

CREATING VALUE FOR STAKEHOLDERS

BUILDING QUALITY STAKEHOLDER RELATIONSHIPS

Senwes' approach to stakeholder relationship management consists of meeting the various needs of all stakeholder groups, while prioritising actions and leveraging resources in such a manner as to ensure a long-term positive impact on the organisation.

THE NATURE OF OUR RELATIONSHIP



CLIENTS AND CUSTOMERS

Why is the relationship important to Senwes?
The relationship with clients and customers is the main reason for the company's products and services. These relationships are also the main source of revenue.



SHAREHOLDERS AND INVESTORS

Why is the relationship important to Senwes?
Shareholders are the principle providers of equity and therefore the owners of the company. In many instances the shareholders are also clients of the Senwes Group.



EMPLOYEES

Why is the relationship important to Senwes?
Skills development and engagement of employees determine Senwes' ability to deliver on its commitments, brand promise and overall strategy.



BUSINESS PARTNERS

Why is the relationship important to Senwes?
Senwes establishes relationships with various parties by means of joint ventures, subsidiaries and associates, to expand the group's geographic footprint and to bring about critical mass and value synergies to aid in positioning the business for future growth and long-term sustainability.



SUPPLIERS

Why is the relationship important to Senwes?
Relationships with suppliers affect the Senwes Group's ability to cost-effectively provide products and services and have a direct impact on Senwes' competitiveness.



GOVERNMENT AND REGULATORS

Why is the relationship important to Senwes?
These relationships ensure that the company conducts business which complies with prevailing legislation and that Senwes reports to regulators and thus mitigates risks, thereby ensuring the sustainability of the Senwes Group.



COMMUNITY

Why is the relationship important to Senwes?
This relationship promotes the long-term sustainability of the group's operating environment and strengthens the socio-economic context of the areas in which the group conducts business.



CLIENTS AND CUSTOMERS

To be the preferred supplier of products and services to clients and customers in the agricultural sector.

ISSUES DURING THE YEAR

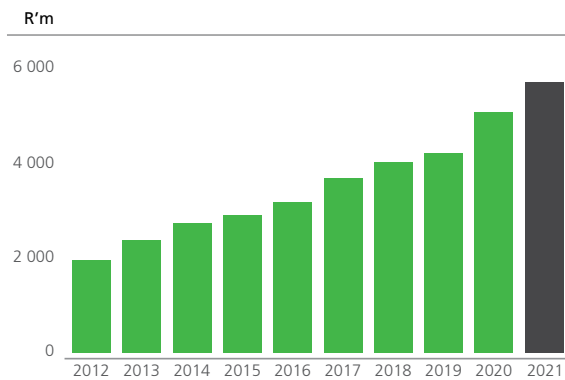
- Communities left vulnerable due to the impact of the Covid-19 pandemic.
- Longer lead times for whole goods and spare parts due to import restrictions as a result of the Covid-19 pandemic.
- Cancellation of exhibitions and shows due to Covid-19.
- The integration of the Suidwes business units, systems and customer base with Senwes systems.
- Prolonged drought conditions in the Northern Cape.
- Extensive wildfire damage in parts of the Western Free State and the Northern Cape.
- Heavy rainfall which resulted in extensive flood damage.
- The late planting season meant that crops were harvested much later than normal, which had a direct impact on the quality of grain as well as the availability of white maize.
- Restricted movement of first-line personnel during the Covid-19 lockdown periods.



COMPANY'S RESPONSE TO THESE ISSUES

- The AVC Food Umbrella Project was launched to provide food relief.
- Senwes Equipment increased the frequency of communication with clients with an emphasis on good customer relations.
- Senwes Equipment took its product offering directly to individual clients and conducted one-on-one demonstrations across its geographic footprint.
- Various business units employed informative communication campaigns to facilitate the integration.
- Senwes Grainlink accepted grain at a higher than normal moisture content to accommodate producers in delivering on their grain contracts while enabling them to capitalise on good market prices.
- Falcon Equipment doubled its production output to assist producers with the greater demand for grass cutting equipment.
- Senwes Equipment and Hinterland Fuels aided by sponsoring an excavator and its diesel to help relay the water away from infrastructure and crops.
- Senwes Grainlink contributed to the AVC Relief Umbrella's drought relief initiative by donating 160 tonnes of maize to affected farmers in Kenhard, Brandvlei, Calvinia and Pofadder.
- Through the AVC Relief Umbrella, Senwes Grainlink contributed 102 tonnes of maize to assist in fire relief efforts in the Western Free State and Northern Cape.
- Senwes Equipment, through John Deere Financial, donated R500 000 to the AVC Food Umbrella Project.
- Due to lockdown regulations, Agri Credit Solutions developed a system to enable clients to electronically sign their credit agreements.

FINANCING PROVIDED





SHAREHOLDERS AND INVESTORS

To generate sound returns for our shareholders, through sustainable capital growth and sound dividend yields.



ISSUES DURING THE YEAR

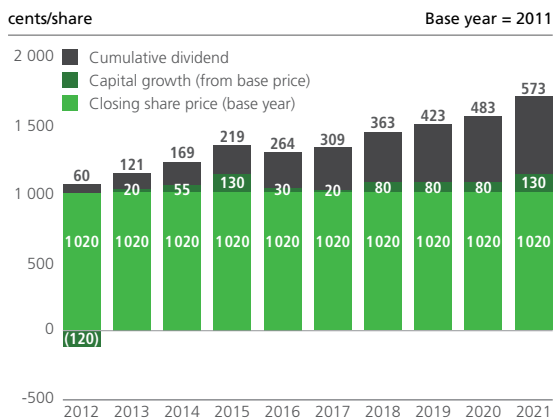
- The shares of the company traded below net asset value and this remained an area of concern.
- Share trading liquidity remained low as a result of the prevailing shareholder control structure.



COMPANY'S RESPONSE TO THESE ISSUES

- Senwes provided shareholders with a transparent and trusted platform for trading shares on a licensed exchange (ZAR X) in accordance with the Financial Markets Act.
- Senwes maintained its dividend cover ratio amidst the Covid-19 pandemic. Dividends were paid during September and December 2020.

VALUE CREATION AND VALUE UNLOCKING FOR SHAREHOLDERS THROUGH CAPITAL AND DIVIDENDS



EMPLOYEES

Senwes subscribes to an employee value proposition that enables the group to retain top performers and attract the best external talent to the Senwes Group. Rewards are set up to remunerate employees fairly and in addition to remunerate top performers exceptionally well.

ISSUES DURING THE YEAR

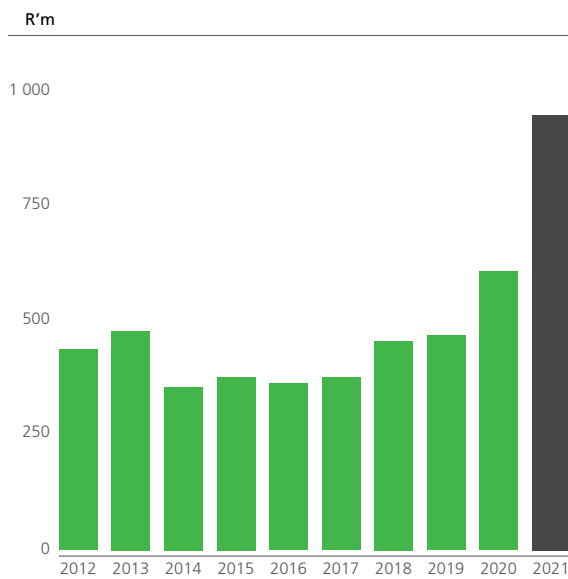
- The continuation of the Covid-19 pandemic beyond the timelines initially indicated, coupled with continuous changes in lockdown levels, placed great restraints on the deployment and effective use of skills in various businesses. Creating a stable workforce that is able to work from remote locations necessitated a change in the way business was done.
- A continued challenging macroeconomic environment, worsened by an extended pandemic and the highest ever proportion of the economically active population being unemployed.
- Employment equity compliance remains an issue.



COMPANY'S RESPONSE TO THESE ISSUES

- Throughout the pandemic Senwes continued to recruit learners from the geographic footprint that we operate in. The group has learners without formal qualifications on SETA programmes and learners that are graduates with diplomas on various succession plans within the business.
- The group accelerated its development of all talent, especially with regards to the management bands within the group throughout the pandemic.
- An emergency response Covid-19 Crisis Committee carefully monitored and guided processes as it unfolded in government and at the various business units throughout the extended period of the pandemic.
- The business continuity plan was tested and refined to fit the different needs of various businesses within the group. A plan to deal with essential workers who were exposed to the Covid-19 virus was included in the business continuity plan.
- Monthly and weekly messages went out to our employees from the Group CEO, Group CFO and management team on topics such as keeping safe, using masks and curfew. Employees were encouraged to look after themselves, their colleagues and their families.
- Senwes hosted weekly wellness and fitness interventions allowing employees to stay active within limited boundaries at a fraction of the cost of external gymnasiums.
- A special Covid-19 bonus amounting to R8,1m was paid out to thank our employees for their continued and increased efforts during the strictest lockdown levels from March 2020 to September 2020.
- New joint ventures registered for employment equity compliance uploads and businesses were registered under holding companies on the employment equity portal of government.
- A five-year employment equity plan was developed, with full stakeholder engagement and approval, and was submitted to and acknowledged by the Department of Labour. The group is in the third year of the execution of this plan. As our business changes, the plan is updated and resubmitted.

EMPLOYEE COSTS*



* The notable increase in employee costs is attributable to the acquisition of Suidwes and the unbundling of the Hinterland joint venture (with Hinterland subsequently becoming a subsidiary), during the period under review.



BUSINESS PARTNERS

To be a business partner of choice through driving effective strategy execution and optimally leveraging critical mass, integration, value synergies, operational efficiencies and other benefits to the long-term advantage of the group.

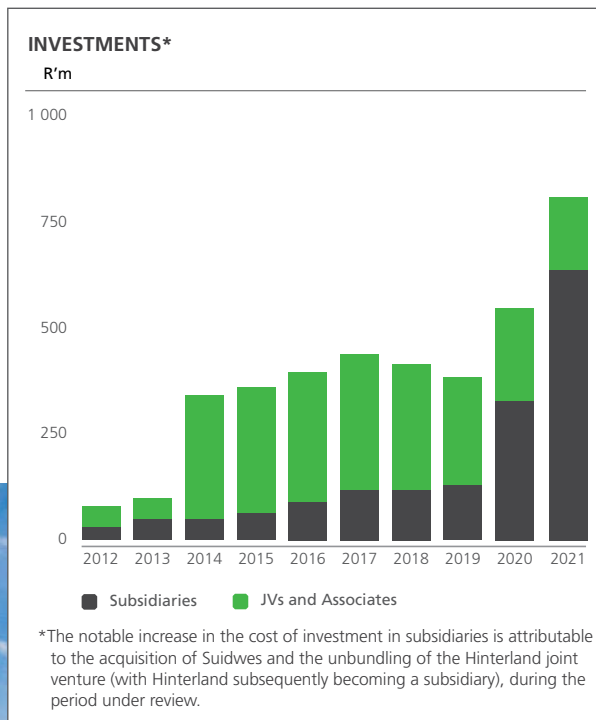
ISSUES DURING THE YEAR

- The substantially different strategic approaches and business models of Senwes and AFGRI necessitated that the future of Hinterland with Senwes and AFGRI as equal shareholders be revisited.
- The acquisition and consequent integration and consolidation of the Suidwes Group of companies into the Senwes Group, brought challenges in certain areas relating to strategic and operational alignment with regards to unlocking value synergies.
- Operational inefficiencies and lack of operational execution as well as variable success rates with regards to unlocking value from leveraging critical mass, integration and value synergies occur from time to time within certain business areas.



COMPANY'S RESPONSE TO THESE ISSUES

- During the period under review, the group redesigned its approach to strategy to a risk-based approach. Integrating risk and strategy will result in the degree of risk appetite guiding the nature of strategic initiatives pursued. In other words, in times of low risk (moderate to high risk appetite) more offensive (attacking) strategic plans (growth and/or expansion opportunities) will be pursued, while times of high risk (low risk appetite) will necessitate more defensive strategic plans, hence increasing strategic execution rates.
- Senwes, in partnership with Futureworld, held strategic sessions for the board of directors and executive and senior management (including new members of management joining as part of the Suidwes acquisition).
- After extensive consideration, it was decided that Hinterland, the joint venture business of Senwes and AFGRI's retail businesses which was established in 2013, should be unbundled effectively from 1 October 2020. In terms of the unbundling transaction, the assets and businesses originally contributed to the joint venture by AFGRI were returned to them. In turn Senwes acquired AFGRI's interest in Hinterland, leaving Senwes with sole control over Hinterland.
- All new entities which joined the group as part of the Suidwes acquisition, were consulted on an individual basis and were introduced to and evaluated in terms of the Senwes Group's strategic framework. Where applicable, strategic review/realignment exercises were done or are in process, and all businesses that do not align with Senwes' core strategy will be divested. Well-designed, precise and clear implementation plans and processes are aiding in unlocking value synergies as well as with operational alignment of Suidwes entities into the Senwes Group.
- Regular financial, operational and strategic evaluation of each joint venture, subsidiary and/or associate to determine the applicable actions needed to effect optimal financial performance, operational efficiency, strategic fit and value-unlocking. This will ensure sustainability in the long run.
- To maintain sustainable relationships with business partners and ensure regular engagement with them, representatives from Senwes serve on the boards of joint ventures, subsidiaries and/or associate companies.



SUPPLIERS

To be the preferred supplier of products and services to clients and customers in the agricultural sector.

ISSUES DURING THE YEAR

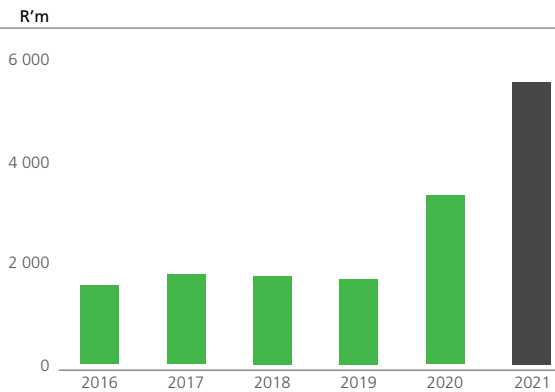
- Longer lead times for suppliers as a result of the national lockdown due to Covid-19.
- The unavailability of certain products due to global trade-related restrictions as a result of Covid-19.
- Shortages of animal products that contain the active ingredient ivermectin.
- Shortages of diesel and petrol after South Africa reduced refining capacity during the Covid-19 lockdown.
- Global shortage of steel as a result of backlogs in supply due to the disruptions to production caused by the different levels of Covid-19 lockdowns.
- Temporary closure of Hinterland branches due to Covid-19 infections/exposure.
- The integration of the Suidwes business units, systems and customer-base with the Senwes systems.



COMPANY'S RESPONSE TO THESE ISSUES

- Hinterland increased the frequency of communication with clients with an emphasis on good customer relations.
- Affected branches were temporarily closed to allow for staff to self-isolate while decontamination procedures were applied. All these branches were operational within two days after closure.
- Hinterland intensified its communication and information efforts to facilitate the integration of the Suidwes business units, systems and customer-base.
- Sourcing of alternative products and the expansion of Hinterland's network of suppliers, both nationally and internationally.
- Leveraging good supplier relations.
- The pressure on the steel industry is letting up as steel manufacturers are now allowed to function at full capacity.

AMOUNTS PAID TO SUPPLIERS OF GOODS AND SERVICES*



*Notable increase in the amount paid to suppliers of goods and services is attributable to the acquisition of Suidwes and the unbundling of the Hinterland joint venture (with Hinterland subsequently becoming a subsidiary), during the period under review.



 **GOVERNMENT AND REGULATORS**

To be a responsible corporate citizen that is legally compliant, manages legal risks and maintains effective and efficient corporate business administration processes, which enable Senwes to operate within the legislative parameters and to report to regulators on a continuous basis.

To maintain a sound relationship with our local, provincial and national regulators.

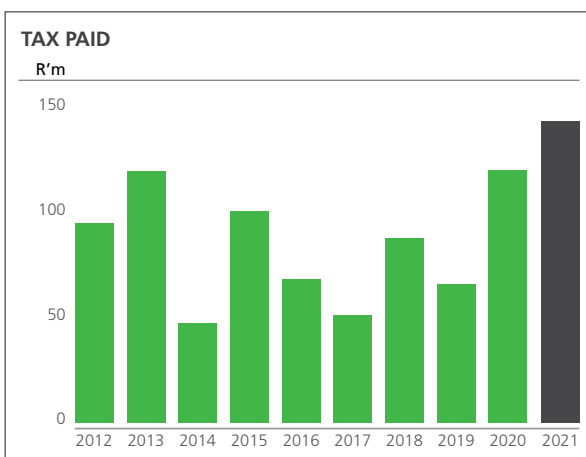
 **ISSUES DURING THE YEAR**

- Deterioration of national infrastructure such as water, electricity and roads, including increased occurrences of loadshedding.
- Global Covid-19 pandemic and the declaration and continuation of the South African state of emergency in terms of the Disaster Management Act, 2002.
- Proposed amendments to Section 25 of the Constitutional and the Expropriation Bill.
- Effective date of implementation of POPIA announced.



COMPANY’S RESPONSE TO THESE ISSUES

- Sound relationships with regulators which include regular discussions during which Senwes provides guidelines and input to various government structures. Senwes appointed a dedicated liaison officer to, inter alia, resolve relevant issues with state-owned entities and local governments. The group also makes use of solar panels and supplies water to selected rural areas.
- Covid-19 Crisis Committee consisting of the executive directors and representatives from the SHEQ, Legal and HR divisions, which is able to respond to the state of emergency expediently. Effective monitoring and reporting structures are in place to ensure compliance and provide assurance to all stakeholders.
- Proactive identification of the legislative universe and changes thereto. Senwes, through its relationship with the Agricultural Business Chamber, Agbiz, is participating in the proposed amendment.
- Project team was established, which implemented POPIA controls and policies over a 12-month period.

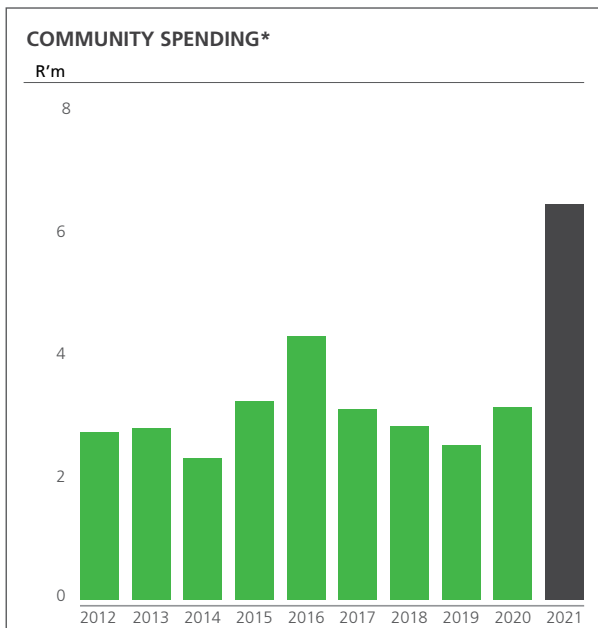


COMMUNITY

To be a good corporate citizen who takes environmental issues into account and who is committed to the welfare of the communities in the areas where the group conducts business.

ISSUES DURING THE YEAR

- Limited government support and assistance in rural areas.
- Poverty and famine in rural areas.

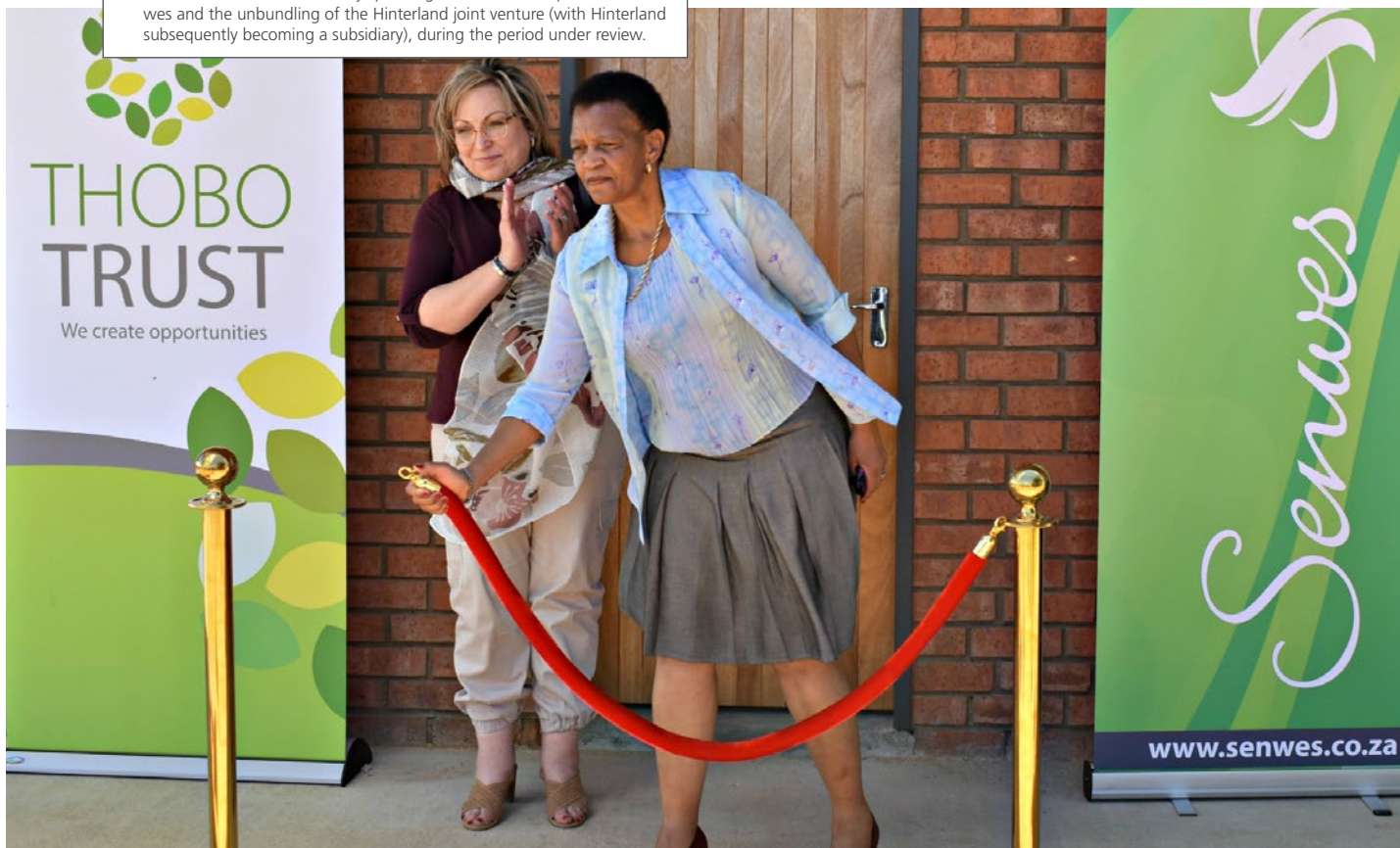


*Notable increase in community spending is due to the acquisition of Suidwes and the unbundling of the Hinterland joint venture (with Hinterland subsequently becoming a subsidiary), during the period under review.



COMPANY'S RESPONSE TO THESE ISSUES

- Senwes, through Thobo Trust, launched an integrated hub in Losdoorns, which comprises a vegetable garden, an improved early childhood development centre and sports initiatives.
- The vegetable garden established in 2018 yields excellent results that enable the trust to use the proceeds to contribute to the school's daily feeding programme.
- Proceeds were applied towards further needs at the school such as the enhancement of security, upgrading of facilities and other needs as identified by the school governing body and the principal.
- During the year under review an Early Childhood Development Centre (ECD) was constructed at the Itokisetseng Combined School in Wesselsbron. With the support of the Department of Social Development, this registered centre will contribute significantly towards gaining access to government subsidies for younger learners.
- In line with Covid-19 measures, Senwes employees hosted several Christmas functions in and around Klerksdorp where 600 children and special needs adults were treated to a memorable party.



VALUE FOR STAKEHOLDERS

