

Creating value using our capitals (excludes our associate companies)



Financial capital

Our Financial capital is the funding available for deployment, which comprises debt and equity funding. The capital is employed to fund operations and grow the business and to pay distributions to shareholders, when appropriate.

Creating value

Optimal capital management and allocation is critical to our ability to generate long-term value for our stakeholders, and we invest in our other capitals in a measured way to grow and sustain our business. Maintaining sound financial metrics is a key management priority.

Input	2020	2019	Actions to enhance or mitigate outcomes	
Total equity (R billion)	1.8	1.5	Proactively managed debt maturity profile	✓
Gross interest-bearing debt (excluding lease liabilities) (R billion)	1.7	2.1	Reduced interest-bearing debt	✓
Cash and cash equivalent (R million)	486	455	Tightly controlled the capital investment programme	✓
			Focused on working capital management	✓
			Intensified the operational excellence programme across the Group	✓

Outcome key: Positive ✓ Negative ✗ Neutral •

*Goal: create value through
OPTIMISING Financial capital*

Outcome (value for stakeholders)	2020	2019
Revenue (R billion)	7.8	7.7
Operating profit before non-operational items (R million)	912	847
Net finance costs (R million)	219	228
Cash generated from operations (R billion)	1.3	1.0
HEPS (cents)	417	316
Return on equity (ROE) (%)	25.1	20
Return on capital employed (ROCE) (%)	20.0	(1.6)
Gearing (%)*	143	113
Wealth created (R billion)	2.8	2.6
Net asset value per share (cents)	1 797	1 527
Closing share price at year-end (cents)	5 360	9 000

* Includes IFRS 16 lease liabilities.

Key trade-offs

We sustain and grow our business with the use of Financial capital and this has positive impacts on all the other capitals. The resumption of the dividend in the past 12 months resulted in improved Social and Relationship capital. This is part of the cost of doing business and reduces our ability to invest more aggressively in key initiatives to continue to grow the business. Using Financial capital to invest in Manufactured capital increases production capacity but has a negative impact on Natural capital.

We will continue to allocate Financial capital in the most efficient manner in line with our three-year strategy of growing the business in a sustainable and responsible manner thereby creating value for all stakeholders.



Manufactured capital

Our Manufactured capital is the land and buildings we operate out of (our head office, Company-owned restaurants, warehouses and manufacturing plants), our manufacturing equipment, logistics fleet and our IT infrastructure. We rely on public infrastructure to transport our raw materials and processed products.

Operational review

Creating value

Continued investment in our Company-owned restaurants, facilities, equipment, fleet and IT infrastructure enables us to remain appealing to our customers, more efficient to our franchise partners and reduce our impact on the environment, thereby creating social, economic and environmental value.

Input	2020	2019	Actions to enhance or mitigate outcomes
Total restaurants* (units)	2 898	2 871	Constant evaluation of the brand estate in terms of location, relevance and appeal to our target markets.
– Opened*	127	162	
– Revamped*	295	260	
Total manufacturing plants (units)***	12	14	Our manufacturing operations are managed by specialists and supported by highly qualified food technologists. Our manufacturing processes are regularly audited to ensure compliance with relevant regulations and prevention of potential food contamination.
– Capital investment (R million)	37	40	
– % of plants certified Food Safety System Certification (FSSC) 22000 or Food Standards Agency (FSA)	92	69	
Total logistics centres (units)***	10	10	We invest in new generation technology, equipment and facilities to improve efficiencies and minimise our carbon footprint.
Capital investment (R million)	26	7	
Logistics fleet (trucks)***	104	108	Our fleet is well maintained and continually upgraded to ensure optimum reliability and safety.
IT infrastructure			We conduct regular reviews of IT requirements and risk assessments inform our systems updates.
– Capital investment (R million)	8	12	

* This information pertains to our total restaurant network.

** This information pertains to our South African and GBK businesses only.

*** This information pertains to our South African operation only.



Goal: create value through ENHANCING manufactured assets

Outcome (value for stakeholders)	2020	2019
Restaurants which are conveniently sited and appealing for our customers and provide optimal returns for our franchise partners and investors – Customers served/ transactions concluded (million units)	136.9	139.5
Efficient manufacturing, logistics and distribution operations that provide a good, competitive service to our franchise partners – Product lines warehoused (units)	1 703	1 697
– Product procured (million tons)	44.6	41.1
– Product processed (million tons)	67.1	56.8
Reduced impact on the environment		
Distribution of product – Distance travelled (million km)	6.9	6.7
– Cases delivered (million units)	13.5	13.4
IT efficiency in all our departments and restaurants		

Key trade-offs

By investing in our property, plant and equipment, we are investing for growth and sustainability which in the short term impacts on our Financial capital and reduces our financial flexibility. This investment is imperative for improving our efficiencies and competitiveness, and increasing our capacity to generate stronger returns in the medium and long term.

Our Manufacturing and Logistics operations have an adverse impact on the environment. In order to mitigate this impact, we continue to invest in new generation technologies and equipment in order to improve efficiencies and reduce the adverse impact. In addition, we continue to upgrade our fleet to minimise our carbon footprint. These investments reduce our Financial capital flexibility.

 **Intellectual capital**

Intellectual capital refers to our collective experience and know-how, with emphasis on operational, franchise, marketing, brand building, design, development and procurement skills, combined with our proprietary systems and licensed trademarks.

Creating value

Our business model relies on having the right people with the right skills in the right jobs to create value. It also depends on our franchise partners re-investing responsibly in their businesses and managing their operations efficiently to create value.

It is vital that our best-in-class brands instil confidence among our stakeholders, and that we protect those brands with the appropriate legal framework.

Input	Actions to enhance or mitigate outcomes	2020	2019	Outcome (value for stakeholders)	2020	2019
We have a skills development facilitator who monitors targets and progress against our committed plans, and reports to the Social and Ethics Working Group. Qualified training instructors Bespoke training courses for Group and franchised employees	TRAINING			Our training and development initiatives deliver a workforce that is fit for purpose, while the trained candidates benefit from improved skills and better career development opportunities.		
	Franchisees and franchise employees					
	– Franchise workshops	9 674	23 248			
	– Brand product training	5 179	8 415			
	– Fundamental restaurant management training	871	1 156			
	– Other <i>ad hoc</i> training	5 580	7 265			
	Group employees					
	Total training	226	543			
	Black employees	195	462			
	Black women	101	101			
	Managers' Challenge*					
	– Candidates	20	17			
	– Graduates	18	17			
	Executive Development Programme (EDP)*					
– Candidates	4	2				
– Graduates	4	2				
International Executive Development Programme (IEDP)*						
– Candidates	2	0				
– Graduates	2	0				
Internship programme for new graduates	New graduate interns were placed in various departments across our regional centres to gain structured workplace experience and specialised training over a 12-month period. – Number of interns	57	45	Completed the programme Employed by the Group	49 32	27 14

Goal: create value through ENHANCING our Intellectual capital

Input	Actions to enhance or mitigate outcomes	2020	2019	Outcome (value for stakeholders)	2020	2019
Marketing fund	<p>The marketing fund is governed by the franchise agreement and is regulated by the Consumer Protection Act, No 68 of 2008, with which we comply. Contributions may only be employed to build and strengthen brands and may not be used to provide any benefit to the Group which is not also available to our franchise partners.</p> <p>Optimal allocation of funds enables partnerships with industry-leading experts to develop award-winning, brand-specific marketing and advertising campaigns which build brand profiles and drive sales growth.</p> <ul style="list-style-type: none"> – Contribution by franchise partners (R million) 583 – Leading brands' total media investment increased by (%)# 1 – Digital media spend increased by (%) 18 – Digital media investment as a % of total Leading brands' media spend 14 			<p><i>Operational review:</i> Brands 94</p> <p>System-wide sales growth (%) 6.4</p> <p>Like-for-like sales growth (%) 2.9</p>		
Bespoke programmes	<p>Franchisee Information System</p> <p>Flow Centric Work Flow</p> <p>Online Ordering</p> <p>Business Intelligence</p> <p>Mobile Operations Management System</p>			<p>Houses all franchisee-related information and is the source of all income generated by franchisees</p> <p>Automates a multitude of previously manual processes, including purchasing and receipting processes</p> <p>Enables franchisees to order products electronically from the Group</p> <p>Consolidated data from various systems to facilitate analysis of activities within the business and consolidated reporting</p> <p>Provides franchise managers with electronic capability to access franchised store operational records</p>		
Trademarks, patents and registered designs	<p>Proprietary systems and licensed trademarks are managed on an ongoing basis by our Legal department and appropriate action is taken to defend infringements, as well as secure new trademarks as brands evolve.</p>	595	585	<p>All trademarks are regularly reviewed and renewed in order to ensure our brands retain their high-profile public presence. Their worth contributes substantially to the Group's goodwill valuation.</p> <p>New marks are developed, registered and defended on a strategic basis to build a valuable brand resource aligned with the Group's strategic growth objectives.</p>		

The information in this table pertains to our South African operation.

* Formal leadership development initiatives are implemented on an ongoing basis annually. The EDP and IEDP are conducted in conjunction with the Wits Business School and contribute to the business's overall succession planning measures.

In contrast to our Leading brands, media spend is not a key driver of Signature brands' marketing activity.

Trade-offs

Investment in business processes, new IT systems, trademarks, patents and designs impacts our Financial capital and reduces our financial flexibility in the short term, but has a significant impact on improving our Intellectual capital, and indirectly benefits our Human and Social and Relationship capitals.

Reducing investment in employee training to increase short-term profits will have long-term negative consequences on our employees' productivity and engagement, as well as our brand reputation. To manage this, we ensure our training and skills development initiatives are targeted and deliver the maximum ROI.

Investing in marketing, brand building and maintaining a best-in-class brand portfolio impacts on our Financial capital in the short term, but failure to do so would erode our competitive advantage, damage our leadership in the industry, as well as our investment proposition for stakeholders. By remaining top of mind among our consumers we create economic and social value for all stakeholders.

VALUE CREATION PROCESS CONTINUED



Natural capital

Our Natural capital refers to the environmental resources we depend on to create economic and social value, including food products for preparation and sale, clean air and water, electricity, and gas and fuel.

Creating value

Our business model involves converting natural resources to create Financial capital and enhance our Social and Relationship capital. In doing so, there are unavoidable environmental impacts. Our environmental and climate change policy sets out our commitment to responsible practices and targets aimed at reducing our carbon footprint and contributing to a more sustainable environment for the benefit of all.

Input	Actions to enhance or mitigate outcomes	2020	2019	Outcome (value for stakeholders)	2020	2019
High-quality raw materials	12 highly certified manufacturing plants process raw materials			Consistently safe, high-quality processed, branded food products for menu and brand-specific baskets for our franchise partners and customers		
Proteins (tons)		14 258	13 810	Proteins (tons)	16 231	16 782
Dairy (tons)		58 002	54 912	Cheese (tons)	8 738	8 965
Grains (tons)		1 759	2 838	Ice cream (tons)	7 220	8 329
Vegetables (tons)		17 559	23 292	Bread products (tons)	3 182	3 608
Fruit concentrates (kl)		468	420	Vegetable products (tons)	8 166	15 048
Coffee beans (tons)		1 097	1 098	Juice (tons)	1 778	2 466
				Coffee (tons)	857	954
				Sauces and spices (tons)	16 842	19 750
Water (kl)	Improved water use and effluent management	368 371	446 694			
DCs and logistics fleet	10 DCs manage the logistics of supplying our restaurant network			Products delivered timeously and responsibly to our franchise partners and Company-owned restaurants		
Energy consumed	Ongoing review and implementation of energy-saving initiatives					
Electricity (MWh)		30 734	30 651			
Electricity generated by solar (MWh)	Optimisation of efficiencies in our logistics fleet and in line with volume growth	442	#	Offset consumption of non-renewable energy supply		
Diesel (kl)		2 073	1 956	Distance travelled (km)	6 871 100	6 702 734
Petrol (kl)		731	702	Product delivered (cases)	13 474 228	13 379 011
Paraffin (kl)	Conversion of paraffin-fuelled boilers to compressed natural gas	182	618	CO ₂ emissions (metric tons CO ₂ e)		
Liquefied petroleum gas (LPG) (tons)	Intensified focus on cleaner fuel and energy options	48	51	– Direct	21 688	28 658
Natural gas (Gigajoules)		35 696	18 742	– Indirect	31 963	29 661
Coal (tons)		4 667	7 764			



Goal: to create value while MINIMISING environmental impacts

Input	Actions to enhance or mitigate outcomes	2020	2019	Outcome (value for stakeholders)	2020	2019
Packaging used in manufacturing plants	Maximising recycling opportunities for general waste			Packaging waste recycled		
Cardboard boxes (m)		4.9	4.9	Cardboard and paper (tons)	761	604
Plastic bottles (m)		12.4	12.1	Plastic (tons)	110	149
Paper serviettes (tons)		634	556	Metal (tons)	62	67
				General waste to landfill (tons)	1 685	1 427

Not measured in 2019.

Trade-offs

Our operations consume non-renewable resources and our emissions and waste have a negative impact on natural capitals. Regretfully, in light of Eskom's frequent load shedding during the period, the use of back-up generators increased substantially.

By converting Natural capital into products and services, we add value to our other capitals.

Through various green initiatives, we will continue to prioritise awareness around behaviour and usage of all utilities in all our operations. Our goal is to reduce the Group's carbon footprint through more efficient use of Natural capital and better management of negative outputs.

These initiatives are discussed in more detail in the [Environmental report](#), which also contains an analysis of the Group's current carbon footprint report.



Social and Relationship capital

Our Social and Relationship capital refers to our relationships with our stakeholders, including the communities in which we trade and our customers.

Creating value

Trusted relationships with stakeholders are essential to securing our reputation and enabling us to meet our growth objectives. We also believe that the communities we serve should be better off as a result of our presence, and helping to uplift them will support the sustainability of our business.

Input	Actions to enhance or mitigate outcomes
Support from our customer base	<ul style="list-style-type: none"> • Value offerings which support cash-strapped consumers • Customer loyalty programmes that reward customers
Trusted reputation with communities, civil society bodies, non-governmental organisations and media	<ul style="list-style-type: none"> • Support by our Leading brands for varsity sports and FNB Varsity Cup • Fundraising activities and donation of products to needy communities by our franchise partners • Outreach activities by our employees with community charities/ organisations <p><i><u>Corporate social investment</u></i></p>
Constructive relationships with government and regulators	Rigorous compliance with industry regulations and best practice benchmarks.

* Not measured in 2019.

Goal: create value through ENHANCING our relationships

Outcome (value for stakeholders)	2020	2019
<ul style="list-style-type: none"> Affiliation with best-in-class brands reflected by a plethora of awards across the portfolio Consistent, reliable value-driven offering perceived as responsive to customers' desires 	Total number of awards: 18 % increase in customers: 1.9 % increase in loyalty members: 97 % increase in social media followers: Facebook: 10.4 Twitter: 58.8 Instagram: 198	* * * *
<ul style="list-style-type: none"> Our sponsorships promote the development of future sporting stars in SA Eligible student athletes benefit from funding support after leaving school and before turning professional Funds raised for charities and donation of products assist with community upliftment Our promotional activities also raise the profiles of recipient charities and funding campaigns, enabling them to expand their reach 	Total sports sponsorship R20.1 million Total funds raised for charities and donation of products: R729 000	R18.8 million R2.7 million
FSSC 22000- or FSA-certification by regulators of all facilities/sites	92% of sites	69%

Trade-offs

Reducing our financial investment in CSI would improve our Financial capital in the short term but have a negative impact on the communities we serve (our target market), which in turn would damage our brand. Over the long term, our investment creates goodwill in our trading markets and has a positive impact on our Financial capital.

 **Human capital**

Our Human capital refers to the wellbeing, attitude and innovation of our employees, franchise partners, suppliers and business partners.

Creating value

We require this input to generate value and we strive to nurture the commitment and support of this resource through strong personal relationships and incentives which recognise and reward the dedicated individuals who make a positive difference to our business.

Input	Actions to enhance or mitigate outcomes
<ul style="list-style-type: none"> • High-performance culture and strong value system • Experienced executive leadership team • Diverse, skilled and motivated workforce • Supportive contracted business partners and service providers with aligned goals • Good engagement with unionised and non-unionised workforce • Safe working environment • Fair labour practices 	<ul style="list-style-type: none"> • Implementation of automated scorecard system, driving performance management disciplines linking performance to rewards; trained managers on performance management incorporating the Company values, which focus on empowerment, talent management, transformation, employment equity, succession, health and safety and sustainability • Internal recruitment and promotion are a natural part of our growth culture; where additional skills are needed, they are recruited externally • Talent management (performance and potential) is measured through our bi-annual Human capital reviews • Annual employee engagement surveys serve as an indicator of overall organisational health and our climate survey scores translate into business unit action plans • Our Growing Champions programme centres on motivating the entire workforce and recognises specific individuals who contribute to the Company's success and who demonstrate dedication and commitment to their work beyond the norm • In our South African operations, we support the principles of BBBEE. Our executive leadership is responsible for implementing the strategy in their respective functional areas • Managing the succession pipeline at senior and executive level especially is key to the sustainability and future of our business. Our target is to ensure a 2:1 succession cover ratio at leadership level. KPIs are included in executive and management scorecards in support of this sustainability imperative • Across our operations, we are committed to sustainable business practices and providing a healthy and safe working environment for our employees. The Group complies with the requirements prescribed by the Occupational Health and Safety Act, No 85 of 1993 (OHS Act) and health and safety risk assessments are conducted by an approved inspection authority every two years. All sites passed their NOSA certification of compliance with the OHS Act effective 29 February 2020 • We have policies and controls in place to measure and monitor the Group's sustainability performance. Where necessary, material issues and risks related to employee health and safety, food safety and the environment are escalated to the Social and Ethics Committee and the Audit and Risk Committee where appropriate.
<ul style="list-style-type: none"> • Ambitious entrepreneurial franchise partners 	<ul style="list-style-type: none"> • Comprehensive business management support provided, including bespoke training programmes