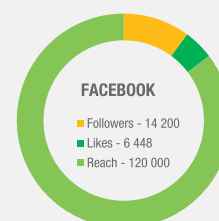
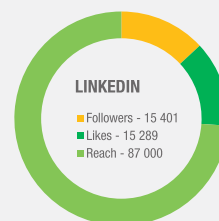
Social media

Our social media reach too, is proving its worth, with significant amounts of followers on both Facebook and LinkedIn and a wide reach of users.

We have not yet registered any followers on either YouTube, with its mass reach and wide potential, or WhatsApp for Business, as these are platforms that we intend to implement during the coming year as tools to enhance our communication with external stakeholders. With the strong foundation that we have already laid in electronic channels, we continue to study ways of maximising our communication efforts to foster brand visibility.

With our other platforms for internal communication – the well-established news boards and screens – we have seen widened placement and campaign usage during the year under review, so that they now reach all employees.

Platform	Published content	Areas	Reach	Campaigns
News boards	24 sets	21	All employees	6
Screens	4	12	All employees	1

**CSI and sustainability**

In alignment with our values of integrity, delivery and respect, and with our mission to sustainably add value for all stakeholders, the Corporation continued to support a variety of initiatives designed to increase wellbeing, improve conditions and increase skills among our staff, the communities among which we operate, and the country as a whole. To this end, we undertook a number of programmes during the year under review.



E100 000
awarded to 3 winners
of YES competition

Initiative	Nature and outcome
RES Siyakha 1800 Soccer Development	<p>We successfully implemented the 2019/20 series, reaching over 4 600 players across the three categories of Junior and Senior Leagues and Grassroots Soccer Clinics.</p> <p>As a means of giving back to their community, participants in the programme initiated a vegetable garden at local care point next to Mbandzamani Primary School to help feed approximately 80 vulnerable children,</p>
RES Water Safety Programme	<p>We increased our collaboration with the Eswatini Swimming Association who provide coaches to administer the programme by offering free swimming lessons within the RES community.</p> <p>The programme has three tiers, providing lessons for pre-school, primary and high school children and adults. During the year under review, a record 400 participants were included, in comparison to just 96 in the previous year.</p> <p>While participants are all at different stages of learning, 35 swimmers have developed competency, with a majority still at intermediary phase. The programme includes water-safety talks at the estate schools during the winter season.</p>
RES Youth Entrepreneurship Support	<p>This business development competition was once again successfully executed, with 30 youths from seven surrounding communities taking part.</p> <p>Three eventual winners were awarded E100 000 prize money in total as seed capital, to start up and or boost their budding businesses. The winning business types were in the sectors of technology, agriculture and services.</p>

Donations

As it does every year, RES made donations to worthy projects and bodies, and sponsored events in which money was raised for important causes. Donations to the value of over E600 000 were made to a variety of recipients, including, among others, child care, Hospice, a sugar industry and academia initiative, Rotary, HM King Mswati III, as well as the police and the Government.

Sponsorships

- **Annual Charity Golf Day**
The Managing Director once again hosted various business partners in this fundraising golf tournament, with 32 organisations participating. The E174 710 raised has been used to provide potable water to the Sitsatsaweni and Malindza communities, for the benefit of households. This donation is facilitated by RES in partnership with the National Disaster Management Agency of Eswatini.
- **Back to School Charity Drive**
Employees made contributions to this initiative and also donated school uniforms and stationery to benefit underprivileged pupils within our community.

Staff Welfare Activities

During the year there were a number of activities undertaken by staff with the aim of contributing towards local charities:

- **Sibebe Survivor Challenge 2019** – 600 RES employees were sponsored for this event, with proceeds benefiting various charities in education, health, and community development sectors, to the value of E121 000.
- **Siteki Magadzavane Charity Walk** – In this event, employees were sponsored to the value of E10 000
- **Wellness Centres Activities** – The activities in FY2019 included:
 - o *The Biggest Loser* challenge, extended to members of the Royal Eswatini Police Service. All participants were granted free access at all RES gyms for the duration of the challenge.

- o *Body Mass Index (BMI) Tracking Promotion* – This was initiated to benefit all employees who maintain or record incremental positive tracking of healthy BMI with free use of gym facilities.
- o *Aerobathons and sporting activities* – RES employees were sponsored to a total value of E 21 000, to participate in events hosted by various corporates or organisations nationwide.
- o *RES Annual Aerobathon* – The Corporation hosted 100 participants at this event, which is open to the public countrywide.

Annual Cultural Activities

There are many important national cultural activities and events, and RES once again demonstrated its commitment to national traditions that foster pride and enjoyment. During the year under review, the Corporation supported participation in:

- **Marula Festival**
Thirty Lutsango representatives from RES attended this weekend-long annual ceremonial event at Hlane Royal residence. The Corporation also contributed various services such as land/arena preparations, the provision of potable water and royal gifts.
- **Ummemo**
The Mbuzini ummemo was attended by 60 employees and gifts from RES were presented to King Mlambo II.
- **Umhlanga Reed Dance**
Ninety regiments of young girls from the RES community once again successfully represented the Corporation at this year's ceremony.
- **Incwala Ceremony**
In another significant achievement, the Corporation succeeded in commissioning eight regiments to be present through the entire 21-day duration of the Incwala and weeding festivities.

Gravesite discovery

During the year under review, an important and potentially damaging community issue arose, when in the course of IGP-driven new land development, a gravesite was accidentally demolished at Pump Station 28. After concerned and sincere efforts by the Corporation and the people affected by the incident, the matter was amicably resolved among all the parties and was satisfactorily concluded.

Stakeholder Relations

Our stakeholders form a key part of our social and relationship capital, and we are committed to fostering respectful and productive relations with them, to our mutual benefit, to enable us to fulfill our mission of sustainably adding value for all our stakeholders, in terms of our values of integrity, delivery and respect.

The year under review saw RES maintaining and strengthening its strong relationships with varied stakeholders. Key among our efforts in this regard were:

- **Parliamentarians' Retreat** – An undertaking that promoted the discussion of legislative issues on water security and labour laws as business enablers
- **Neighbouring Community Leaders' Breakfast Meeting** – We hosted a meeting of chiefs and other leaders from the communities at Shewula, Lomahasha, Nkambeni, Manjengeni, Khuphuka, Hlane and Dvokolwako to discuss issues emanating from our business that affect them.
- **Media Tour** – We hosted all media houses to a plant tour at Mananga Sugar Packers and IYSIS to elevate media's understanding of our business.

Stakeholder	Material Issue	Current Position	Desired Position	
Sugar markets	Influence of global sugar markets influencing the business	<ul style="list-style-type: none"> Significant reduction in in EU sugar prices EU cutting sugar imports from Africa 	Improve production volumes in order to compensate for market volatility	
Swaziland Cane Growers Association (SCGA) Executive	Industry Vision	<ul style="list-style-type: none"> Misalignment between involved parties regarding expectations and subsequent voting interests to benefit all Industry has been static since 1967 E100m proposal offered by RES to growers to improve relations and help resolve the impasse 	Fruitful negotiation on sugar marketing and co-generation issues, thereby progressing industry vision	
Ministry of Natural Resources and Energy Ministry of Agriculture	Water Security	Continued efforts on reducing future exposure needs to be pursued as part of RES' long-term plan on water security	Actively participate in assisting Government in the building of the Silele and Silingane dams	
Local media	Media Engagement	Media relations are stable and need to be proactively managed to remain favourable	Media partners to maintain positive open relations with RES and ultimately drive a favourable reputation for the corporation across the Nation	
Board/ Shareholders	Seek Board approval for the implementation of IGP Phase III	<ul style="list-style-type: none"> IGP Phase III proposal drafted and tabled to the board. Currently on hold and due for review at next Board meeting 	<ul style="list-style-type: none"> Board approval to increase capacity of Mhlume factory converting shredder to online functionality; Installing Kestner vessels at 2b and procure 330 tch cane diffuser in preparation for IGP Phase IV; New land development 	
			Phase III successfully implemented as per planned timelines	
Employees	SAP embedding	Inability to fully adopt and use SAP interface to full functionality	<ul style="list-style-type: none"> Improved efficient decision-making through SAP Full realisation of ROI Standard system across the business 	
	COVID-19 pandemic	COVID-19 outbreak, state of emergency declared countrywide	Management of pandemic in workplace and business continuity	
Local universities and professional institutions	Talent-tracking	Poor collaboration with local universities in developing demand-driven programmes and tracking relevant talent to RES	Demand-driven programmes and effective HR development through tracker studies in monitoring talent during training stages, in collaboration with these institutions	

	Ranking			Required Action	Frequency
	Level of Influence	Level of Power	PI Ranking		
	High	High	Manage closely	Continuous engagement at SACU through ESA and Government.	Ongoing
	High	High	Manage closely	<ul style="list-style-type: none"> Continuously engage parties in existing quarterly forums Resolve bagasse stand-off IRC to determine correct third-party allowances 	Ongoing
	High	High	Manage closely	Continue positive engagements with ministries through senior officials and portfolio committees	Ongoing
	Low	High	Keep satisfied	<ul style="list-style-type: none"> Host media day where RES openly invites and engages media on business updates. Prompt interactions 	Annual
	High	High	Manage closely	Table the plan for review and subsequent Board approval	Quarterly
	High	High	Manage closely	Increased capacity and better performance at Mhlume factory	Once-off
	High	Low	Keep informed	Expedite SAP training for transactional users; Implement SAP process embedding	Quarterly
	High	Low	Keep informed	<ul style="list-style-type: none"> Implement adequate workplace sanitation and hygiene standards as advised by Government and WHO Develop case-management protocol 	Ongoing
	Low	Low	Monitor	Participation in curriculum development forums with UNISWA and other institutions	As invited by UNISWA
				Annual meeting with Ministry of Labour and Social Security to share information on Eswatini sponsored students in South African universities	Annual

Because



WE VALUE CULTURE



GROWTH



CLEAN FIGHT



CHILD DEVELOPMENT



JOINING HANDS



TRANSITIONS



GIVING



YOUTH PROGRESS



ACTIVE LIFESTYLE



ENVIRONMENTAL CARE

for our people

06

OUR PERFORMANCE



Our crop constitutes a fundamental component of our natural capital, relating not only to the ultimate production output, but also to other aspects of our business such as energy, and is central to our strategic objective of lowering the unit cost of production.

Crop performance

Despite radiation being higher from September to December 2019 compared to the same period during the prior year, rainfall was significantly lower, affecting growth and producing a lower crop yield. In addition, a severe hailstorm early in the season resulted in the lodging of cane on 11 114.5 ha, with severity ranging from mild to severe, with stalks broken and uprooted in some instances. All of the affected fields performed far below budget.

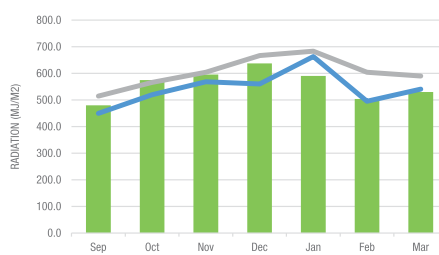
The season – Key indicators

The season was completed on 14 November 2019 with a total of 2 061 605 tonnes crushed for the year. It was the hailstorm, together with the reduced age of the crop, yielding less tonnes of cane per hectare (TCH) and low Pol%, that in turn resulted in the end-of-season total of cane crushed and sucrose tonnes being 9.6% and 10.6% below budget respectively.

We were below our budget targets across our metrics, with TCH at 101.3, 10.4% below our budget of 113.0 TCH, while Pol % cane was 1.1% below budget. Tonnes sucrose per ha was 10.6% below budget. Cane quality, measured as sucrose percentage, was lower than both budget and our 2019 yield – a function of the younger age of the crop at cutting.

Similarly, with sucrose productivity (TSH), our results were below both our 2019 season and budget for the year under review.

FIGURE 16 - Summer radiation comparison



2.1m

tonnes of cane
crushed this year

FIGURE 17 - Cane quality comparison

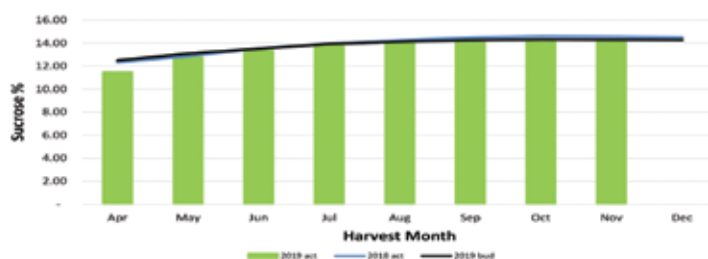
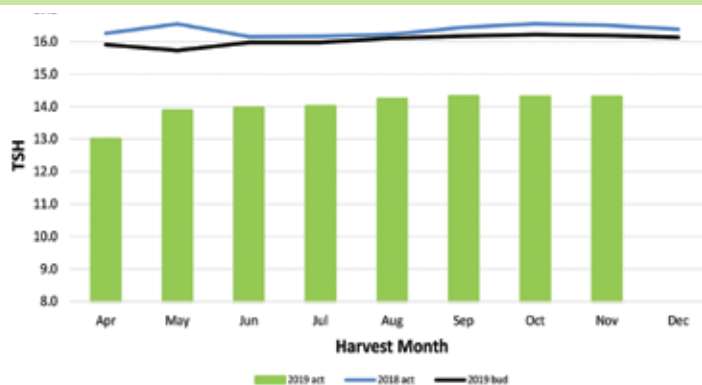


FIGURE 18 - Sucrose yield comparison



Strategic initiatives – FY2020

- **Drip irrigation** – With an increased area under subsurface drip, in terms of our FY2020 approved replant programme, irrigation this initiative saw:
 - o The successful completion of converting 231.9ha to drip, with 184.6ha still watered by furrow and 47.3ha by sprinkler
 - o Spring planting of 174.1ha
 - o Autumn planting of 57.8ha.
- **Improved variety disposition** – To reduce the risk of over-reliance on a single or just a few varieties, and to mitigate the risk of pests and disease, as well as to increase the area of high-

sucrose yielding varieties, we successfully:

- o Reduced N25 variety from 42.3% of area under cane at the beginning of the season, to 36.3%
- o Increased the high-sucrose variety N36 from 20.6% to 23.6%
- o Increased new varieties such as N49, N53, N57 and Mauritian from 15.8% to 22.2%.

Cost savings

In terms of contributing towards the Corporation's strategic imperative of reducing the unit cost of production, over five years, we have:

- Built MDS trailers

- Restructured contracts, especially for wet harvesting
- Renegotiated cutting contracts
- Built harvesting trailers internally.

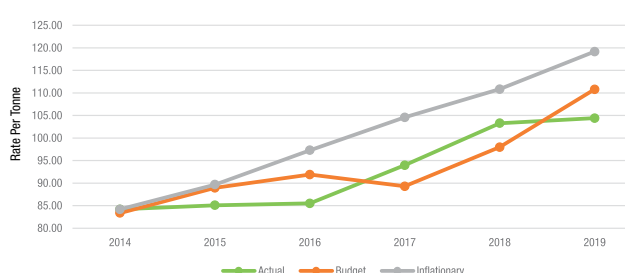
This has resulted in substantial savings against inflation, as shown in the table and graph below.

Looking ahead

In the short term, we foresee an impact of COVID-19 on the supply chain, affecting both inbound and outbound logistics, as well as the supply of inputs for agriculture. Also in the short term, based on current climatic conditions and crop age, we expect the 2020/21 crop to be better than the season of the year under review.

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Inflation (%)	6,5	6,5	8,5	7,5	7,5	6,0
Actual	84,18	85,07	85,50	93,95	103,27	104,41
Budget	83,36	88,93	91,88	89,29	97,96	110,79
Inflationary	84,18	89,65	97,28	104,57	110,85	119,16
Saving/Tonne	0,0	4,6	11,8	10,6	7,6	14,7
Volume (Tons)	2 192 103	2 071 269	1 925 337	2 126 737	2 476 064	2 314 187
Cost Savings (E)	0	9 492 544	22 663 145	22 588 421	18 757 257	34 131 575
Cumulative (E)						107 632 941

FIGURE 19 - Harvesting Costs Comparisim



231.9
hectares
converted to
drip irrigation
in FY 2020

06 OUR PERFORMANCE OUR FACTORIES

Our factories at Simunye and Mhlume form a fundamental part of our manufactured and financial capitals, and as such their efficient and optimised operations are key to the performance that we are able to produce year-on-year.

Despite the input of a younger crop whose sucrose content was also affected by climatic issues, our factories were able to record good results. The Mhlume factory finished crushing on 11 November 2019, while at Simunye, crushing ended on 14 November 2019 – in both cases an early end to the run that was enforced by climatic issues. Nonetheless, both factories saw efficiencies improved for the season.

Operations

With both Mhlume and Simunye mills having started production on the same day and finishing the cane within two days of each other, each site saw an improvement in excess of 14% in downtime and attained seamless performances, which resulted in the season concluding in a record time of 30 weeks. Our boilers and power stations on both sites were stable and ran efficiently, contributing to improved savings on electricity import costs. Cane crushed, however, was 8.2% below budget at 3 491 928 tonnes.

A new syrup clarifier was installed at Simunye factory during the off-crop period, as part of a de-bottlenecking initiative. In addition to the improved throughput, the new equipment enabled the factory to reduce, by 100%, customer complaints that had arisen from the presence of insoluble solids content in the final product. As a result of its improved efficiency, the factory attained savings of 19% in fuel costs for the year.

For the second year running, among the 27 Southern African sugar factories, both mills were among the top 10 performers in boiling-house recovery. Simunye mill was ranked second while Mhlume mill achieved the ranking of sixth – an exceptional achievement for a factory with a back-end refinery.



Consolidated factory output against budget – FY2020

	Actual FY2019	Actual FY2020
Cane Milled (tonnes)	3 725 617	3 491 928
Sugar 96 pol (tonnes)	505 575	460 592
Sugar MTTQ	469 979	427 772
Refined Sugar MTTQ	85 195	131 737
VHP Sugar MTTQ	377 264	287 758
Raw Sugar MTTQ	7 522	7 554

IGP strategic expansion and unit cost benefits

At Mhlume, Phase II of the IGP was completed during the off-crop period of the year under review, with an upgrade of the pan floor where a new continuous 120 cubic metre vacuum pan, a batch pan and three juice heaters were installed.

(For more on upgrades, see under EMS, on page 57.)

The improved capacity enabled us to boil larger volumes of sugar per unit of time. In addition, the factory improved its crush rate to an unprecedented 387 tonnes cane per hour (tch). This higher efficiency, in turn, enabled the factory to make savings of 42% in fuel costs for the year.

Molasses

Cane quality was lower than in the previous season, and the effect was evident in the higher molasses volumes. Both factories experienced an increase in molasses production from 3.76% of total cane in the prior year, to around 4.3%, an output which provided more molasses for the distillery to process.

(For more on the distillery see page 58.)

Operational risk

Risk associated with the factories resides mainly in the capacity of our power generation station. Our

reliance on Simunye's 30 MW set as a sole major generator constitutes an operational risk, while at Mhlume, the power station is still under-capacitated, requiring the import of costly energy.

Looking ahead

In the short to medium term, we will see the implementation of the remaining phases of the IGP, and will continue to improve other parts of the plant to complement the new equipment that will be installed. These steps will be undertaken in support of the Corporation's low-cost strategy, where sugar volumes are maximised while costs are contained. In this regard our efforts at continuously improving the LTA and overall recovery in our mills will continue to receive maximum focus.

Tidbit



HIGHER MOLASSES VOLUMES

Both factories experienced an increase in molasses production from 3.76% of total cane in the prior year, to around 4.3%

ENGINEERING MANAGEMENT SERVICES (EMS)

06

As the area of RES that oversees energy and supply chain management, as well as process and technical services, EMS is also responsible for overseeing large capex projects. As such it is a key part of our financial and manufactured capitals, and together with energy management and development, is an important service division within the Corporation.

The original operational strategic plan for the year under review was to execute Phase 3 of the IGP expansion project. That, however, was put on hold as the company prioritised the growth of its portfolio of assets through acquisition. Efforts were thus diverted to assist the factories with two main upgrade projects – to procure a new sugar dryer for the Simunye factory and a new batch pan for its raw house. (For more on strategy and our factories, see pages 24 and 56 respectively.)

As part of the implementation of the former, the existing dryer was relocated to the Mhlume factory. This was a strategic move because the original IGP-planned factory expansion was to take place at Mhlume over a four-year period. As a result of other strategic initiatives, and the prevailing market conditions, the business has taken the view that the expansion will take place over three to four years in the medium term.

The relocation of the dryer would thus ultimately allow the Mhlume factory to cope with the additional throughput following the conclusion of the planned expansion. The procurement of the larger dryer needed by Simunye, would accommodate the actual requirement that the factory currently requires for its throughput.

The equipment was installed and running before the end of the year under review, with testing and commissioning taking place at the beginning of the new financial year.

This equipment is not yet a critical factor in production, but the factory will make use of it during the next reporting period, enabling it to eliminate bottlenecks, and allow it to run with somewhat less downtime, lessening the impact of breaks on production.

- Phase 2 continued to complement capacity increase in the process house with the following:
- Additional centrifuge capacity,
- Boiling capacity on the pan floor,
- Increased clear juice heating capacity,
- Sugar conveyor upgrades in the refinery,
- Increases of clear juice and molasses storage tank volume
- New and upgraded sugar scales
- Instrument air receivers
- New sugar vibrating screen.

In addition, a start was made in the upgrade of the SRI Clarifier by implementing a lime plant upgrade, taking the system from a standard

liming process to a lime saccharide process. This will eventually complement the clarification process once the remaining mechanical upgrade of the clarifier is done during the 2020/21 offcrop.

The COVID-19 lockdown only took effect on 26 March 2020, by which time we had procured most of the materials and equipment and most of the construction had been completed.

Nonetheless, during the commissioning period the intention was to employ, on-site, key personnel from the suppliers. A commissioning engineer and control specialist were required, but were unable to cross the border into the country, despite requests for special consideration of the matter. We were fortunate in that we have several skilled engineers within the EMS function who were able to adapt to the circumstances, and through remote communication were able to obtain the manuals and commissioning requirements, allowing the process to go forward.

EMS achievements – FY2020

The Project Definition Report suggests that after Phase 2 the planned equipment capacity increase will have mostly been achieved in the back end of the factory with some improvements to steam economy, process operation and maintenance. The table below shows parameters from the report, as well as others which are referred to in the Energy Mass Balance reports.

Description	Unit	Actual 2017	Original Phase 1 Design	Actual 2018 Phase 1	Original Phase 2 Design	Actual 2019 Phase 2	Original Phase 4 Design
Cane	tcph	377.00	350.00	386.00	360.00	387.00	440.00
Clear Juice	tph	470.00	421.50	473.00	434.40	469.70	506.10
Evaporation Rate	tph	377.00	340.80	377.00	351.40	377.30	404.60
Water Evaporation % Clear juice	%	80.00	80.90	80.00	80.90	80.30	80.00
Syrup brix	%	65.60	68.00	64.40	68.00	66.90	68.00
Imb % Fibre	%	388.00	340.00	327.00	340.00	353.00	330.00
Boiling House Recovery	%	89.10	89.40	89.60	89.40	88.90	90.20
OTE (out of cane included)	%	75.70	79.50	75.10	80.50	83.30	82.50
OTE (excl out of cane hours)	%	85.40	79.50	87.39	80.50	85.60	82.50
Overall Recovery	%	85.80	86.40	86.00	86.30	85.60	87.60
Steam% Cane	%	81.60	56.60	71.60 (63.3% excluding the refinery)	56.40	70.37 (62.1% excluding the refinery)	50.30
Heating Surf	m ²	12 266.00	14 716.00	(ave) 14 692.00	(ave) 14 692.00	(ave) 14 692.00	(ave) 17 692.00

Ethanol production is a key part of our manufactured and financial capitals, and during the year under review the distillery once again performed excellently, with 35.7 million litres of alcohol produced, and an alcohol recovery of 238 LAA/MT of molasses, our highest ever.

Strategic targets

The alcohol production budget for the year under review was 34 million litres, with a forecast molasses availability of 144 997 MT and a budgeted alcohol recovery of 235 LAA/MT of molasses. We had also targeted the running of both distillation plants D1 and D2 from the start of the production cycle. The distillery commenced operation around 25 May 2019 and completed its operations for 2019/20 on 10 February 2020, with our actual production and alcohol recovery exceeding the targets.

As can be seen in the graph below, our upward trend since 2017/2018 was successfully maintained, bringing our production levels back up to extremely satisfactory levels.

Molasses reconciliation

An additional flow meter was installed in the molasses supply line to the distillery, alongside the previously installed molasses scale for measuring the molasses intake into the distillery. Readings from the flow meters and molasses scale matched each other without any further issue or resolution required, with only two calibration certificates as opposed to the six issued in the prior year.

FIGURE 20 - Cane quality comparison

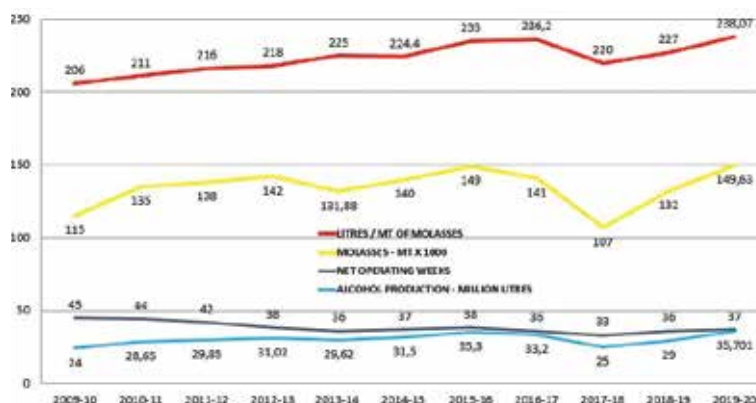
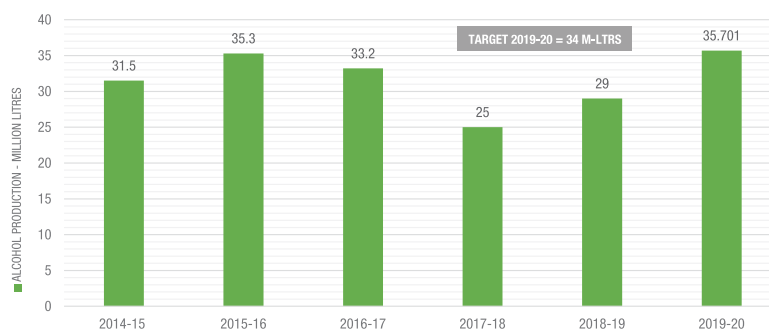


FIGURE 21 - Distillery production performance - year 2014/15 to 2019/20





We
meet our
targets
and
deadlines

Molasses reconciliation status at end of distillery production – FY 2020

Opening stock in Simunye at 31-03-2019	MT	3 977.37
Opening stock in Mhlume at 31-03-2019	MT	3 304.00
YTD Mhlume production	MT	72 513.36
YTD Simunye production	MT	76 154.78
Total molasses available	MT	155 949.51
Distillery usage at 29-02-2020	MT	149 962.60
Sales to outside customers	MT	4 480.72
Total usage and sales	MT	154 443.32
Theoretical molasses balance = availability – usage + sales	MT	(1 506.19)
Present available molasses stock at Mhlume	MT	0
Present available molasses stock at Simunye level	MT	0
Total molasses physically available	MT	0
Variance (+surplus/-deficit)	MT	*(1 506.19)

*Molasses lost in bund of Mhlume molasses tank farm due to contamination with water and which could not be pumped to distillery

Impact of material matters affecting production

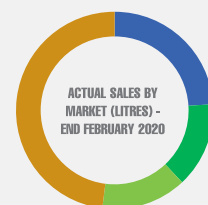
The distillery ran throughout its production cycle at design throughput, and with no lost time accidents (LTA). However, an important material challenge that the distillery faced during the year under review, and which was not within its control, was the overflow in storage at Mhlume mill, due to insufficient storage capacity at the two mills. In order to bring levels in the molasses storage tanks down, approximately 5 000 MT of molasses were sold outside of the operation. This led to a loss of approximately 1.2 million litres in alcohol production and the opportunity to profit from that business.

Another factor impacting distillery performance was consolidated molasses stillage (CMS) storage. These facilities, in the form of three rubber-lined earth dams, two with rubber-lined covers one and with a metal cover, are inadequate. Each of these dams has an individual capacity of 10 000 cubic litres, and together they reach overflow during the off-crop period every year from December to April. The distillery then has to resort to the dumping of CMS and additional road transport in order to sustain the operation until

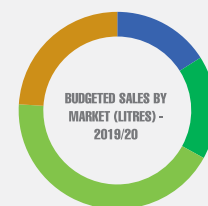
February-March of each financial year. These measures result in an added costs, and the loss of potential sales.

Strategic initiatives

An additional alcohol storage tank of 1.5 million litres was constructed to increase storage capacity and mitigate the risk of up to 50 days without sales. We also installed two semi-automatic drumming machines in our drumming plant.



■ SACU 24% ■ SADC 14% ■ EAC 14% ■ EU 48%



■ SACU 16% ■ SADC 17% ■ EAC 43% ■ EU 24%



1.5m
litres storage tank,
constructed to increase
storage capacity



PROCUREMENT

Procurement is key to our strategic imperative to reduce the unit cost of production, and as such is an important part of our financial capital. Moreover, insofar as our relationships with our suppliers are also of strategic importance, procurement also forms an important part of our social and relationship capital.

During the year under review, we conducted a number of key initiatives:

- **Reassessment of all critical suppliers**

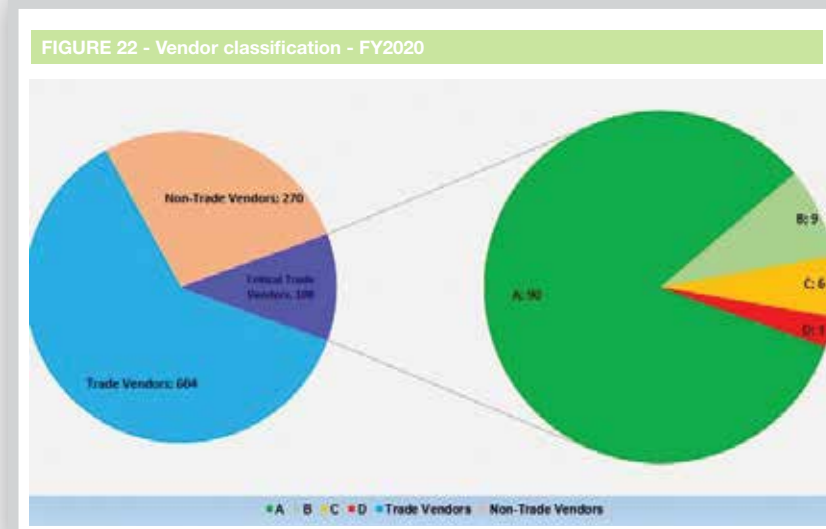
This involved identifying our supplier base to identify those who are critical to our optimised functioning. We then made on-site visits to their operational premises to assess them in terms of our ISO standards.

- **Supplier interface**

This initiative which continued from the prior year has also improved our process of invoice verification, and enabled better compliance from a governance perspective, thereby reducing risk and improving our supplier management processes. It thus also relates to the strategic imperative of Simama 20-20 to reduce the unit cost of production.

Looking ahead

COVID-19 affected our procurement function already before the lockdown was imposed. This is because many



of our suppliers import their raw materials such as coal and lime from China, where restrictions on movement came into force some time before they did in our region.

We have therefore, in the short term, been forced to seek materials elsewhere. The Eswatini Government has provided strong support in this regard, by providing us with the necessary exemption letters for our South African suppliers to be on the road, and to bring in raw materials and some services. With South Africa seemingly willing to relax some regulations over time, we anticipate that we will be able in the short to medium term to overcome this particular hurdle.

We have, however, continued to experience difficulty in obtaining

some services, when contractor employees working onsite left to be with their families during the lockdown. Nonetheless, because of the nature of our contracts, in terms of which they were required to impart knowledge to local people, we were able to work around this challenge by using our inhouse resources.

Just before year-end, and after lockdown had been imposed, we embarked on the manufacture of sanitisers. This posed the immediate and urgent challenge of sourcing suppliers of both materials and packaging in the face of demand elsewhere, as well as regulations and required exemptions. We are confident, however, that in the short to medium term we will be able to secure stable sources of supply.



We are a business which is an active corporate citizen. We have a duty to promote and participate in cultural activities because these are a key part of a developing nation. We are proud to be a part of this colourful annual event of buganu.

Our stores are a key part of our manufactured and financial capitals, and we are continually seeking ways to optimise materials management and efficiency.

During the year under review we were engaged on three key projects:

- **Material Requirements Planning (MRP) optimisation project**

We began reviewing material master classification to ensure that we are able to quantify our inventory investment by department.

FIGURE 23 - Inventory value



The aim is to reduce our inventory investment to support the reduction of working capital.

This touches on two pillars of the Simama 20-20 strategic imperative – operational efficiency and cost reduction.



Thembelisha Preparatory School is a flagship primary school, which stands toe-to-toe with the best schools in the Southern African region. With its international IEB curriculum it helps RES Corporation attract and retain critical skills, which are otherwise difficult to entice to come to this part of the world.



IYSIS represents an important part of our financial and natural capitals, dependent to a large extent on natural conditions. Rainfall during the year under review turned out, for the seventh year in a row, to be below the long-term average. Despite that we saw an acceptable amount of grazing, and the cattle remained well-fed.

While our grazing rate per large stock unit rose from five hectares in the prior year to six, we have also seen good beef production, and game numbers increasing dramatically, having naturally rebounded after the drought years, with the grazing rate trend heading back towards five hectares. If it does reduce to this figure, then in the short to medium term, if we do not receive sufficient rain, we will be forced to reduce either cattle or game numbers. The total game population now stands at 8 745, compared to the prior year's estimate of 6 900, with impala representing by far the largest proportion, jumping from 5 000 to 6 500 in number.

The number of impala sold through hunting was 671 – more than 10% of the population. This indicates that the game guards were successful in keeping the problem under control. Nonetheless poaching remains a challenge, with once again around 1 000 snares removed.

Cattle

Ranch production has been very positive, and in what is our most noteworthy achievement during the year under review, we were able to ear-tag and register more than a thousand calves. This is primarily due to good nutrition, and with the plentiful grazing the animals have been in healthy condition, a factor very pertinent to conception, so long as water and the dipping regime remain conducive.

Our Red Brangus cattle numbers have continued to reduce, while the Nguni continued their trend of increasing at a 2%-3% better conception rate, and 1%-2% lower mortality rate. With the juxtaposition of one bull breed with a different breed of cows, so-called hybrid vigour tends to manifest itself, noticeable in a reduction of the size of the pure Nguni animal. There is therefore a possibility of losing part of the production benefit. While this is a long-term phenomenon, we still believe that with their horns and willingness to protect their calves from predators, the Nguni mortality percentage will always be superior. We will in all likelihood maintain the Brangus herd so that it reaches 50% of the total head of cattle.

Looking ahead

Fortunately for the beef operation, the butchery is deemed a food outlet in terms of the COVID-19 restrictions on business openings. This has had a positive impact on the supply chain

through the abattoir and the feedlot to the ranch. However, we have been hurt in our Mananga Country Lodge division which is firmly in the hospitality business, which has seen bars closed, guest-houses empty and bookings cancelled, and all of which has had the effect of already reducing our bottom line by E1 million.

While this challenge will have to be seriously considered in the short and medium term, much of our hospitality service is business-, not tourism-related, and as long as RES continues to grow, we will benefit from the demand.

Hunting and fishing, particularly for the bass that we now have in the dam, will remain popular pastimes, and we see continued benefit deriving from that once travel again becomes possible and people will be returning for breaks in the bush. Our new "booze cruiser" had only managed to make four commercial trips before the pandemic closedown.

In the long term, lantana – a plant poisonous to cattle – will have to be monitored and pulled out, as was done during the year under review.

Our property remains, from a biodiversity perspective, a very healthy one. Our surveys have shown that we sustain 356 species of vertebrates – 28 frog, 48 reptile, 224 bird and 56 mammal species. This is a well-balanced ecosystem that we will continue to make every effort to maintain in the long term.



MANANGA SUGAR PACKERS (MSP)

MSP is a 50/50 partnership between RES Corporation and RCL Foods Sugar. The company specializes in pre-packing sugar, castor and icing in a state of the art packaging facility in Mhlume, inside the Sugar Mill premises.

MSP employs approximately 150 employees including seasonal and casual employees and operates 24hrs a day. In the year under review MSP sold more than budget as condition in the market improved

End March 2020	2017/18 (E)	2018/19 (E)	2019/20 (E)
Net Pricing	9 892	9 198	9 915
Net Cost	8 951	8 045	9 217
Contribution Margin	941	1153	697
Fixed Cost	488	443	367
Net Margin	453	710	331
EBIT(M)	43.4	52.4	44.5

due to the reduction in imports. As of the end of March 2020, MSP has sold 128 674 tons against a budget

of 114 614 tons which is 14 060 tons ahead of budget.

GROWERS

As an important part of our human, social and relationship and natural capitals, the Growers who work with RES contribute to the quality and quantity of our crop yield, and ultimately to our production output in the factories.

The total contribution by Growers to the two RES mills amounts to about 34%.

Name of Grower	Area	Number of Growers
Malkerns	1 059.83	16
KDDP 1	2 258.94	18
KDDP 2	1 764.27	9
Hlane/ Dvokolwako	114.73	12
Mhlume /VIF	1 766.86	265
Tambankulu	1 740.94	1
Umbuluzi	1 92.59	1
Managed farms	N/A	7
Total number of growers	11 664.04	329

Successes and challenges

The seven farms managed by RES have notched up notable success, with debts nearly repaid, and efficiencies optimised. Growers were

also able to obtain a better price for their crop during the year under review, as conditions of increased demand for sugar, itself resulting from low production in the prior year.

For more on markets, see page 13.)

Certain challenges remain, however, with the land tenure difficulties experienced at Vuvulane by the VIF grouping, and reported upon in the prior year, continuing, and still requiring resolution.

The issue of payment for bagasse continues to hinder the relationship between RES and Growers, although it is hoped that discussions held during the year under review will lead to a resolution in the coming year.

In addition, other impediments to efficient production affect output at the farms, including

- Late application of inputs
- Remote farming, where overseers are not monitored by distant owners
- Succession issues on the death of quota-holders resulting in disputes and farms lying idle
- Obtaining funding from financiers
- Depletion of water resulting from informal connections to irrigate other crops
- Late planting due to unavailability of machinery for land preparation
- Pests and diseases
- Low profits resulting from the decline in yield
- Taxes and high electricity and haulage costs

- Corrupt practices and corporate governance omissions
- Old irrigation infrastructure leading to lowered efficiency
- Decline in area under cane and the introduction of macadamia nuts, particularly in the Malkerns extension zone.

Looking ahead

In the short term we anticipate higher production numbers as a result of increases in the area under cane and more favourable farming conditions. Nonetheless, prices may not commensurately increase as we expect higher volumes of sugar to be produced.

Also in the short term, the impact of COVID-19 on local, regional and global markets will make itself felt, as will the difficulties imposed by measures such as closed borders and social distancing and/ or lockdown conditions, will need to be taken into account.

(For more on our operating environment, see page 13.)

In the medium term the threat of pests and diseases will continue to be a risk to production, while the ability of growers to adopt replant programmes and to follow them will be tested.

In the long term, variable rainfall patterns that govern the operations of the entire industry will continue to be a major factor.

SECURING VALUE

A stylized graphic of two hands holding several plus signs, symbolizing growth or positive impact.

RES is committed and subscribes to best corporate governance practices. We are guided in this regard by, among others, the code of corporate practice and conduct contained in King IV and other international guidelines on corporate governance.

Mr AT Dlamini – Chairman*MBA, Bcom*

Absalom Themba Dlamini is the Chairman of the RES Board of Directors (the Board). He is the current Managing Director of Tibiyo TakaNgwane, and the former Prime Minister of the Kingdom of eSwatini. He has held executive positions in various local institutions, such as the Central Bank of Eswatini, Eswatini National Provident Fund and Eswatini Industrial Development Company. He currently serves on other boards including Ubombo Sugar Limited, Mananga Sugar Packers and Royal Villas. He has received awards and honours from among others His Majesty King Mswati III and the President of the Republic of China on Taiwan.

**RES Subcommittees are:**

Risk Committee

Remuneration Committee

Audit Committee

Committee On Non-Executive Remuneration



Ms Busangani Mkhalihi – Member
IMBA, BCom, Dip. Accounting and Business Studies

Busangani G Mkhalihi is employed by the Ministry of Finance as Director of the Public Enterprises Unit. She also worked for the Ministry of Agriculture under the Monitoring and Evaluation Unit. She is a member of the Board of Directors of the Eswatini Post and Telecommunications Corporation where she also sits on the Remuneration and Audit Committees. She is also a Board Member at Eswatini Royal Insurance Corporation.



Chief Zibuse Ndlangamandla – Member
Dip Accounting

Chief Zibuse Ndlangamandla is the traditional leader of Manyandzeni community in the Shiselweni District, Eswatini and a businessman and a farmer. He is responsible for providing strategic direction on economic and social development matters of the community. He is also a member of His Majesty the King's Advisory Board.

Mr Jameson Gule – Member
MBA, CIS, Business Studies, Dip. Farm Management, Cert. Finance Management

Jameson Gule is a former General Manager Corporate Affairs at Tibiyo TakaNgwane and prior to that he was Managing Director of The Swazi Observer. He has since retired from Tibiyo TakaNgwane, where he held several managerial positions. He has also served as director on the boards of The Eswatini Observer, Maloma Colliery Ltd, Tisuka TakaNgwane, Eswatini Cane Growers Executive Committee, SSA Finance and the Eswatini Sugar Industry Board.



Mr John du Plessis – Member
BSc Agriculture, MDP

John du Plessis is the Managing Director – RCL Foods Sugar and Milling (Pty) Limited. Prior to joining RCL Foods Sugar and Milling (Pty) Limited (formerly Tsb) in 2009 he was the Managing Director of RES. Over the last 25 years he has held managerial and executive positions in a number of organisations within the sugar industry, including Booker Tate Limited in the United Kingdom, Zambia Sugar, PLC-Zambia, Ramu Sugar Ltd in Papua New Guinea and Illovo Sugar in South Africa. Mr Du Plessis is also chairman of the South African Sugar Millers' Association.





HRH Princess Lomajuba – Member
BSC in Hotel, Restaurant and Tourism Management

HRH Princess Lomajuba is an experienced director with vast corporate experience having served on numerous boards. She currently serves as a board member of the Eswatini Electricity Company, the Firearms Licensing Board and the Minerals Management Board. She obtained her qualifications at Western Kentucky University USA, and at Vincennes University USA and was awarded a ServSafe Certificate also from Vincennes University. She has previously worked as an Assistant Manager at Shoney's Restaurant in the United States where she honed her skills in the hospitality industry.



Mr Gerhard van der Walt – Member
BCom (Hons), Chartered Accountant S.A.

Gerhard van der Walt is currently employed by Remgro Ltd as part of the executive team. He has more than 30 years' experience in the auditing, financial and commercial environment. He has vast leadership experience in the sugar industry. He has been involved in several large capital and expansion projects as the Financial Director of RCL Foods Sugar and Milling Ltd.

Mr Andrew Westermeyer – Member
B Com (Hons), Chartered Accountant CA (SA)

Mr Andrew Westermeyer is the Financial Director of RCL Foods. He qualified as a Chartered Accountant CA/SA in 2002 and spent a year on secondment with Deloitte in Luanda, Angola. Upon returning to South Africa he joined RCL Foods where he has held various financial and commercial roles across the Group.



Mr Zombodze Robert Magagula – Member
LLB, LLM (Insurance Law) Masters Sports Organisation Management; Post-grad. Dip (International Law)

Zombodze Robert Magagula was a Consultant for Momentum Health Insurance (MHI). He previously worked as Crown Counsel and Prosecutor under the Eswatini Government's Ministry of Justice and Constitutional Affairs. He is President of the Eswatini Olympic and Commonwealth Games Association and the Confederation of Olympic Committees of Southern Africa. Mr Magagula also serves as an executive board member of the Association of Olympic Committees of Africa and the Federation of Eswatini Employers and Chamber of Commerce.



Mr Idris Alhaji Ahmed – Member
MIAD, MBA, BSc (Accountancy)

Idris Alhaji Ahmed is the Accountant-General of the Federation of the Government of Nigeria. He has held various executive positions in the federal Civil Service such as Director (Finance and Accounts) at the Nigeria Security and Civil Defence Corps (NSCDC) Wuse Zone 5, Abuja and at the Ministry of Mines and Steel Development Wuse II, Abuja. He is a member of a number of financial institutions in Nigeria. He was appointed RES Board member on 3 September 2015. He has presented various papers on many topical issues including Reform in the Nigeria Capital Market, Fraud in the Banking Services Delivery and Supervisory Skills in Banking Service Delivery. He also sits on several boards.



Mr Nick Jackson – Executive Member
BSc (Hons) Biochemistry

Nick Jackson joined the RES as Managing Director in 2009 and is the only Executive Board Member. He is former Chairman of SWABCHA Board of Directors, and serves on several other boards including NERCHA, ESA, EIPA and the Country Coordinating Mechanism (CCM), UNESWA Foundation and Business Eswatini.

Mr Mike Shongwe – Member
MDP, Dip Creation and Development of SMEs

Mike Shongwe is a retired career banker, now a businessman and Swaziland Franchisee of PostNet SA. He retired as Head of SBSA Community Banking Fund, a broad-based black economic empowerment (BBBEE) initiative after 38 years of commercial/retail banking, including seven years as Executive Director of Inhlanyelo 'Seed Capital' Fund. Mr Shongwe received extensive banking industry expertise development from various SA academic institutions, namely, WBS, GIBS, SBSA Group Global Leadership Centre (GLC), SADC states (Botswana and Zimbabwe) and abroad (London, UK and Turin, Italy). He has served on various boards and committees, including at inception a Director of FINCORP, Chairman of SEDCO and Member of the Government Task Force appointed to review and propose a framework for SME financing in Eswatini.



The RES Board has a unitary structure, comprising 12 non-executive directors (including one elected exclusively by small shareholders) and one executive director. The directors are not regarded as independent within the definition of King IV, as they are all shareholder appointees. The Board is, however, of the view that this does not affect its independence, as all non-executive directors exercise independent judgement in all Board deliberations and decisions at all times. Furthermore, there are policies in place concerning directors' conduct. These policies are aimed at ensuring that directors perform their fiduciary duties diligently in the best interests of the Corporation and stakeholders.

We review our governance structures and practices and enhance them on an ongoing basis in order to implement appropriate and applicable recommendations on good governance that are suitable for the Corporation's circumstances. Our aim is to incorporate those recommendations that are key to delivering sustainable growth in the interest of all stakeholders.

We see corporate governance as the responsibility of both the Board and Executive Management, with a culture of good governance embedded throughout the organisation.

The Board endorses the principles of fairness, responsibility, transparency and accountability articulated in the King Reports. The focus at RES remains on demonstrating and disclosing how its practices fulfil the principles and contribute to the achievement of governance outcomes set out in King IV.

The Board applies a stakeholder-inclusive approach in its decision-making processes, having due regard to the interests of shareholders and other stakeholders, while demonstrating concern for sustainability as a business opportunity that guides the formulation of strategy.

In line with the "apply and explain" principle, where application of the recommended King IV principles has

been identified as unsuitable for the Group's circumstances, this is clearly explained and where appropriate, other controls are put in place to ensure good governance.

The Policy on Powers Reserved for the Board of Directors and Delegated Authority has been maintained unchanged, and the Board continued to delegate certain responsibilities on an *ad hoc* basis via resolutions taken during meetings.

Board Responsibilities

The Board functions in terms of a Board Charter, which records the Board's continued objective of providing ethical business leadership. It regulates and addresses among others, the role of the Board as the custodian of corporate governance, the fiduciary duties and responsibilities of the Board and individual directors towards the Corporation.

Although there is no formal evaluation of the performance and effectiveness of the Board, its committees and individual directors, the Board is satisfied that during the year under review, it effectively carried out its responsibilities as described in the Board Charter.

The Board meets quarterly and special meetings are convened from time to time when considered necessary. To facilitate a meaningful decision-making process, Board papers are circulated timeously to the directors to allow them to thoroughly peruse the content and raise appropriate issues. Members of the Executive Committee attend Board meetings to ensure comprehensive reporting to directors.

Through monthly reports and regular briefings by management on material issues, the Board is able to monitor, among others, operational and financial performance of the business, key risk matters and major Corporation initiatives.

The governance practices of RES are clearly set out in the Corporation's Annual Reports which are circulated to all shareholders and key stakeholders. Our website also

alludes to our corporate governance practices.

There were no changes to the Board during the year under review, a factor in providing continuity of leadership as Board members collectively undertook a challenging decision-making process with regard to the postponement of the IGP.

(For more on strategy, see page 24)

Dr AT Dlamini however stepped down as chairperson of the Technical and Support Services Committee, in the interests of redressing gender imbalance in leadership roles, where he was replaced by HRH Princess Lomajuba.

Induction

On appointment, new directors undergo an induction programme to facilitate their understanding of the sugar industry, business environment and markets in which the company operates, as well as information on directors' roles and responsibilities in terms of legislation, regulatory requirements and best practice (King Reports on Corporate Governance). This programme includes, *inter alia*, information and guidance on, group structure and five-year plan/business strategy, financial and non-financial performance, reciprocal expectations, familiarisation through site visits, and consultation with senior management, as well as corporate policies and procedures.

As there were no changes to Board composition, no inductions took place during the year under review.

Remuneration

Directors' emoluments are contained in the financial statements, with that disclosure deemed adequate.

Board – Key focus areas in FY2020

During the year under review, the Board executed all its scheduled activities as set out in the Board Charter and the Board of Directors' Annual Work Plan.

Among the most important activities undertaken by the Board during the year were:

- Debating and approving strategy, while also monitoring management's execution of the Corporation's low-cost Simama 20-20 strategy, including the Mhlume factory expansion and the optimisation of operational efficiencies
- The pursuit of long-term strategy with a focus on considering substantial investments proposed by management, mainly concerned with the expansion of the Corporation's portfolio of assets through acquisitions
- Consideration and approval of the revised Dividend Policy
- Review and approval of governance policies: Policy for Management of Stakeholder Relations, Corporate Citizenship Policy, Code of Ethics, Directors' Code of Conduct
- Evaluation of risk-management strategies in response to power-supply issues arising from Eskom load-shedding.
(For more on risk management, see page 28.)
- The promotion of gender balance in governance structures through the appointment for the first time of a female director to chair the Technical and Support Services Committee, one of the Board subcommittees
- Ensuring directors' continuing professional development through Board leadership training
- Stakeholder engagement, especially with industry players
(For more on stakeholder management, see page 47.)

As part of our commitment to compliance, the Board also deliberated on:

- International Financial Reporting Standards (IFRS) 16 on leases
- Tax legislation
- The water levy in terms of the Natural Water Act
- Reviewed sub-committee membership

BOARD COMMITTEES

In terms of the Board Charter, the Board has established sub-committees to assist in the discharge of its duties and responsibilities.

In addition to these permanent committees the Board also established ad hoc committees to consider and interrogate transactions proposed by management, as well as their structuring and finance.

Audit Committee

Mandate:

To assist the board of directors in exercising its oversight role with respect to:

- Preparation of accurate financial reports and statements in compliance with IFRS
- Internal and external audit
- Applicable regulatory requirements
- Internal financial controls
- Financial risk management
- Safeguarding RES assets

Focus and delivering of value in FY2020

In addition to performing all its responsibilities as set out in its Terms of Reference, the Committee:

- Considered and recommended Board approval of Interim and Annual Financial Statements for the reporting period;
- Recommended the appointment of KPMG-Swaziland as RES' external auditors for 2019/20;
- Monitored effectiveness, objectivity, independence and quality of the external auditor;
- Approved KPMG's 2019/20 external audit plan and satisfied itself as to the appropriateness of key audit risks identified;
- Considered management's implementation

of IFRS 16 on Leases;

- Reviewed and approved RES' Internal Audit Charter;
- Considered and approved the risk-based Annual Internal Audit Plan and monitored the effectiveness of the Group Internal Audit function with regard to the execution of its plan, its coverage and overall performance;
- Interrogated actions taken by management with respect to adverse internal and/or external audit findings;
- Conducted ongoing monitoring of financial risks identified in the Enterprise-Wide Risk Register and compliance with Corporation-approved financial risk-management policies, i.e. Treasury and Hedging Policy

MEMBERSHIP: IG van der Walt (Chairman) | B Mkhalihi | JN Gule | A Westermeyer

Risk and Social Ethics Committee

Mandate:

To assist the Board in:

- Setting the tone for an ethical organisational culture
- Overseeing risk management
- Ensuring that management has in place policies, processes and procedures to manage the significant risks to which the Corporation is exposed
- Exercising oversight on safety and health in the workplace, as well as on environment and quality issues.

Focus and delivering of value in FY2020

In addition to performing all its responsibilities as set out in its Terms of Reference, the Committee:

- Considered and interrogated management's action plans to mitigate the top 10 risks contained in the enterprise wide risk register;
- Monitored RES' practices and manner in which the Corporation protects and enhances the natural environment in which it operates to ensure sustainability of the business;
- Monitored fraud and corruption reports;
- Received and considered management reports on risks affecting delivery of RES' strategy;

- Monitored and reviewed the Corporation's performance in occupational health and safety and quality management;
- Oversaw the management of technology and information and monitored the Corporation's digitalisation programme, which saw the successful implementation of BPC

MEMBERSHIP: ZR Magagula (Chairman) | Chief ZN Ndlangamandla | N Jackson | MSM Shongwe

Remuneration Committee

Mandate:

To assist the Board by recommending remuneration strategies that ensure a proper balance in attracting, rewarding and motivating human capital to drive the Corporation's long-term strategy and sustainable performance whilst creating shareholder value

Focus and delivering of value in FY2020

In addition to performing all its responsibilities as set out in its Terms of Reference, the Committee:

- Approved amendments to the short-term and long-term incentive schemes in line with best practice and King IV, which include the malus and clawback principle;
- Through external consultants, benchmarked executive remuneration in order to ensure that our remuneration levels are aligned

with the performance of the Corporation and other similar organisations.

In this regard the committee was gratified to note that the benchmark provided assurance that RES remuneration practices are in line with good governance practices

- Approved cost-of-living (COL) adjustments for executives

MEMBERSHIP: Dr AT Dlamini | J du Plessis | ZR Magagula

Committee on Non-Executive Directors' Remuneration

Mandate:

To consider and review non-executive directors' remuneration

Focus and delivering of value in FY2020

In addition to performing all its responsibilities as set out in its Terms of Reference, the Committee:

- Reviewed Non-Executive Directors' remuneration, which was adjusted based on benchmarks with peer companies and inflationary considerations

MEMBERSHIP: Dr AT Dlamini | NM Jackson | LS Masango

Board and sub-committee meeting attendance – FY2020

Board Member	Nature of Meeting							
	Board		Audit		Risk		RemCo	
	SM	AM	SM	AM	SM	AM	SM	AM
Dr AT Dlamini ¹	4	4	-	-	-	-	3	3
Chief ZN Ndlangamandla	4	4	-	-	3	3	-	-
IG van der Walt ²	4	4	3	3	-	-	-	-
ZR Magagula ³	4	4	-	-	3	3	3	3
MSM Shongwe	4	4	-	-	3	3	-	-
JN Gule	4	4	3	3	-	-	-	-
NM Jackson ⁴	4	4	3	3	3	3	3	3
J du Plessis	4	4	-	-	-	-	3	3
B Mkhalihi	4	4	3	3	-	-	-	-
I Ahmed	4	-	-	-	-	-	-	-
HRH Princess Lomajuba	4	4	-	-	-	-	-	-
A Westermeyer	4	4	3	3	-	-	-	-
A Adeyemi ⁵	-	4						

Legend

SM: Number of scheduled meetings held during the period in which the director was a member of the Board and/or subcommittee

AM: Number of scheduled meetings attended by directors as members of the Board and /or subcommittees – Not applicable to alternate directors

1. Board and Remuneration Committee Chairman
2. Audit Committee Chairman
3. Risk, Social and Ethics Committee Chairman
4. Managing Director
5. Alternate to I Ahmed; attended four meetings in his stead

OUR EXECUTIVE MANAGEMENT

Executive Management

Below the level of the Board, key management decisions are made by the Managing Director (MD), who in terms of the Policy on Matters Reserved for the Board and Delegated Powers has been delegated authority on a wide range of matters in relation to financial, strategic, operational, governance, risk and other functional issues.

The MD has in turn delegated authority to senior management committees (which include Exco, the Tender Committee, the Risk Management Executive Committee

and the IT Steering Committee) and individual members of the management team who assist the MD in guiding and controlling the overall direction of the business and monitoring business performance. Ad hoc management committees, are put in place to focus and monitor issues of strategic importance to the Corporation. The MD however remains accountable to the Board for all authority delegated to him.

The senior management committees and or senior managers act, in order to, among others:

- Translate and implement the Corporation's strategic direction in an operational plan
- Monitor its successful implementation and the achievement of performance in

accordance with agreed-upon budgets and timelines

- Oversee human development and succession planning in order to develop future leaders for RES
- Allocate human resources throughout the Corporation
- Ensure that appropriate IT systems exist to support business operations and to provide useful management information to facilitate effective decision-making

Regular management meetings, in particular monthly Exco meetings, are used to monitor these aspects in order to address day-to-day operations-related challenges, strategic business issues, sustainability and strategic project developments.

OUR EXECUTIVE MANAGEMENT TEAM



Mr Nick Jackson – Managing Director
BSc (Hons) Biochemistry

Nick Jackson joined the RES as Managing Director in February 2009 and is the only executive Board member. Mr Jackson is Chairman of SWABCHA. He also serves on several other boards including NERCHA, the Swaziland Sugar Association, Country Coordinating Mechanism (CCM), Uniswa Foundation and the Federation of Swaziland Employers and Business Eswatini. Prior to joining the RES, he was the CEO of the Guyana Sugar Corporation in the Caribbean.



Mr Patrick Myeni – General Manager Operations
BSc, MBL, MSc Agric Mechanisation

Patrick Myeni joined RES as a Trainee in 1981, was appointed Section Manager in 1987 and moved up the ranks to General Manager Agriculture in 2007. He serves on a number of committees including The Eswatini Fuel Pricing, National Adaptation Strategy and the Eswatini Sugar Association Council. He is also a member of the IYSIS Board.

Mr Muhawu Maziya – General Manager Commercial

Dip. Journalism, Dip. Industrial Relations, BA Law, LLB, LLM, Advocate

Advocate Muhawu Maziya, a Fulbright Alumnus, is Chairman of the Eswatini Royal Insurance Corporation. He is also a Director at Nedbank (Swaziland) and has served as Chairman of the Financial Services Regulatory Authority, Chairman of NMC and Chairman of Newera Partners Limited. Prior to joining RES he worked as Deputy Executive Director at FSECC and as Head of law at UNESWA. At RES he has worked as Group Company Secretary and Legal Counsel before his current role. He is also a member of ESA Council and serves as Director of various RES subsidiaries. He has also published various academic works on law.



Mr Dumisani V Dhlwayo – General Manager Finance
(Appointed on 01 April 2020)
B Com (Hons), CA(Z), CA(SA), MBA

Dumisani Dhlwayo joined RES as a Financial Manager in 2005 responsible for the business planning and reporting functions of the Corporation. In this role he gained invaluable 'coalface' experience of the integrated business. Prior to joining RES, Dumisani has worked at KPMG, Dunlop Tyres and Deloitte. He is member of a number of bodies, including those under the Sugar Industry Council, Mananga Sugar Packers (Pty) Ltd, Quality Sugars (Pty) Ltd, and IYSIS.



Mr Stephen Potts – General Manager Finance
(Appointed GM Special Projects early 2020)
BCom (Accounting), Chartered Accountant

Stephen Potts has many years' experience in Finance, Projects Finance, Sugar Marketing, Business and Strategic Planning. He reports to the RES Board on all financial matters and attends the Audit, Risk and Remuneration Committee meetings. He is a director of Mananga Sugar Packers (Pty) Ltd and chairman of the Audit and Risk Committee, a director of Quality Sugars (Pty) Ltd, and a member of the Audit and Risk Committee. He is also Chairman of the IYSIS Audit and Risk Committee and a member of the IYSIS Board.



OUR APPROACH TO GOVERNANCE

Internal Audit

The Corporation manages significant risks affecting the Group and the business environment in which it operates by maintaining internal controls and systems designed for the purpose of providing reasonable assurance against material misstatement or loss.

The internal audit function monitors the system of internal control and reports its findings and recommendations to management and the Audit Committee. The purpose, authority and responsibility of the internal audit function are formally defined in the Board-approved internal audit charter. The annual audit plan is based on an assessment of risk areas identified by internal audit in liaison with management as well as areas highlighted by the Audit Committee.

Other work undertaken by the function includes special requests and fraud prevention and awareness workshops.

Induction and Development

RES is committed to the continuing development of its directors and to supporting them in building on their expertise and developing a more detailed understanding of their responsibilities. Directors receive briefings on new legal developments and changes in the risk and the general business environment on an ongoing basis.

Open dialogue is encouraged between individual Board members and the MD and other members of the management team to enable directors to gain a better understanding of the Corporation and its operations.

Shareholder Engagement

The Corporation is committed to communicating and engaging with shareholders, and pursues this interaction in line with the King VI principles on stakeholder management. Shareholders are provided with an update on the Corporation performance at the

Annual General Meeting (AGM) which also offers an opportunity for shareholders to ask questions.

The Corporation also undertakes proactive engagement with institutional shareholders on a continuous basis and we employ a variety of both formal and informal engagement processes to ensure alignment with the interests of shareholders and to enable an understanding of their views.

Ethics

Our fundamental policy of conducting business with honesty, integrity and in accordance with the highest legal and ethical standards is central to our operations. Guidance regarding the ethical and behavioural standards to which the Board adheres in carrying out its duties and responsibilities in a manner that is consistent with effective corporate governance practices, is provided by the Board's Code of Conduct.

RES records its pledge to promote and enforce ethical business practices and standards throughout the Corporation in its approved Code of Ethics, its guide in day-to-day decision-making processes. All employees are expected to comply with the principles and ethical standards defined in the code as well as with various other policies and procedures put in place in support of it. These include among others policies on the declaration of conflict of interest, "whistle-blowing" and fraud prevention.

The Corporation does not engage in or accept or condone any illegal acts in the conduct of its business, and operates a "whistle-blowing" line managed by an independent firm of auditors.

This line provides an impartial facility for all stakeholders to anonymously report fraud, statutory malpractice and other crimes, unsafe behaviours, deviations from procurement policies or any other deviation from ethical conduct. All matters received via the line are investigated, appropriately resolved and reported upon to the Risk Committee.

Controls

The Corporation conducts a number of reviews to determine the effectiveness of various elements of its internal controls, procedures and systems. Reviews undertaken during the year under review concerned controls relating to:

- Information management environment
- Reliability and integrity of financial and operating information
- Safeguarding of assets, including fraud prevention, and effective use of the Corporation's resources

No material internal control weaknesses were noted from these reviews. Corrective action was taken as and when control deficiencies or opportunities for improvement in the systems were identified. Based on these reviews, there is reasonable assurance that an effective system of internal controls and risk management is in place.

Governance outlook

With a view to improving our governance processes, enhancing operational effectiveness and ensuring process optimisation and improved capital allocation, the Corporation adopted an integrated approach to governance, risk and compliance with effect from 1 April 2017. This integrated approach entails an ongoing consolidation of the governance and compliance function with the risk control and IMS department.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

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ABRIDGED DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The Directors have pleasure in presenting their report together with the financial statements for the year ended 31 March 2020.

Change of company name

During the year, the Company changed its name from The Royal Swaziland Sugar Corporation Limited to The Royal Eswatini Sugar Corporation Limited following a change in the name of the Country from Swaziland to Eswatini as pronounced by His Majesty King Mswati III. The change of the Company name was approved by the Company Directors and shareholders at an annual general meeting.

General review of operations

The Group's principal activities are the growing and milling of sugar cane, the manufacture of sugar, and the manufacture of ethanol from molasses. The results of operations are disclosed in the attached financial statements

Business outlook under COVID-19

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID 19 outbreak to be a pandemic in recognition of its rapid spread across the globe, with more than 200 countries affected. On 17 March 2020, The Prime Minister of Eswatini informed the nation that he had been commanded by His Majesty to invoke Section 29 of the Disaster Management Act of 2006 and declared a national emergency, commissioning a partial lockdown for the country which has been extended in stages until June 2020 with possible further extensions. Government has taken steps to contain the virus and the economic impacts of these events include the disruption to business operations and a significant increase in economic uncertainty.

The partial lockdown regulations implemented by the Government of Eswatini categorised the Group as an essential industry and has therefore been able to continue with its normal operations. The effect of the COVID 19 pandemic cannot be determined given the uncertainties. Based on this, the directors are of the view that the Group will continue to run its operation despite the COVID 19 challenges.

Dividends

The following dividends have been declared:

- A first interim dividend for the year ended 31 March 2020 of 22.4 cents per share which was paid in November 2019;
- A second interim dividend for the year ended 31 March 2020 of 43.5 cents per share which was paid in February 2020; and
- A final dividend for the year ended 31 March 2020 of 68.7 cents per share which will be paid in June 2020.

Board structure

The Board comprises of one executive and eleven non-executive directors.

Directorate

The directors of the Company during the year were:

Directors

A T Dlamini	(Chairman)
N M Jackson	(Managing Director)
J M du Plessis	
HRH Princess Lomajuba	
J N Gule	
I Ahmed	
Z R Magagula	
B Mkhali	
Chief Z N Ndlangamandla	
M S M Shongwe	
I G van der Walt	
A Westermeyer	

Alternates

A Adeyemi	(to I Ahmed)
M Ndlela	(to J N Gule)
A Ngcobo	(to A T Dlamini)

Secretary and registered office

Secretary	Registered Office
L S Masango	Simunye Sugar Estate P O Box 1 Simunye

Auditors

KPMG Chartered Accountants (Swaziland)
Umkhiwa House
Lot 195, Kal Grant Street
Mbabane

Bankers

Standard Bank Eswatini Limited
Nedbank (Eswatini) Limited
First National Bank of Eswatini Limited

Transfer secretaries

KPMG Advisory (Swaziland) (Proprietary) Limited
P O Box 331
Mbabane
H100

Management structure

Managing Director

N M Jackson*

Commercial

M I Maziya*	General Manager Commercial
M Gamedze	Stores Manager
S Saxena	Head of Distillery
J Shiba	Purchasing Manager
Vacant	Logistics and Marketing Manager

Operations

P Myeni*	General Manager - Operations
C Crick	Head of Agriculture
Vacant	Factories Manager
M Gama	Agricultural Manager - Production
B Shongwe	Agricultural Manager - Water Resources
M Tshawuka	Agricultural Manager - Services
V Malubane	Agronomy Manager
O Marais	Engineering Services & Projects Manager

ABRIDGED DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

Finance

S G Potts*	General Manager - Finance (Appointed GM Special Projects early 2020)
D Dhlwayo	Finance Manager - Business Planning & Reporting (Appointed General Manager Finance on 01 April 2020)
M Zwane	Finance Manager – Financial Management
A B Hlatshwayo	Finance Manager – Tax and Projects

Human Resources

Vacant	Group Human Resources Manager
B A Maziya	Head of Human Resources Operations
A Mdluli	Employee Relations Manager
S Shiba	Human Resources Manager - Learning and Talent
Dr R Shoshore	Human Resources Manager - Health and Wellness

Governance, Risk and Compliance

L Masango	Head: Governance, Risk and Compliance
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Information Technology

R Coombe	Group IT Manager
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Office of Strategy Management

P M Dlamini	Head of Strategy
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Public Affairs

S Nyembe	Group Public Affairs Manager
I Fakudze	Property Services Manager

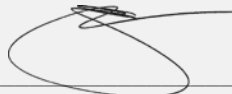
*Members of the Executive Committee (Exco)

Material events after year-end

No matter, which material to the financial affairs of the Company and Group, has occurred between the reporting date and the date of approval of the financial statements.



A T Dlamini
(Chairman)



N M Jackson
(Director)

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

The Group auditors, KPMG Chartered Accountants (Swaziland), have issued an unmodified audit report on the consolidated financial statements for the year ended 31 March 2020 from which this information has been extracted.

A copy of their audit report and the consolidated financial statements is available for inspection on the RES website.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	GROUP	
	2020 E'000	2019 E'000
Assets		
Property, plant and equipment	1 817 679	1 678 118
Goodwill	286 481	286 481
Intangible assets	2 679	2 823
Investments in subsidiaries	-	-
Equity accounted investees	163 372	146 181
Deferred tax assets	89	119
<i>Total non-current assets</i>	2 270 300	2 113 722
Inventories	158 306	171 037
Biological asset - growing cane	599 124	528 644
Biological asset - livestock	9 620	7 902
Trade and other receivables	266 795	291 459
Taxation prepaid	863	13 799
Cash and cash equivalents	187 356	3 684
<i>Total current assets</i>	1 222 064	1 016 525
Total assets	3 492 364	3 130 247
Equity		
Share capital	128 639	128 639
Share premium	632 379	632 379
Preference share redemption reserve	78 104	78 104
Retained earnings	1 384 107	1 214 238
<i>Total equity</i>	2 223 229	2 053 360
Liabilities		
Deferred tax liabilities	417 599	371 824
Loans and borrowings	249 464	116 250
Employee benefits	95 645	83 172
<i>Total non-current liabilities</i>	762 708	571 246
Trade and other payables	305 512	305 194
Short term employee benefits	83 216	75 110
Bank overdraft	-	13 298
Current portion of loans and borrowings	49 700	19 375
Current tax liabilities	1 799	-
Dividends payable	66 200	92 664
<i>Total current liabilities</i>	506 427	505 641
Total liabilities	1 269 135	1 076 887
Total equity and liabilities	3 492 364	3 130 247

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	GROUP	
	2020 E'000	2019 E'000
Revenue	3 371 636	3 047 455
Cost of sales	(2 691 578)	(2 543 599)
Change in fair value of biological assets	72 198	76 147
Gross profit	752 256	580 003
Other income	70 873	66 140
Distribution expenses	(6 935)	(7 527)
Administration expenses	(433 979)	(394 790)
Impairment loss on trade receivables	(1 092)	(1 225)
Operating profit	381 123	242 601
Finance income	35 709	24 196
Finance costs	(29 937)	(12 620)
Net finance income	5 772	11 576
Share of profit of equity accounted associate companies (net of income tax)	20 485	28 015
Profit before taxation	407 380	282 192
Income tax expense	(109 217)	(72 079)
Profit attributable to owners of the Company	298 163	210 113
Other comprehensive income (OCI)		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurements of defined benefit liabilities	1 928	10 607
Related deferred tax	(530)	(2 917)
Other comprehensive income, net of tax	1 398	7 690
Total comprehensive income for the year attributable to owners of the Company	299 561	217 803
Basic and diluted earnings per share (cents)	309.5	218.1

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Share Capital E'000	Share Premium E'000	Preference Share Redemption Reserve E'000	Retained Earnings E'000	Total E'000
GROUP					
2020					
Balance at 1 April 2019	128 639	632 379	78 104	1 214 238	2 053 360
Profit	-	-	-	298 163	298 163
Other comprehensive income	-	-	-	1 398	1 398
Total comprehensive income for the year	-	-	-	299 561	299 561
Transactions with owners recorded directly in equity - Dividends (note 16.3)	-	-	-	(129 692)	(129 692)
Balance at 31 March 2020	128 639	632 379	78 104	1 384 107	2 223 229
2019					
Balance at 1 April 2018	128 639	632 379	78 104	1 143 247	1 982 369
Profit	-	-	-	210 113	210 113
Other comprehensive income	-	-	-	7 690	7 690
Total comprehensive income for the year	-	-	-	217 803	217 803
Transactions with owners recorded directly in equity - Dividends (note 16.3)	-	-	-	(146 812)	(146 812)
Balance at 31 March 2019	128 639	632 379	78 104	1 214 238	2 053 360

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	GROUP	
	2020 E'000	2019 E'000
Cash flows from operating activities		
Profit before taxation	407 380	282 192
<i>Adjusted for:</i>		
Depreciation	203 511	193 590
Amortisation of intangible assets	144	143
Increase in fair value of biological assets - growing cane	(70 480)	(74 713)
Increase in fair value of biological assets - livestock	(1 718)	(1 434)
Increase in non-current employee benefits	14 401	3 359
Loss/(profit) on disposal of property, plant and equipment	43	(665)
Dividend income	-	-
Finance income	(32 142)	(22 506)
Finance costs	29 937	12 620
Unrealised currency gain	(915)	(348)
Share of associated company net profit	(20 485)	(28 015)
Operating cash flows before movement in working capital	529 676	364 223
<i>Movement in working capital</i>		
Decrease/(increase) in inventory	12 731	(22 028)
Decrease/(increase) in trade and other receivables	24 664	(56 083)
Increase/(decrease) in trade and other payables	318	(132 095)
Increase/(decrease) in short term employee benefits	8 106	(18 456)
Cash generated from operations	575 495	135 561
Interest paid	(29 937)	(12 620)
Taxation paid	(49 207)	(47 554)
<i>Net cash generated by operating activities</i>	496 351	75 387
Cash flows from investing activities		
Finance income	32 142	22 506
Dividends received	3 294	610
Proceeds from sale of property, plant and equipment	234	676
Acquisition of property, plant and equipment	(329 916)	(402 825)
<i>Net cash utilised in investing activities</i>	(294 246)	(379 033)
Cash flows from financing activities		
Proceeds from loans and borrowings	200 000	155 000
Repayment of borrowings	(47 946)	(19 375)
Repayment of Lease Liability	(1 948)	-
Dividends paid	(156 156)	(54 148)
<i>Net cash (utilised in)/ generated by financing activities</i>	(6 050)	81 477
Net increase/(decrease) in cash and cash equivalents	196 055	(222 169)
Cash and cash equivalents at beginning of year	(9 614)	212 207
Effect of exchange rate fluctuations on cash held	915	348
Cash and cash equivalents at year end	187 356	(9 614)



For detailed financial results, visit
www.res.co.sz



Because **WE CARE** FOR OUR PEOPLE

RES Corporation: An active contributor to the socio-economic development in our community

Corporate Social Investment is our philosophy at RES. We are involved in a number of community development initiatives.

Over the years we have been able to change the lives of thousands of underprivileged citizens in our immediate communities and across the

E110 000 Seed capital
Youth entrepreneurs



Wheelchairs for Cheshire Homes



Reusable sanitary pads for girls



Books for 7 schools



Soccer material for the youth



Boreholes for communities



Hospital for
neurs



ABBREVIATIONS AND ACRONYMS

ACP	Africa, Caribbean and Pacific
BOM	Bills of Materials
CDC	Commonwealth Development Corporation
CMP	Comprehensive Mitigation Plan
CMS	Concentrated molasses stillage
CSI	Corporate Social Investment
CXL	An EU import duty on sugar
DIFR	Disabling Injury Frequency Rate
EAP	Employee Assistance Programme
EIA	Environmental Impact Assessment
EIT	Engineers-in-Training
ENA	Extra Neutral Alcohol
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
EU	European Union
EVP	Employee Value Proposition
FOB	Free On Board
GM	General Manager
HCRP	Human Capital Rationalisation Project
HR	Human Resources
IGP	Integrated Growth Plan
IR	Industrial relations
ISO	International Sugar Organisation
IYSIS	Inyoni Yami Swaziland Irrigation Scheme
KPI	Key Performance Indicator
LAA	Litres of absolute alcohol
LDC	Less Developed Country
LTA	Lost time available

LTI	Long-term Incentive
MD	Managing Director
MLSS	Ministry of Labour and Social Security
MoU	Memorandum of Understanding
MSP	Mananga Sugar Packers
NERCHA	National Emergency Response Council on HIV and Aids
OSM	Office of Strategy Management
PHC	Primary Health Care
PMS	Performance Management System
Pol	Polarity
PPP	Public Private Partnership
PSD	Property Services Department
SACU	Southern African Customs Union
SCGA	Swaziland Cane Growers Association
SEA	Swaziland Environmental Authority
SEC	Swaziland Electricity Company
SIA	Sugar Industry Agreement
SRA	Swaziland Revenue Authority
SSA	The Swaziland Sugar Association
STI	Short-term Incentive
TCH	Tonnes cane per hectare
TSH	Tonnes sucrose per hectare
TCHR	Tonnes cane per hour
TOR	Terms of Reference
TRP	Temporary Residence Permit
VHP	Very high polarisation
WWMP	Waste Water Management Master Plan
YTD	Year-to-date

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