Unpacking our strategic performance

Our sustainability journey

We recognise the importance of adopting the right tools, resources and practices that will help to create increasingly sustainable products, reduce the usage of resources and improve recycling efficiency.

Sustainability has become a business imperative for the food services industry. Through innovation, policies and better resource practices, we are on a journey to improve our sustainability. We believe that this will benefit our customers and franchise partners, while limiting our impact on the environment.

Sustainability matters are addressed through the Social and Ethics Working Committee with oversight from the Board's Social and Ethics Committee. This ensures senior involvement and integration with the Board. Management has KPIs aligned to sustainability achievements. For example, in Manufacturing, plant managers are incentivised to reduce their electricity and water usage.

Famous Brands have initiatives to encourage recycling among franchisees, and many landlords facilitate recycling at their malls. We have operational standards regarding the responsible disposal of waste products, such as cooking oil.

Our food philosophy

We create food that is good for our customers, employees, franchisees, local communities and the environment.
We believe in FOOD with thought:

FOOD WITH THOUGHT

F – **Focus on the future of communities and the environment**

O – **Observing and implementing eco-efficient practices**

O – **Open, responsible sourcing**

D – **Developing and managing sustainability policies**

We commit to developing our FOOD philosophy in line with best practices. This means we will:

- Review and update our goals and timeframes on an ongoing basis.
- Strive to remain responsive to emerging trends impacting health and wellness, sustainability and our communities.
- Be continually mindful of the stakeholders' interests and expectations.
- Be accountable for our actions.

Responsible sourcing

Famous Brands only procures from reputable suppliers once they have been through our extensive vetting process. Most suppliers have service level agreements to specify quality and service standards, and we schedule site visits to ensure that suppliers meet our standards.

Seafood: All our seafood is sustainably sourced. We only purchase seafood from well-managed populations, where these species can handle current fishing pressure or are farmed in a manner that does not harm the environment.

Cage-free eggs: All our brands only use cage-free eggs in their recipes.

Quick fact

Over the past five years, Famous Brands has focussed on buying more from local suppliers. Today, about 85% of products purchased are from local suppliers.

Read more about our local beef project on page 82.

Source: Internal management disclosure.

The United Nations Sustainable Developing Goals

In 2020, we reported our commitment to support and contribute to the achievement of the SDGs. We recognise that our contribution will benefit the citizens in the countries where we operate and support our internal operational efficiency objectives.

We have identified the SDGs that are the most relevant to our business and where we can have the most significant contribution. We have dedicated executive management oversight to these areas.

In 2021, we began identifying aspirational targets for each SDG. In 2022, these were approved by management and our Social and Ethics Committee. We plan to communicate these targets and integrate them into our business processes in 2023.

	Goal	UN SDG target
5 GENDER EQUALITY	Achieve gender equality and empower all women and girls.	• End all forms of discrimination against all women and girls everywhere. • Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. • Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources. • Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels. **Famous Brands opportunity** Strengthen opportunities given to women at all leadership levels. Increase the percentage of women at junior, middle and senior management levels.
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	• By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. • Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services. **Famous Brands opportunities** • Ensure equal work for equal pay across the Group. • Increase the support for Black-owned SMMEs.

	Goal	UN SDG target
	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.	• Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all. • Promote inclusive and sustainable industrialisation and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries. • Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets. • By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities. **Famous Brands opportunities** • Develop SMMEs within the enterprise and supplier development programme, with a focus on developing one supplier per year. • Created more than two jobs through SMMEs participating in the enterprise and supplier development programme.
	Ensure sustainable consumption and production patterns.	• Implement the 10-year framework of programmes on sustainable consumption and production, all countries taking action, with developed countries taking the lead, taking into account the development and capabilities of developing countries. • By 2030, achieve the sustainable management and efficient use of natural resources. • By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses. • By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. **Famous Brands opportunity** Decrease our carbon footprint by 25% by 2026.
	Take urgent action to combat climate change and its impacts.	• Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries. • Integrate climate change measures into national policies, strategies and planning. • Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning. **Famous Brands opportunity** Reduce our water usage by 25% by 2026.

OUR SUSTAINABILITY JOURNEY continued

2019

- Our Logistics Supply Chain operation ceased stocking plastic straws.
- All plastic straws were removed from the SA and UK restaurant network and replaced with paper straws.
- We removed all shrink-wrap packaging from our Retail sauce bottles and replaced it with recycled cardboard boxes.

2020

- We began converting all hot take away coffee cups to fully recyclable or compostable alternatives.
- Recycling logos were added to all our plastic cutlery to drive awareness that the material can be recycled and responsibly disposed of.
- Cage-free eggs are in use by Vovo Telo, Mugg & Bean, Fego Caffé, PAUL[1] and Creative Coffees. Effective October 2019, egg products were removed from all manufactured sauces, and a phased roll-out of the sauces commenced.
- All polystyrene was eliminated from our Leading Brands restaurant network and replaced with recyclable packaging.

2021

- Eliminated balloons in Debonairs Pizza, Fishaways, Wimpy SA and AME restaurants.
- Steers concluded the cage-free egg transition in October 2020.
- All brand packaging ranges are 100% recyclable.
- Famous Brands became a signatory to the South Africa Food Loss and Waste Agreement.
- We launched our fully recyclable, compostable and biodegradable packaging into Wimpy to replace the widely used grill and breakfast box.

2022

- All brands, except for Fego Caffé, have converted to fully recyclable take away cups.
- Famous Brands sets targets for selected UN SDGs.
- All operations using cage-free eggs, ahead of the 2025 target.
- Meat plant solar system commissioned.
- Clean-in-place improvement project to step change effectiveness and reduce water usage at the same time for Sauce Plant.
- Refrigeration system for the new KwaZulu-Natal depot will be waterless and reduce electricity usage.

2023

- Solar step change projects planned for Midrand and KwaZulu-Natal sites.

2026

- Famous Brands has committed to reducing food waste by 26%.
- We have plans in place to have reduced our carbon and water usage by 25% vs. 2020.

2030

- In line with the Consumer Goods Council of South Africa's stated goal of reducing food waste by 50% by 2030, Famous Brands has committed to cutting its food waste by 50% compared to the F2022 benchmark.

[1] *Licensed brand by PAUL International.*

Our plastic waste reduction and recycling successes

We constantly review and modify our brand packaging material to align with best practice benchmarks.

We drive our plastic waste reduction and recycling initiatives at the front-end (restaurants) and back-end (Supply Chain).

Since 2019, Famous Brands has led a packaging initiative to provide better, more environmentally friendly packaging across the brands. Today, all Famous Brands procured brand packaging ranges are currently 100% recyclable, and work is now being done to improve our status by accelerating conversion to biodegradable and compostable packaging.

We constantly review and modify our brand packaging material to align with best practice benchmarks.

We are looking at other ways to reduce plastic usage, including bulk packaging rather than single packaging options, changing plastic lids to paper lids, moving milkshake cups to paper cups, and reducing container sizes. With these changes, small reductions can make a big difference. For instance, a change from individually wrapped Wimpy biscuits to bulk wrapping would save about four tonnes of plastic wrapping per year.

In the Manufacturing division, we have stopped shrink-wrapping products, reducing plastic waste and eliminating electricity previously used.

Quick fact

The transition from our standard hot cup to our compostable hot cup began in 2018. Vovo Telo and Mugg & Bean began phasing out the original cup to using compostable cups in 2019. Fego Caffé remains the only brand to move over. This will phase out by October 2022. Challenges with this transition include expensive and imported materials and a lack of local innovation in this space.

Source: Internal management disclosure.

The impact of our initiatives in numbers

Switching from plastic to paper straws reduced our plastic waste by 11 tonnes per year. This is equivalent to 7.8 standard football fields.

Removing balloons from restaurants has reduced our latex waste by 20.4 tonnes per year. The removal of cups and sticks used in conjunction with balloons) has reduced our plastic waste by 26.3 tonnes per year.

Replacing the plastic wrapping of toothpicks with paper wrapping has reduced our cellophane waste by 3.1 tonnes per year.

Removed all shrink-wrapping for Retail sauce bottles in favour of recycled cardboard boxes. Resulting in an average saving of 30.5 tonnes of shrink-wrap packaging per annum.

Extended Producer Responsibility

South Africa must take steps to reduce the amount of packaging waste sent to our country's landfills. For this reason, the Department of Forestry, Fisheries and the Environment implemented new Section 18 regulations to the Waste Act from 5 May 2021. The new Extended Producer Responsibility regulations aim to ensure that producers take responsibility for the life cycle of their products, right through to post-consumer waste disposal. It is hoped that this waste will be increasingly diverted from landfills, and more recycling and other circular economy activities will gain momentum.

Famous Brands has registered with several producer responsibility organisations that manage the Extended Producer Responsibility schemes for various packaging schemes, such as plastic or glass. We are also working with suppliers to ensure that they are registered. There are only two producer responsibility organisations that we have not signed up with, namely MetPac SA and the Glass Recycling Co. Our metal and glass suppliers have signed up with these organisations and will report on our behalf.

We are awaiting further clarity from the government on the levy schedule for the different packaging types. The minister is yet to communicate the fees for the various substrates and start dates for reporting. Some suppliers have included an additional fee into their pricing to Famous Brands which covers the Extended Producer Responsibility fee. This is then paid to the Producer Responsibility Organisation. On the other hand, some suppliers are yet to charge the Extended Producer Responsibility fee.

We also registered with the Department of Forestry, Fisheries and the Environment by 5 November 2021. We are 100% compliant with Section 18 requirements as legislated by the department.

	Substrate	PRO	Comment
Famous Brands Management Company (Pty) Ltd	Glass	The glass recycling company	Not registered – supplier Consol registered
	Metal	Metpac	Not registered – supplier Nampak registered
	Paper	Fibre Circle	Registered
	Plastic	Polyco	Registered
Famous Brands Coffee Company (Pty) Ltd	Plastic	Polyco	Registered
Marathon Holdings (Pty) Ltd	Paper	Fibre Circle	Registered
	Plastic	Polyco	Registered

South Africa Food Loss and Waste Agreement

Our overall food waste in our Manufacturing division is less than 1% of input. We hope to reduce this by 50% by 2026.

In 2021, Famous Brands became a core signatory to the South Africa Food Loss and Waste Agreement. This agreement was developed by the Consumer Goods Council of South Africa and the Department

Quick fact

We are always investigating ways to reduce our food waste in our Manufacturing division. The potato skins not used when making chips and the whey that is a by-product of cheese production are taken by pig farmers and become animal feed. This way we prevent these by-products from going to the landfill and contribute to a more circular economy.

Source: Internal management disclosure.

of Trade, Industry and Competition together with the Department of Forestry, Fisheries and the Environment. Famous Brands has committed to:

- Work with the government, food sector and associated organisations to achieve the SDG target, which states that "by 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses".
- Adopt the food utilisation hierarchy, which prioritises increased food utilisation and food waste reduction, followed by the redistribution of edible, nutritious surplus food for human consumption and the creation of secondary markets for surplus food, taking food safety into account.
- Confidentially report our annual quantities of food waste and quantities diverted to food surplus redistribution, according to the agreed reporting protocol. In 2021, Famous Brands submitted our food waste figures, with pleasing reductions in waste.

Our efforts will be focussed on:

- Meeting our commitment to reduce food waste in our Manufacturing division by 50% by 2030.
- Identifying food loss and waste arising from our operations and isolating the underlying causes.
- Ensuring that food safety is maintained at every level.
- Building our partnership with non-profit SA Harvest to re-distribute edible surplus food to those in need.

We have an established partnership with the charitable organisation SA Harvest whose motto is 'Rescuing Food, Fighting Hunger'. This relationship began during COVID-19 when Famous Brands management worked closely with the organisation to re-distribute stock that our hibernated operations could not use. We continue to work with them and other non-profits to distribute food close to its expiry date.

Better for You awareness

We consider the Department of Health's goals of reducing obesity and encouraging healthier lifestyles in designing our menus. Our extensive menus across our brands cater to dietary restrictions, food allergies, intolerances and lifestyle choices.

Our Leading Brands' menus highlight a 'Better for You' offering, including vegetarian and vegan options and sugar-free sodas, at a lower price than the regular soda. At Steers, sugary beverages may be swapped out for bottled water at no extra cost. Steers no longer promotes upselling, to disincentivise upsizing of meals. Fishaways promote a range of 'Healthier for you' meals under 500 calories.

Wimpy UK and our Leading Brands, except for Milky Lane, all have full kilojoule counts on their menus. We plan to roll out kilojoule counts on Milky Lane's menu in 2023. Full nutritional guidelines, including a list of allergens, are displayed on our Leading Brands' websites to help customers make informed choices. Customer feedback indicates that having kilojoule counts available is helpful and does guide their decision making.

We offer vegetarian and vegan options across our menus. We have improved our bun and sauce recipes to exclude eggs, which makes them allergen and vegan friendly.

Our TruFruit juice range was reformulated to reduce sugar to be below the sugar-tax threshold.

Environmental report

Famous Brands is committed to high standards of environmental responsibility and continuous improvements against our targets.

Our Environmental and Climate Change Policy

Our Environmental and Climate Change Policy outlines our commitment to responsible environmental practices and continuous improvement. This policy includes measures to limit air pollution, use more sustainable packaging, invest in renewable energy, and cut water and energy usage.

Since this policy was developed, we have made solid progress in achieving our environmental targets. We see the greatest opportunity in reducing food waste across the front-end and back-end and reducing our energy consumption. This includes investing in solar energy at key sites where the high investment is justified.

Our environmental focus areas

Manufacturing	• Investigating alternative cleaner fuel and energy options (with lower GHG emission factors), including planned renewable energy projects. • Use of improved quality refrigerants to reduce electricity consumption. • Efficient water usage and effluent management are set against a continuous improvement target. • New plant design focussed on responsible consumption. • Maximising recycling opportunities for our general waste. • Responsible sourcing of sustainable food products for processing. • Responsible re-use or redistribution of food through the donation of excess food products.
Logistics	• Optimisation of transport efficiencies in our Logistics fleet. • Better route planning and reduction in the number of trips. • Responsible redistribution of near expiry date stock through donations to identified charities. • Use of improved quality refrigerants to reduce electricity consumption.
Brands	• Maximising recycling opportunities for our general waste. • Rolling out fully biodegradable and compostable take away coffee cups. • All brand packaging ranges are currently 100% recyclable. • Reduction in food wastage through portion control and made-to-order practices in our restaurants. • Responsible re-use or redistribution of food through the donation of excess food products.

Our electricity and water usage

The Group's consumption of non-renewable resources on a geographical basis is detailed on page 76. All energy sources have increased compared to last year.

Carbon footprint report

Famous Brands has aligned its carbon footprint assessment methods with global best practices. This approach allows the Group to adequately prepare for the potential introduction of a carbon tax while proactively reducing its overall carbon footprint. Although Famous Brands is below the threshold for paying carbon tax, all sites are registered for carbon tax with SARS.

Famous Brands conducted a detailed assessment of the Group's carbon footprint for its Manufacturing and Logistics divisions and Company-owned restaurants. The Group does not have equity in nor financial or operational control of franchised restaurants, and the franchise operations are not included in this assessment. This assessment focussed on:

- **Scope 1:** Identifying and quantifying direct GHG emissions that will require reporting to the Department of Environment, Forestry and Fisheries, and be liable for the carbon tax. Direct emissions include mobile fuel combustion (own fleet) and stationary fuel combustion (on-site equipment).
- **Scope 2 and 3:** Understanding the primary sources of indirect GHG emissions contributing to the Group's overall carbon footprint. Indirect emissions include purchased electricity, water supply and waste disposal.

The Group's total GHG emissions in 2022 by scope and division are detailed below.

Scope	Emission source	Manufacturing tCO_2e	Logistics tCO_2e	Total tCO_2e	% increase/ (decrease)
Scope 1 32.42%	Mobile fuel combustion	**102.69**	**7 497.33**	**7 600.02**	**32.39**
	Stationary fuel combustion	**9 404.84**	**49.37**	**9 454.21**	**36.33**
	Total Scope 1 emissions	**9 507.53**	**7 546.70**	**17 054.23**	**36.80**
Scope 2 64.84%	Purchased electricity, heat and steam	**26 117.70**	**7 988.94**	**34 106.64**	**173.58**
	Total Scope 2 emissions	**26 117.70**	**7 988.94**	**34 106.64**	**19.82**
	Total Scope 1 + 2 emissions	**35 625.23**	**15 535.64**	**51 160.87**	**24.99**
Scope 3 2.74%	Purchased goods and services and water supply	**498.10**	**25.36**	**523.46**	**45.54**
	Waste generated in operations	**738.02**	**179.74**	**917.76**	**46.14**
	Total Scope 3 emissions	**1 236.12**	**205.10**	**1 441.22**	**45.92**
All scopes	**Total Scope 1, 2 and 3 emissions**	**36 861.35**	**15 740.74**	**52 602.09**	**25.49**
Division contribution		**70.08%**	**29.92%**	**100%**	

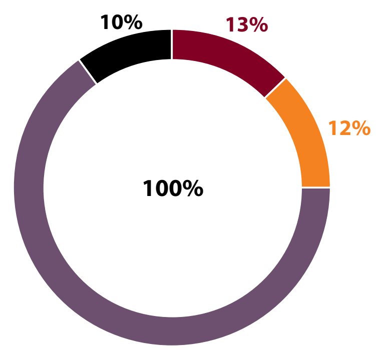
The Group's consumption of non-renewable resources on a geographical basis is detailed below. All energy sources have increased in the year under review compared to the comparable periods in the previous years.

ENVIRONMENTAL REPORT continued

Input	Unit of measurement	2021	2022
SA operations: Manufacturing and Logistics divisions			
Water	kilolitres	287 201	**363 906**
Energy			
Electricity	MWh	25 366	**29 301**
Electricity – solar	MWh	548	**650**
Diesel	kilolitres	1 461	**2 010**
Petrol	kilolitres	452	**635**
Paraffin	kilolitres	54	**67**
Liquefied petroleum gas	tonnes	32	**37**
Natural gas	gigajoules	29 257	**34 886**
Coal	tonnes	2 121	**2 827**
Steam*	tonnes	6 617	**7 754**
CO_2 emissions	metric tonnes CO_2e		**52 602**
Direct		14 961	**17 054**
Indirect		25 970	**34 106**
SA operations: Signature brands excluding Group associates			
Electricity			
All Company-owned restaurants	MWh	1 084	**1 779**
Water			
All Company-owned restaurants	kilolitres	5 584	**11 143**
Botswana			
Electricity			
All Company-owned restaurants	MwH	3 833	**4 148**
Headquarters	MwH	60	**139**
Water			
All Company-owned restaurants	kilolitres	30 285	**32 218**
Headquarters	kilolitres	112	**164**
Kenya			
Electricity			
All Company-owned restaurants	MwH	128	**272**
Water			
All Company-owned restaurants	kilolitres	697	**1 419**

* *Supplied from a third-party coal user.*

Emissions source tCO_2e



Emissions across Scope 1, Scope 2 and Scope 3 increased by 25.49% year-on-year due to higher activity levels as the front-end of the business recovered.

- Mobile fuel usage increased by 32.39%, while stationary fuel increased by 36.33%. This is due to more activity for our fleet and the burning of fuel in our generators due to load shedding.
- Purchased electricity usage increased by 34.45%.
- Water usage in our operations increased by 23.29%, while water supply emissions climbed 45.54%.
- Waste generated in our operations was 1 556.52 tonnes for a mix of industrial and commercial waste to landfill. Emissions related to waste were calculated at 917.76 metric tonnes CO_2e, increasing 46.14% year-on-year.

Despite the increased operational activity in 2022, our emissions have been kept within our targeted ranges due to:

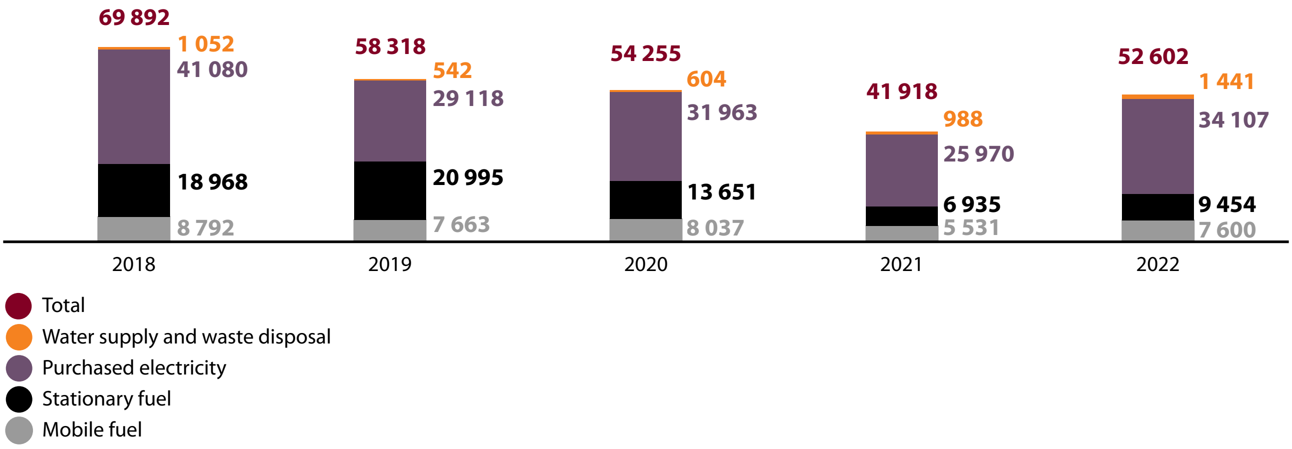
- A Group-wide utilities savings awareness programme.
- Employee awareness campaigns to encourage environmentally responsible behaviour.

- Smart metering of electricity, water and key fuel usage tied to key performance indicators.
- Fuel type conversion to lower carbon fuels.
- The annual electricity generated from solar systems increased during the year.
- Close monitoring and evaluation of new generators.
- Cultivating potatoes closer to the Lamberts Bay Foods processing plant to reduce the travel emissions.

We are targeting a 25% improvement in our water and carbon usage per case of production between 2022 and 2026. We have identified the following focus areas to reduce our carbon footprint further:

- Enhancing plant efficiencies to produce more units per hour of plant time.
- Switching to low carbon fuels where practical (for example, less coal and paraffin and more gas and solar).
- Improving electricity usage by refrigerators.
- Fleet route optimisation to reduce the number of trips required.
- Investing in new solar installations (The solar plants on The Meat Plant switched on in February 2022).
- Managing our utility usage at our largest plants (The Meat Plant, Cater Chain, Lamberts Bay Foods and our Midrand Campus).

Carbon footprint by type (2018 to 2022) (tCO_2e)



Transformation report

We view transformation as a social, moral and strategic business imperative. We strive to foster a more equal and inclusive society through the ongoing transformation of our business and initiatives that improve the lives of previously disadvantaged South Africans.

Famous Brands works towards an employee demographic that represents South Africa. We have made good strides to transform our business over the years. We observe the principles of equality and fair treatment in all operations and interactions with employees.

In South Africa, our business transformation strategy follows the objectives of the Department of Trade and Industry's BBBEE Codes of Good Practice. In 2021, Famous Brands moved from the CATHSSETA (Tourism and Hospitality) to the FOODBEVSETA (Food and Beverages), which is more aligned with our business activities.

Together with our executive leadership team, our Group Transformation Manager is responsible for executing our BBBEE transformation strategy across the business. Transformation is monitored by the Social and Ethics Working Committee and the Board's Social and Ethics Committee. We follow best practices and align our activities with the 10 Principles of the United Nations Global Compact. We ensure that we operate according to high standards of responsibility, ethics and accountability.

The BBBEE scorecard

We aim to improve our scores across the five elements of the BBBEE. These are ownership, management control, skills development, enterprise and supplier development and socio-economic development. We have moved from being non-compliant in 2018 to a level 4 rating in 2022. The consistent progress achieved in improving our BBBEE score is depicted on page 64.

This report provides details on our progress, targets and outlook regarding our transformation journey. While much progress has been achieved, we acknowledge that there is much work still to be done. We believe that the strategies to entrench diversity in the boardroom, our workforce and our supply base are gaining momentum.

	BBBEE score analysis		
Composition of our BBBEE scorecard	**Target points**	**2022**	**2021**
Ownership	27.00	**9.82**	11.46
Management control	19.00	**15.01**	14.43
• Board representation	6.00	**5.27**	5.27
• Employment equity	13.00	**9.74**	9.11
Skills development	20.00	**20.00**	19.76
Enterprise and supplier development	40.00	**34.61**	31.32
• Procurement	25.00	**19.61**	15.32
• Supplier development	10.00	**10.00**	10.00
• Enterprise development	5.00	**5.00**	5.00
Socio-economic development	5.00	**5.00**	5.00
Total	110	**84.43**	81.97
Level contributor status		**4**	4

Ownership

The ownership element measures the effective ownership of enterprises by Black people, including how they are entitled to the voting rights and economic interest associated with the equity holding. Voting rights afford the rights to determine strategic and operational policies of an enterprise, while economic interests result in the accumulation of wealth by Black people.

Black ownership decreased from 14.4% in 2021 to 12.08% in 2022, based on an analysis of mandated investments. Famous Brands shares are publicly traded on the JSE, and many of our shareholders are ordinary South Africans who own shares through their pension funds and other investments. We commit to continue monitoring our ownership status while listed on the JSE.

Management control

Management control is exerted through the Company's governing bodies, including the Board and executive management. At the time of verification in September 2021, the Board comprised 40% Black directors, with Black women making up 30%. *Read more about our Board and Exco composition on page 111.*

Employment equity

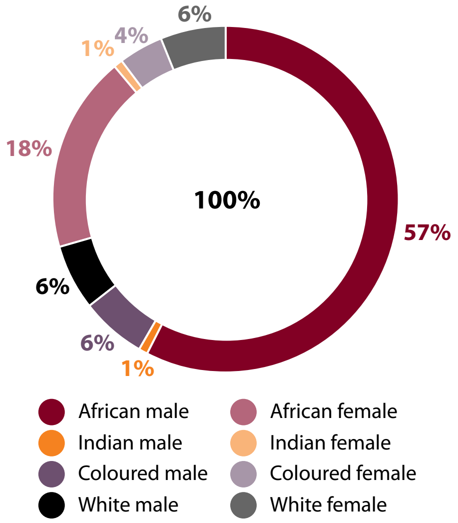
The employment equity element measures initiatives intended to promote equal opportunity and fair treatment in the workplace under the regulations of the Employment Equity Act, No 55 of 1998. At Famous Brands, diversity is our strength, and employees have equal access to opportunities and resources and are encouraged to contribute to Famous Brands' success.

We improved our employment equity score from 9.11 to 9.74. This is a true reflection of the commitment to targets we set with the Department of Labour.

	Male				Female				
Occupational Levels	**African**	**Coloured**	**Indian**	**White and desig-nated groups**	**African**	**Coloured**	**Indian**	**White and desig-nated groups**	**Total**
Executive Management	**0**	**0**	**0**	**1**	**1**	**0**	**0**	**0**	**2**
Other Executive Management	**6**	**2**	**4**	**25**	**2**	**1**	**2**	**10**	**52**
Senior Management	**3**	**0**	**1**	**4**	**0**	**0**	**0**	**2**	**10**
Middle Management	**43**	**7**	**15**	**55**	**39**	**1**	**10**	**51**	**221**
Junior Management	**250**	**46**	**11**	**31**	**96**	**25**	**14**	**37**	**510**
Semi-skilled	**491**	**32**	**3**	**5**	**96**	**12**	**2**	**15**	**656**
Unskilled	**311**	**30**	**0**	**1**	**117**	**36**	**0**	**0**	**495**
Total	**1 104**	**117**	**34**	**122**	**351**	**75**	**28**	**115**	**1 946**
Disabilities	**37**	**17**	**0**	**0**	**38**	**5**	**0**	**0**	**97**

71%	29%	88%	115%
Male	***Female***	***Black (ACI)***	***People with disability*** ***100% (ACI)***

Total workforce



Skills development

Famous Brands engages, develops and retains a high-value workforce by investing in skills development programmes.

The skills development element measures the extent to which the Company provides ongoing training and development of the core technical skills and competencies of Black people to support their performance and career progression while also enriching the local labour pool.

Our talent development is a key focus that supports our transformation journey. Management continuously improves the necessary integration between employment equity and talent development while delivering a value-adding learning and development strategy.

Key projects included our learnership and internship programmes which provided an opportunity to 167 young Black South Africans.

We spent approximately 85% of our total skills development budget on the development of Black employees across all levels. Of this, 15% was spent at senior and executive management levels.

The HR teams play a critical role in developing employees and assisting the business in achieving its objectives. Training initiatives include the Executive Development Programme, International Executive Development Programme, Managers Challenge, People with Disability Programme, learnerships and internships.

R4.7 million	R409 000	167	71
Spent on disabled training and development	***Spent on bursaries***	***Learnerships and internships for Black people***	***learnerships for people living with disabilities***

Case study: Saying yes to YES

Establishing a Barista training programme will set Famous Brands apart from its competitors in the preparation of coffee while setting new and improved industry standards.

In February 2022, we announced the launch of the Famous Brands Academy Barista Learnership. We have partnered with the Youth Employment Service (YES) Programme to offer 120 unemployed youths a 12-month work placement.

The youths will begin a training course focussed on coffee and the skills required to be outstanding baristas. They will also undergo the Training Institute's Team Members training, covering all aspects of working in a restaurant. They will be placed in franchise partners' stores to gain crucial work experience for the remainder of their 12-month learnerships. The youths will gain the experience they need to secure a full-time position, while Famous Brands also benefits from a talent pipeline of trained baristas to place in our stores.

They will also complete the YES readiness training programme with 25 modules on life skills, such as money management and digital literacy.

Darren Hele signed the YES CEO pledge to fully commit to this programme. YES is a South African non-profit that brings together business, government and labour to address South Africa's youth unemployment crisis. Since being founded three years ago, YES has worked with over 1 814 South African companies to create more than 70 400 work experiences.

The YES initiative allows for up to two BBBEE levels of enhanced BBBEE status recognition. This depends on the level of job creation against the prescribed targets and the subsequent absorption of the youths.

Enterprise and supplier development

The enterprise and supplier development element comprises preferential procurement and enterprise and supplier development. It is designed to widen market access for entities to integrate them into the mainstream of the economy by encouraging the adoption of BBBEE.

Preferential procurement refers to the extent to which Famous Brands buys goods and services from suppliers with excellent BBBEE credentials. Enterprise and supplier development refers to the monetary and non-monetary support to develop and foster new or existing small and micro Black-owned enterprises.

The increase in our score for preferential procurement reflects our commitment to increased investment in procuring from Black, Black women-owned and qualifying small and micro-enterprises.

We are actively investing in the transformation of our Supply Chain. We focus on understanding the contributor level of each supplier in the database. Suppliers between non-compliant and a level 5 contributor status are assisted with a transformation plan or replaced with a qualifying supplier. We also track BBBEE certificates and monitor our supply chain BBBEE initiatives each month.

1 875	R2.45 billion	R360.8 million
Suppliers supported	*Spend with qualifying BBBEE suppliers*	*Spend with small and medium enterprises*

777	R1.01 billion	R897 million
Small and medium enterprise suppliers supported	Spend with >51% black-owned suppliers	Spent with Black women-owned suppliers

Enterprise and supplier development

We continue to invest in enterprise and supplier development projects that add supplier diversity and embark on new projects that add value to our Supply Chain. Below are some of the key initiatives:

Berlin Beef

Famous Brands is working to enhance sustainable cattle production in previously disadvantaged communities to improve their economic participation in the red meat value chain and create Black commercial beef farmers.

Famous Brands has supported the Berlin Beef project since 2018. The next exciting project in development is the Eastern Cape Beef Breeding Cluster.

More than 75% of cattle slaughtered countrywide are finished in feedlots. More than 90% of slaughtered stock comes from the commercial sector, despite the fact that 40% of cattle are farmed by smallholder farmers.

The main limitations of smallholder livestock production are poor genetic make-up of the cattle and natural resources management. These limitations affect the quality and consistency of production and reduce the marketability of livestock.

This project seeks to improve the quality of the existing cattle by introducing suitable and adaptable genetic material that will be accepted by the formal market. In addition, the project trains and capacitates farmers on natural resources management to enhance livestock production. This will allow smallholder farmers to take advantage of the market opportunity provided by the Berlin Beef and Famous Brands partnership.

The project targets 200 Black smallholder farmers and 1 000 communal farmers based in 200 villages in the Eastern Cape. The project will allocate 200 breeding bulls and 10 000 breeding heifers to these emerging farmers. Each village has an average of 40 households, and this will result in economic benefit to approximately 8 000 families located in the participating villages.

Famous Brands will benefit from receiving a consistent supply of high-quality, locally produced beef. This beef is from a BBBEE compliant supplier ensuring that Famous Brands receives enterprise and supplier development points from this initiative.

Berlin Beef initiative in numbers

R5 million
Famous Brands will contribute a total of R20 million made up of R5 million per year over four years

220
Black Eastern Cape beef farms are supported by the initiative

16 500
Calves on farms are taken care of by Black and/or land reform farmers under the mentorship and supervision of the fund

900
Jobs were created by this initiative

3 500
People are direct and indirect beneficiaries creating community development in the Eastern Cape

Owner-Driver Programme
Our Owner-Driver Programme was developed in 2010 to assist Black drivers in starting their own businesses. The primary objective behind the programme's implementation was to drive efficiencies and improve productivity and customer service levels in our distribution network.

Owner-Driver Programme in numbers

37
Owner-drivers

115
Direct jobs created

R4.6 million
In cases delivered to our stores

Socio-economic development

Socio-economic development contributions are those financial or non-financial contributions to individuals or communities where at least 75% of the beneficiaries are classified as Black. Our socio-economic development initiatives are rooted in supporting and investing in our communities. A few of our key initiatives are included below:

R1.47 million was invested in food donations to the community reaching 5 000 beneficiaries in four provinces within South Africa.

R7 million was invested in grassroots sports development reaching over 400 beneficiaries across six sporting codes in five provinces within South Africa.

R1 million was donated to support children who have cancer.

Outlook

We remain committed to identifying additional strategies for all BBBEE elements to create value and contribute positively to society. As agreed with the BBBEE Commission, we have moved our BBBEE verification timeline and will issue our BBBEE certificate by end August 2022. Our commitment is linked to the ever-changing legislative requirements, and we strive to ensure compliance which will add value to all stakeholders involved.

Investing in consumer-facing technology

Famous Brands has invested in consumer-facing technology for several years. This investment is increasingly relevant post-COVID-19 as consumers interact with brands in the digital space.

The restaurant industry has evolved over the past decade and at a rapid pace, primarily due to new technology and evolving customer preferences. Customers do not want to wait long for their food. They want the option of delivery, collection, or dining in the restaurant.

The planning cycle for technology projects follows a one-year roadmap, which leads into a three-year strategy. A cross-functional working group manages technology projects at Famous Brands, coordinates the allocated budget and aligns projects to the overarching corporate strategy. The working group consists of senior management from different brands and disciplines.

Quick fact

In 2022, we revamped the Debonairs Pizza website to provide customers with a fresh and intuitive experience.

We invested in search engine optimisation to improve our search rankings on Google. We ensure that all our brand websites are easily discoverable on Google.

Source: Internal management disclosure.

COVID-19 has accelerated some technology projects that were not on the original plan. These are not new developments but rather enhancements to current technology platforms. An example of this is the popular Kerbside Collect option.

INVESTING IN CONSUMER-FACING TECHNOLOGY continued

Enabling the delivery environment	We have invested in **delivery technology solutions** to enable the delivery environment. We continue to invest in enhancements, especially in the Quick Service Restaurant space, including **driver tracking.** Most customers interact with the brands through their smartphones, so Famous Brands needs to consider a mobile-first approach. As data is expensive, we also need to offer different channels, including the call centre and website. Customers use the most convenient channel at the time and use different channels at different times. Our brands' mobile applications are promoted in-store, on product packaging, and through advertising activities.
Better data for decision making	We have moved to formalise our **database infrastructure** in the cloud, to bring all customer data onto one platform. This will allow us to analyse data and compare data between brands. We are compliant with POPIA. We use our customer data to segment our customers. We communicate the right message using the right channel to reach the right customer.
Rewarding customers with loyalty programmes	In an industry that is so closely tied to economic fluctuations, restaurants depend on customer loyalty for survival. Our **customer loyalty programmes**, especially at Casual Dining Restaurants, boost revenues by providing upselling opportunities. Customers seek out rewards programmes when the economy is weak. Our **e-vouchering** capabilities allow brands to remove plastic card-based vouchers that are simple to purchase and issue and apply to all brands within the Famous Brands ecosystem.
Minimal contact solutions	**Contactless payment** options are becoming more important to customers. These options help keep customers age by letting them tap or swipe to pay for their orders. This prevents unwanted physical contact between customers and employees at a time when safety and social distancing are critical. Safety, speed, and efficiency have always been essential pieces of the dining experience, and COVID-19 has amplified the demand for these factors. **Order and pay at table technology** allow customers to order and pay for the meal from the convenience and safety of their device. This also improves table turn times and hospitality while providing valuable data to better understand customers. **Self-service terminals** are a growing trend and becoming a major feature of Quick Service and Casual Dining Restaurants. These provide a top-notch digital experience through easy-to-use interfaces. They also give customers more control over the ordering process, making it easier to customise their orders and reduce errors. A well-designed terminal can increase the average transaction size using upsell prompts, and order volume while shortening queues.
Improving operational efficiencies at restaurants	We investigate and implement **back-of-house technology** solutions to help franchise partners and Company-owned restaurants run better businesses. For example, there is technology to manage the queues in the drive-thru by identifying bottlenecks. We support franchise partners and managers in Company-owned stores with training on using the technology. **Point-of-sale** is no longer simply the cash register but is becoming the brain of a restaurant operation. Point-of-sale has migrated to the cloud, allowing for cost savings, efficiencies and better data insights. This includes monitoring stock management and security footage through the point-of-sale. We trialled a new point-of-sale with positive results and will be rolling it out for new stores and revamps for specific brands. We will continue to investigate new point-of-sale solutions as the technology changes, and renewal cycles come up.

Corporate social investment report

Famous Brands CSI Programme is deliberate, focussed and coherent. It relies on long-term partnerships with non-profit partners and commitment from franchisees.

Famous Brands' CSI Programme is professionally managed, guided by a policy framework and is seen as strategic to the business and brand building across our brand portfolio. Certain CSI activities qualify for recognition under the socio-economic development pillar of the BBBEE scorecard.

CSI activities are coordinated by the Transformation Office, with input from the Social and Ethics Working Committee and oversight from the Board's Social and Ethics Committee. Franchisees also run their own CSI activities, with guidance from Famous Brands, and franchisees' contributions are acknowledged at annual brand conferences.

CSI programme's strategic objectives

Our CSI policy and activities focus on:

- Long-term partnerships with reputable CSI partner organisations.
- Initiatives that enjoy broad-based stakeholder support while avoiding unsustainable relationships and handout tendencies.
- Programmes that actively consult the beneficiaries in the programme design, implementation and evaluation.
- Quantifying the costs and benefits of the programmes selected in terms of their ability to contribute to capacity building, improving quality of life and sustainable development.
- Defining the roles and responsibilities of stakeholders and beneficiaries, with a specific emphasis on financial controls and corporate governance compliance.
- Contribute to the socio-economic upliftment of historically disadvantaged communities.
- Improving relationships with our existing stakeholders and engaging new stakeholders.

Current CSI initiatives

Each brand within the Leading Brands portfolio has its own CSI initiative, some established, some new, and some in development. Each CSI initiative is linked to the brand story, and activities elevate the profile of recipient non-profits, and funds raised to allow them to sustain their activities.

Sport is a major focus for certain Leading Brands.

Since 2019, Steers has sponsored the Varsity Cup and Varsity Shield, contests that showcase the best up-and-coming rugby players. Steers also connects players with various scholarship programmes to ensure players continue with their education.

Our CSI approach is evolving from being about 'what we do' to becoming 'who we are'.

In the future, we hope to drive more franchisee involvement in CSI activities and encourage employees at restaurants to promote campaigns and assist customers in taking part. This will require training, messaging and reward and recognition for employees. We also plan to showcase more prominent CSI promotional material at restaurants.

Quick fact

COVID-19 has impacted our CSI activities. Lower footfalls in malls, trading restrictions, and a weak economy have made fundraising more difficult. Famous Brands has adapted to these challenges by extending the timeframes used for fundraising campaigns and promoting donations through brand websites and apps.

Source: Internal management disclosure.

Steers ROUNDA

According to Statistics South Africa, 11% of the population (6.5 million people) suffer from hunger. Steers has partnered with ROUNDA since 2018 to combat hunger and alleviate poverty in South Africa. ROUNDA is an initiative by the Nikela Charity Funding and Development Trust. The initiative, which runs both in-store and online, allows customers to donate an additional R1 with the purchase of any Steers product.

ROUNDA has fed thousands of hungry stomachs and enabled the building of five Shout libraries across South Africa. These libraries provide access to books for many South Africans who would not otherwise enjoy the benefits of reading. For Nikela Trust's 2022 financial year, (March 2021 to February 2022), with the support of employees and franchise partners, Steers raised R1.07 million to donate to ROUNDA for running feeding schemes, supporting early childhood development and education programmes, and supported sick and vulnerable individuals, all working collectively to reduce the impact of hunger. The total collected for ROUNDA through Steers from inception is more than R4.2 million.

Debonairs Doughnation

Debonairs Pizza's Doughnation is a community project that started in 2012 that uses excess pizza dough to make flatbreads delivered to organisations that feed children, the elderly, and families in need. Doughnation runs across South Africa and Botswana.

After the unrest in KwaZulu-Natal in July 2022, Debonairs supported the charities they already support with an additional R2 million.

Wimpy and Reach for a Dream

Wimpy has supported Reach for a Dream since 2013. This charity foundation helps children with life-threatening illnesses fulfil their dreams. Customers can purchase a sticker for Slipper Day for R20 or donate. For every sticker purchased, or every donation over R20, Wimpy will reward customers with a free coffee to be enjoyed on Slipper Day.

Wimpy began the Cups for Votes initiative in 2009. On 1 November 2021, Wimpy once again incentivised South Africans to vote in the national municipal elections by rewarding them with a free Wimpy coffee for voting. Customers responded positively to the campaign with high social media engagement rates.

The Wimpy Cups for Vacs initiative began in August 2021 when the COVID-19 vaccination programme became widely available. Wimpy rewards customers with a free coffee with proof of vaccination within 48-hours of receiving the jab.

As part of Wimpy's sponsorship of Lifesavers South Africa, Wimpy created the 'Hero of the Month' award for a lifesaver who has made an outstanding contribution to lifesaving. The recipient received a Wimpy voucher. Wimpy also sponsored the Lifesaving Surfboat Shootout, where lifesavers race boats branded in Wimpy branding.

Case study: Mugg & Bean and Cupcakes of Hope

Since 2012, Mugg & Bean has been a proud supporter of Cupcakes of Hope, which assists families dealing with childhood cancer with day-to-day financial assistance. The brand's ethos of generosity envisaged by the Mugg & Bean founders provides a natural fit with the valuable work undertaken by Cupcakes of Hope. The initial collaboration involved in-store activations encouraging customers to order specially developed cupcakes in our restaurants, with the proceeds donated to the non-profit.

Each subsequent year as Cupcakes of Hope supported more families, Mugg & Bean also expanded its activity. The brand enabled customers and franchisees to join in contributing more. The relationship evolved from purely a financial contribution to a true partnership. Franchisees actively participate in projects and activities run by Cupcakes of Hope. Mugg & Bean also linked its heritage giant muffin range to the campaign, allowing for a better fit for the brand and its products.

After the challenging COVID-19 period, Mugg & Bean launched its most ambitious Muffins for Kids with Cancer campaign in September 2021. In the spirit of partnership with the franchise network, Mugg & Bean donated R5 from every muffin sold. This was split 50/50 between Mugg & Bean and the franchisees.

Mugg & Bean also launched an exciting Giant Monster Muffin and received complimentary TV airtime from our media partners in addition to in-store, digital, out-of-home and social media elements. A comprehensive campaign and franchisee-driven activities allowed Mugg & Bean to raise R1.1 million for Cupcakes for Hope. This allows the organisation to assist over 200 families.

Milky Lane and the Smile Foundation

Milky Lane has partnered with the Smile Foundation since 2018. Milky Lane hosts fun events, including cycling challenges, to raise funds for the foundation.

Established in 2007, the Smile Foundation has helped provide plastic and reconstructive surgery to more than 4 000 children living with facial abnormalities, including cleft lip and palate, facial paralysis and burns. Milky Lane celebrates children who have undergone the surgery with NiceCream cakes, Stix and Conez for the celebration hosted for children and their families.

Tembisa Feeding Scheme

Famous Brands Head Office has supported Tembisa Child and Family Welfare since 2020. The canteen at the Famous Brands Midrand Campus supports the organisation through a daily feeding scheme for 80 children and staff members.

Tembisa Child and Family Welfare was established in 1986 to care for abandoned, abused and neglected children and HIV/AIDS infected orphans. Ideally, the organisation places children with foster or adoptive families. Where this is not possible, children are placed in two children's homes. The organisation also creates local employment through projects such as a sewing school, a bakery, food gardening and soap recycling.

Operational review

Impact of COVID-19 on the industry

COVID-19 forced restaurants to adapt quickly and changed the way consumers experience dining.

Some of these shifts include the adoption of contactless technology, a rise in take away and delivery sales, a preference for outdoor dining, adjusted staffing levels, and menu rationalisation. Consumers remain under financial pressure in most markets, and many can no longer eat out as frequently.

COVID-19 directly impacted our business along four key themes:

Restrictions and health concerns

- Trading activity remains muted due to restrictions related to sit-down dining, seated capacity, trading times and alcohol sales.
- Research indicates that fear of contracting COVID-19 remains a first or second barrier to consumers eating at a sit-down restaurant.

Financial-related impacts

- Consumers are eating out less due to financial constraints.
- Consumers increasingly look for value purchases.
- Work from home has reduced the frequency of dining at Casual Dining Restaurants.

Travel-related impacts

- Lower domestic and international travel levels resulted in lower numbers of travellers through airports, leading to lower turnover from these sites.
- Lower levels of domestic travel and restrictions on travel to and from Gauteng decreased turnover for our highway and transient sites.

School, sport and event-related impacts

- Limited in-person schooling and no school sport limit movement, directly impacting impulse purchases to and from venues.
- Limited sporting and cultural events also limit impulse purchases as consumers are on the road less.

Famous Brands has explored several ways to draw foot traffic and boost revenues. All our brands ensured that hygiene standards and COVID-19 protocols were upheld.

Menus

We continue to operate with reduced menus for many brands to simplify restaurant operations without compromising consumer choice.

We continue our menu engineering principles to improve delivery menus to ensure that consumers receive the best quality take away product.

Price increases and promotions

We strive to keep menu price increases below food inflation to remain competitive, and this is essential when consumer spending power has declined significantly.

Promotional activities focus on value for money propositions. Reduced trading hours in SA and other AME markets have required a renewed focus for casual dining on lunch and breakfast promotions as evening trade has been subdued.

Take away and delivery channels

Both Leading and Signature Brands embraced take away and delivery, including kerbside pick-up, own delivery and third-party delivery, order ahead options and increasing drive-through capacity. Adopting technology to enable enhanced service is critical to this channel shift. Tamper-proof food safety stickers were implemented across own delivery and third-party aggregators and have proven to be an industry differentiator.

Operational planning

Our operational planning focuses on business sustainability, adherence to all COVID-19 health and safety protocols and maintaining the highest brand and quality standards while offering a superior customer experience.

Customer safety remains at the heart of all we do.

New payment options

Contactless and mobile payment options have become crucial.

Important definitions

System-wide sales refer to sales reported by all restaurants across the network, including new restaurants opened during the year.

Like-for-like sales refer to sales reported by all restaurants across the network, excluding restaurants opened or closed during the year.

Leading Brands' sales refer to sales of the Leading Brands trading in SA.

Signature Brands' sales refer to franchises and Company-owned store sales in SA as well as cross-border sales where the brand is not managed by the AME management team.

Brands summary

Brands

Our Brands portfolio consists of Leading Brands and Signature Brands. The Leading (mainstream) Brands portfolio is segmented into Quick Service Restaurants and Casual Dining Restaurants brands.

Our brands are represented through a network of 2 758 franchised and 66 Company-owned restaurants in SA, AME and the UK.

Salient features – Global footprint

	Start of 2022	New stores	Converted stores	Revamped stores	Stores closed	End of 2022	Segment revenue (%)	Like-for-like sales growth (%)	Operating margin (%)
AME	**266**	31	–	20	10	**287**	5.3	14.9	9.9
SA	**2 436**	86	2	123	54	**2 470**	14.1	34.7	10.1
Leading Brands	**2 275**	81	2	123	40	**2 318**	11.9	33.0	48.0
Signature Brands	**161**	5	–	–	14	**152**	2.2	59.3	(5.3)
UK	**71**	1	–	6	5	**67**	2	23.8	(6.1)
	2 773	118	2	149	69	**2 824**			

SA

Salient features – SA	Leading Brands 2021	Leading Brands 2022
Segment revenue (%)	10.0	**11.9**
Like-for-like sales growth (%)	(29)	**33.0**
Operating margin (%)	33.4	**48.0**
Total number of restaurants	2 275	**2 318**
New restaurants opened	69	**81**
Number of restaurants converted	2	**2**
Number of restaurants revamped	77	**122**
Number of restaurants closed	51	**40**

OPERATIONAL REVIEW continued

In 2022, the South African restaurant industry faced headwinds due to COVID-19 restrictions, consumer apprehension regarding eating out and poor economic conditions. The civil unrest experienced in July slowed the local economic recovery, COVID-19 restrictions related to the third and fourth wave and a poor tourism season in December.

This has been an incredibly challenging period for our franchise partners. Famous Brands continues to provide ongoing direct financial support to affected franchise partners in the form of royalty and marketing fee breaks.

For the first three months of the financial year, capacity was limited to 100 people or 50% of the available capacity. For the second three months, the capacity limit was 50 people. Sit-down dining was not permitted for the first two weeks of July. Alcohol and trading time restrictions due to curfews further dampened performance.

Combined system-wide sales across our Leading and Signature Brands improved 37.1%, and like-for-like sales increased by 34.7%. Leading Brands' system-wide sales improved by 35.8%, while like-for-like sales grew by 33.0%. Signature Brands' system-wide sales improved 55.1%, and like-for-like sales improved by 59.3%.

Impact of July's unrest on SA operations

Civil unrest occurred in South Africa's KwaZulu-Natal and Gauteng provinces from 9 to 18 July 2021, and several Famous Brands' and franchisee properties suffered varying degrees of damage. The total number of restaurants damaged and rendered non-operational was 99, the majority being in KwaZulu-Natal.

At the height of the unrest, all our KwaZulu-Natal restaurants and numerous in Gauteng closed for a few days. Across all brands, we recorded a total loss of 4 111 restaurant trading days due to these closures.

Famous Brands provided ongoing support to franchisees impacted by the riots in royalty relief, assistance with insurance claims and bridging finance between restoration and insurance payouts.

Leading brands portfolio: Quick Service

Quick Service	Start of 2022	New stores	Converted stores	Revamped stores	Stores closed	End of 2022
Steers	**632**	18	1	32	9	**642**
Debonairs Pizza	**610**	36	1	48	2	**645**
Fishaways	**248**	6	0	13	6	**248**
Milky Lane	**85**	5	0	3	1	**89**
Giramundo	**4**	0	0	0	2	**2**
Wakaberry	**3**	0	0	0	1	**2**
Total	**1 582**	65	2	96	21	**1 628**

Established in the 1960s in South Africa, Steers is a well-loved hamburger brand known for its legendary 100% pure flame-grilled burgers, hand-cut chips, fresh ingredients and real flavour.

Key developments and initiatives

- Steers experienced a positive shift in day trading activity with consumers returning to work, including lunch and mid-afternoon activity.
- Supply chain uncertainty and the rise in input costs, most notably on beef, oil and packaging, impacted the pricing strategy and margins. Steers implemented a margin protection pricing strategy with an average price increase of 5.7%.
- National promotions were anchored in real customer occasions and were executed through advertising, in-store messaging and online promotions.
- Wacky Wednesday continues to drive sales activity for online orders and in-restaurant trade. Despite a higher price point, Wacky Wednesday volumes have remained largely intact.
- Steers amplified its own delivery with promotions on television, social and digital media to grow the remote convenience channel to meet customer demand.
- The brand continued its strong association with Varsity Cup Rugby to reach the next generation of customers with televised SuperSport games on DSTV. Unfortunately, some games were interrupted due to COVID-19 lockdowns.
- Steers grew its store footprint by 18 new restaurants and one conversion despite a challenging environment. This included opening five new drive-thrus.

Areas of focus in 2022

- Margin protection through price increases and menu engineering.
- Growing own delivery channel and leveraging third-party delivery aggregators.
- Continued the roll-out of self-service terminals and digital screens.
- Rebuilding restaurant network after July's unrest.

Focus for 2023

- Grow delivery on own platform and third-party delivery platforms.
- Continue to roll out self-service terminals and digital screens across all restaurants.
- Promotions to entice customers back to breakfast and dinner options.
- Investment in media spend to support the promotional strategy around clearly articulated customer occasions.
- Deliver improved profitability for the franchise partners.
- Continue to push own delivery online offers with exclusive promotions to retain current users and attract new users to the Steers app and own delivery platform.
- Ensuring the affordability of products is a priority, especially on the Real Value products, including the burger and flame-grilled chicken categories.

Awards

- Steers received notable mentions achieving 2nd place in Coolest Sauces, Coolest Fast Food Place at 5th place, and 6th place on Coolest Restaurant categories of the Sunday Times Generation Next Awards.

OPERATIONAL REVIEW continued

DEBONAIRS PIZZA

Debonairs Pizza is a market-leading Quick Service Restaurant brand that owes its popularity to an unwavering focus on pizza innovation, cutting edge customer-interactive technology and free home delivery, which it pioneered in 1996.

Key developments and initiatives

- Sales performance exceeded expectations despite the operating environment.
- July's unrest impacted the Debonairs Pizza network, with 63 restaurants closing for a period. By year-end, only six restaurants remained closed.
- Debonairs Pizza's online ordering channel continues to grow while call centre volumes decline further. The most significant shift in customer behaviour has been the increase in ordering for in-store collection.
- Sales on third-party aggregator platforms continued to grow substantially with demand from a high-income customer base who prefer the convenience of an aggregator app, rather than individual brand apps.
- Demand for larger sharing meals declined while smaller meal-for-one purchases increased.
- Promoted good value offers, including sharing meals and meal and drink combos.
- We targeted the home delivery group meal occasion by promoting the exceptional sharing value of our flagship products.
- The brand continues to drive affinity through its association with soccer, specifically television sponsorships of SABC's Soccer Laduma and Soccer 411 and expanding its reach to include a sponsorship package that offers full coverage of all DSTV SuperSport soccer tournaments.
- The brand opened 36 new restaurants with only two restaurant closures.

Areas of focus in 2022

- Grew delivery via third-party aggregators.
- Upgrading our delivery software.
- Relaunched the brand website.
- Marketing campaigns to drive the brand's value offerings and sharing bundles.
- Rebuilding restaurant network after July's unrest.

Focus for 2023

- Continue to offer customers exceptional value despite inflationary pressures.
- Recover more costs from delivery given the rising petrol price.
- Continue to invest in leading consumer-facing technology.
- All new restaurants will implement self-service terminals.
- Begin the process of converting all restaurant in-store menus to digital.
- Rolling out new systems to enable monitoring of order preparation time, introducing measures to reduce order prep time, increase capacity and exceed customer expectations.
- Continue the national roll-out of new delivery software.
- Launching a new Debonairs Pizza express container concept to take pizza to communities that cannot easily access our restaurant offering.

Awards

- Debonairs Pizza was voted the 2nd Coolest Fast Food Brand in the Sunday Times Next Generation Awards 2021. The brand was voted the Most Reputable Fast Food Brand in South Africa in the 2021 Top Companies South Africa Reputation Index. In addition, Debonairs Pizza was acknowledged as the 2nd Most Reputable Company in South Africa, outranking many other major brands.
- The brand's advertising received attention, with two of its social media campaigns winning awards at the 2021 Assegai Integrated Marketing Awards, including a Gold Assegai Award for a delivery campaign.

Fishaways is South Africa's leading Quick Service Restaurant seafood brand, offering uncompromisingly fresh and nutritious seafood-based meals that cater to the discerning and health-conscious consumer.

Key developments and initiatives

- Fishaways' performance improved thanks to growing brand awareness and offering the right products and price points.
- Fishaways was left relatively unscathed by July's unrest. The brand closed nine stores, and seven of them had reopened by year-end.
- The customer shift towards family occasions at home resulted in an uptick in sharing meals.
- The spent per customer dining at the restaurant has increased.
- The margins have come under pressure due to rising input costs, especially cooking oil and packaging.
- Take away continues to grow, accelerated by COVID-19.
- The brand opened six new restaurants

Awards

- Best of Mbombela: Fishaways voted Best Fish and Chips.
- Best of Bloemfontein: Fishaways voted Best Fish and Chips.

Areas of focus in 2022

- Focus on operational efficiencies to drive bottom-line profitability for franchisees.
- Maintained a consistent presence on TV promoting value and variety.
- Invested further in Fishaways own delivery platform with live driver tracking to elevate the consumer experience.

Focus for 2023

- Special offers on third-party aggregator platforms to drive sampling of fish dishes to expose South Africans to this meal option.
- Continue to elevate the under 500 calorie menu offerings and exploit the market opportunity for healthier choices.
- Continue to build the Fishaways brands through advertising campaigns which emphasise the value of fish as a component of a healthy lifestyle.
- Develop a Fishaways CSI initiative.
- Continue to leverage and extend the Momentum Multiply partnership.

Since the late 1950s, Milky Lane has been a household favourite in SA, serving deliciously decadent ice cream treats and desserts. Popularly known as the "Feelgood Specialists", this brand is a leader in the indulgence category.

Key developments and initiatives

- Milky Lane relies on holiday trade and experiences its best-performing periods during Easter and the school holidays during October and December.
- The sit-down channel remains under pressure, with counter sales making up the bulk of the sales mix.
- Milky Lane NiceCream Carts continue to support the network through increased turnover via this new channel. Milky Lane currently has 60 NiceCream Carts trading nationally.
- Continued to grow deliveries through third-party delivery platforms via regular promotions.
- NiceCream Cakes and NiceCream Stix Bundles continue to perform well.
- Downloads of the Milky Lane app continue to grow.

Areas of focus in 2022

- Promoted ordering via the Milky Lane app.
- Expanded delivery via third-party delivery platforms to a national roll-out.

Focus for 2023

- Continued product innovation and more points of purchase to improve appeal and access for consumers.

Awards

- Best Ice Cream Shop in Johannesburg in the Star Readers' Choice Awards.
- Best Ice Cream Shop in Pretoria in the Star Readers' Choice Awards.

OPERATIONAL REVIEW continued

Leading Brands portfolio: Casual Dining

Casual Dining	Start of FY2022	New stores	Revamped stores	Stores closed	End of FY2022
Mugg & Bean	**236**	8	9	10	**234**
Wimpy	**458**	8	17	9	**457**
	694	16	26	19	**691**

[redacted]

Since opening in 1996, Mugg & Bean restaurants are known for the spirit of generosity, and the brand's bottomless coffee, giant muffins and hearty portion sizes. Mugg & Bean is also accessible to customers through various convenient formats, including On The Move, On The Move Limited Service and On The Move Express.

Key developments and initiatives

- Mugg & Bean's overall performance continues to be impacted by COVID-19 restrictions and changing consumer behaviour in response to the pandemic. This particularly affects sit-down restaurant trade.
- The On The Move format, offering convenient coffee and light meals, continues to perform strongly with turnover growth driven by increased foot traffic and new store openings.
- The July unrest badly impacted the Mugg & Bean brand with 60 restaurants affected, and On The Move restaurants closed at the peak of the unrest. Fortunately, the brand only had one store closed with long-term damage.
- Restaurants offered trimmed-down menus to support franchisees' operational efficiencies. However, selective innovation was introduced to attract customers and differentiate the offering from competitors.
- Menu price increases were kept below food inflation to remain price competitive.
- Mugg & Bean extended its partnership with Discovery Vitality with direct and indirect benefits to the brand.
- Mugg & Bean enhanced its online ordering capabilities by allowing franchisees to sign-up for order online customer functionality. Uptake has been positive in the On The Move format where average order value and repeat orders per store are better than walk-in orders.
- The turnover contribution from third-party delivery continued to grow, however, towards the latter part of the year, this flattened out as sit-down dining numbers improved.

Areas of focus in 2022

- Reduced menus to simplify franchise partners' operations.
- Managed menu price increases below food inflation to remain competitive.
- Cancelled or postponed marketing campaigns that were not essential.
- Ongoing direct financial and non-financial support to our franchisees to guide them through the challenging year.
- Increased use of third-party delivery platforms.
- Rebuilding the restaurant network after July's unrest.

Focus for 2023

- Manage menu price increases and monitor margin pressures.
- Selective innovation in chosen categories to attract customers and drive growth.
- Work closer with Discovery Vitality to evolve the Mugg & Bean offering and increase communication to Discovery's customers, including digital integration.
- Expanding order online capability to sit-down restaurants.

Wimpy is a leading Casual Dining Restaurant and family favourite, built around the idea of "enjoy every moment". The brand is known for its famous Wimpy coffee, all-day breakfasts, burgers and grills, complemented by a delicious selection of shakes and desserts.

Key developments and initiatives

- Many customers did not travel over December due to the fear of tighter lockdown restrictions. This particularly impacted airport sites.
- Wimpy began to steadily recover from November to February compared to pre-COVID-19 levels as vaccination rates increased and fears of COVID-19 subside.
- Third-party delivery continued to grow strongly.
- The menu strategy focussed on maintaining food costs through innovation that included cross-utilisation of ingredients and measures to enhance operational efficiencies in the kitchen.
- In October 2021, Wimpy launched 14 new products to provide customers with good quality and value local flavours.
- Eight new restaurants have opened, four restaurants were relocated and 13 were refurbished.
- Wimpy launched order and pay at tables functionality across all restaurants allowing customers to order on the app for sit-down and take away.

Areas of focus in 2022

- Positioning Wimpy as a welcoming, inclusive family restaurant and enhancing the customer experience.
- Increasing the range of value for money products.
- Building equity around new CSI initiatives.
- Investing in consumer-facing technology.

Focus for 2023

- Roll out self-service terminal units to meet customer expectations of digital and contactless services.
- Continue to position Wimpy as the inclusive restaurant that welcomes all South Africans. Work is underway to translate the entire menu into all 11 national languages.
- Enhance franchisee profitability by improving operational efficiencies.

Awards

- Reach for a Dream Virtual Slipper Week – Orchids Award and Assegai Certificate.
- Wimpy Engen Summer Campaign – Craft Mention.
- 2021 Sunday Times Generation Next Awards – 3rd place in the Coolest Brands to Go Out and Eat Category.

Signature Brands portfolio

Our Signature Brands portfolio comprises a range of bespoke Casual Dining offerings. There are 152 Signature Brands restaurants in South Africa and one Zambia-based Turn 'n Tender. Except for PAUL, which is operated under a licence agreement and all are Company-owned stores, Signature Brands are 100% owned by Famous Brands. The Group operates 10 Company-owned stores within the Signature Brands portfolio.

Signature Brands has segmented its portfolio into the following three categories:

Fun Dining

Mythos is a contemporary Greek restaurant with a traditional spirit, serving time-honoured dishes and modern cuisine in a stylish Mediterranean setting. The authentic dining experience is infused with the customary Greek passion for life.

With a strong Roman influence, **LUPA Osteria** offers modern yet traditional neighbourhood Italian food in a warm, welcoming environment. From our pasta and sauces to our pizza bases, everything is made from scratch by our talented chefs.

In 1977, four brothers with a love for the finest steak, opened their first **Turn 'n Tender** restaurant, a traditional South African steakhouse. Decades later, the brand has evolved to become a destination for discerning lovers of steak, ribs, burgers and fine wine in a contemporary setting.

SALSA serves authentic Mexican food prepared traditionally, with an unconventional twist. The cuisine is complemented by craft tequilas and beers and a dining experience that epitomises vibrant and welcoming Mexican entertaining.

Luxury

Founded in 1889 in France, **PAUL**[1] is an internationally renowned fifth-generation family-owned artisanal bakery-café chain. The brand's traditional French offering is served in its trademark chic restaurants, complemented by crafted baked products. Famous Brands holds the licence agreement for PAUL in South Africa.

Vovo Telo is a specialist artisan bakery synonymous with excellence in craft baking, mouth-watering breakfasts and lunches and perfectly brewed coffee. The brand uses local artisanal products, supporting producers who share its respect for quality and integrity.

vovo telo
Bakery & Café

Captive Markets

Fego Caffé epitomises café-style dining, serving delicious light meals, sweet treats and unparalleled coffee. With the finest beans sourced from South America and Africa, the brand is the connoisseur's choice for an extraordinary coffee experience.

FEGO
Caffé

Coffee Couture is a specialised hospital coffee shop brand situated in Mediclinic hospitals nationwide. Coffee Couture's offering comprises tasty meals complemented by a creative coffee offering. The brand also offers a range of gifts and other convenience retail items.

coffee couture

Established in 1965, **House of Coffees** is a specialist coffee shop serving premium coffees and hearty meals. The brand's restaurant patrons enjoy the high-quality coffee blends which are also available in leading retailers nationwide.

House of Coffees

Our bespoke **NetCafé** brand was created to cater to the Netcare Group's hospital staff, patients, and visitors. The brand offering comprises a full sit-down menu, a deli section and a retail convenience outlet. Netcare operates the largest private hospital business in South Africa.

NetCafé

OPERATIONAL REVIEW continued

Salient features – SA	Signature Brands 2021	Signature Brands 2022
Segment revenue (%)	2	**2**
Like-for-like sales growth (%)	(0.8)	**59.3**
Operating margin (%)	(166.3)	**(5.3)**
Total number of restaurants	162	**152**
New restaurants opened	5	**5**
Number of restaurants revamped and/or converted	1	**1**
Number of restaurants closed	14	**14**

Trading conditions

Signature Brands overall sales turnover bounced back for the year but is still lower than pre-COVID-19 levels. These figures continue to improve each month. Signature Brands are particularly impacted by COVID-19 restrictions such as curfews, capacity reductions and alcohol restrictions. These trading conditions are not conducive to attracting interest from potential new franchisees.

Performance and focus areas

Like-for-like sales were up by 59.3%, while system-wide sales were up 56.1%. Operating margins improved to -5.3% (2021: -41.1% before impairment to goodwill). Delivery remained strong.

Fun Dining

The Fun Dining category experienced strong growth in the first quarter of the year. This growth was eroded by the restrictions that followed the third and fourth COVID-19 waves.

Captive Markets

NetCafé and Coffee Couture, which operate in Netcare and Mediclinic hospitals, are the hardest hit by COVID-19 trading restrictions. These restrictions include one visitor per patient per day, no casual visitors, limited visits from hospital suppliers and sales representatives and a ban on the sit-down service. While some restrictions are loosening, sales turnovers are tracking way below pre-COVID-19 levels. These are expected to recover in 2023.

Vovo Telo's restaurants are primarily located in local residential malls. The brand's strong coffee, breakfast and lunch offering performed well, almost reaching pre-COVID sales.

Luxury

PAUL[1] was the best-performing restaurant in the portfolio for the second consecutive year. These restaurants have strong day trading attributes, rely less on alcohol sales and evening trade, and are less affected by the COVID-19 curfew and alcohol restrictions. In 2022, the brand opened three new restaurants in premium shopping precincts.

Optimising our operating structure

In 2021, Signature Brands completed the strategy of rationalising its portfolio. In 2022, the focus shifted to optimising the operating structure to support the growth of the portfolio categories.

In 2022, Famous Brands bought out the minority shareholders in LUPA Osteria and Turn 'n Tender. All four Fun Dining brands are now 100% owned by Famous Brands. This change in ownership structure allowed the Signature Brands team to consolidate the management structure into an efficient services hub to support each portfolio category, providing dedicated procurement, finance, menu development, IT and franchise services.

Quick fact

Diners have no reservations about naming PAUL[1] the Best Bistro and Best French Restaurant in the Best of Joburg Awards. Here is what the judges said: "A big merci beaucoup to PAUL for keeping the bistro vibes going. We love the French-inspired menu, and as for those pastries – well, surely one won't hurt."

Source: Best of Joburg Awards.

Famous Brands completed a corporate restructure where the Fun Dining franchised businesses were consolidated into one entity called FB Signature Brands. The Company-owned restaurants were sold into a newly created entity called FB Signature Brands Co Stores. This change simplifies the corporate structure.

Turn 'n Tender's central kitchen, which was housed in a separate entity, was sold to Cater Chain in February 2022. This was completed as a processing facility does not fit within a franchise business. The move is sure to unlock synergies for Cater Chain. Cater Chain is 75% owned by Famous Brands.

Supporting franchisees

Famous Brands continues to support franchisees across the portfolio. This support included a reduction of franchise fees for the full year according to a sliding scale. A special compensation was made during the June and July 2021 lockdown and liquor restrictions where franchisees were granted a 50% reduction in franchise fees.

Many franchisees are struggling with cash flow issues as they await the finalisation of insurance payouts. Famous Brands has spent significant time negotiating with landlords on behalf of franchisees regarding rental arrears due to COVID-19. Paying back these arrears is an ongoing challenge for several franchisees and negatively impacts cash flow and the ability of franchisees to re-invest in their restaurants.

Signature Brands designed streamlined menus to simplify restaurant operations and improve margins. This also allowed the restaurants to operate with fewer employees to ensure their businesses could survive in low turnover environments.

Awards in 2022

Turn 'n Tender	SALSA	Mythos	LUPA Osteria	PAUL[1]
• Best of Joburg – Best Steakhouse • Best of Ekurhuleni – Best Rare Rump Steak – Joint Winner Best Restaurant for Business Lunch • Best of Mbombela – Best Steakhouse	• Best of Joburg – Best Mexican Restaurant • Best of Ekurhuleni – Best Mexican Restaurant • Best of Bloem – Best Mexican Restaurant	• Best of Joburg – Best Greek Restaurant • Best of Pretoria – Best Greek and Mediterranean Restaurant	• Best of Joburg – Best Sit-down Pizzeria	• Best of Joburg – Best Bistro and Best French Restaurant

Focus for 2023

While Signature Brands now has a tight portfolio of brands, there are strategic gaps to be filled. In April 2022, Famous Brands acquired a 51% shareholding in Lexi's Healthy Eatery. Lexi's, whose slogan is 'Eat more plants', is a Casual Dining Restaurant brand, offering a full-service, sit-down, plant-based dining experience across breakfast, lunch and dinner. The acquisition includes the franchise and the central kitchen operations of the business.

In 2023, Famous Brands will incorporate this acquisition into the Signature Brands stable and develop an expansion strategy for Lexi's. These plans include expanding the eatery into a Quick Service Restaurant brand and developing its products for the retail supermarket space.

In 2023, Famous Brands plans to develop exciting Quick Service Restaurant Formats based on brands within the Fun Dining category. The plan is to launch some of these formats in the coming year.

Other focus areas for 2023 include:

- Grow selected brands in SA.
- Capitalise on good sites becoming available at competitive rentals.
- Improve franchisee profitability through operational efficiencies.
- Expand and enhance the usage of third-party delivery platforms.

[1] *Licensed brand by PAUL International.*

OPERATIONAL REVIEW continued

AME

The Group operates in 16 countries in the AME region, outside of South Africa.

AME	Start of 2022	New stores	Revamped stores	Stores closed	End of 2022
Debonairs Pizza	**99**	18	9	4	**113**
Steers	**41**	4	5	1	**44**
Wimpy	**25**	1	0	1	**25**
Fishaways	**7**	0	0	1	**6**
Mugg & Bean	**28**	4	2	1	**31**
Milky Lane	**9**	0	2	0	**9**
Total	**209**	27	18	8	**228**
Keg	**5**	0	1	0	**5**
Europa	**1**	0	0	0	**1**
Mr Bigg's	**51**	4	1	2	**53**
Total	**57**	4	1	2	**59**
AME total	**266**	31	20	10	**287**

Salient features – AME	Leading and Signature Brands 2021	2022
Segment revenue (%)	6	**5**
Operating margin (%)	9.5	**9.9**
Total number of restaurants	266	**287**
New restaurants opened	13	**31**
Number of restaurants revamped and/or converted	7	**20**
Number of restaurants closed	57	**10**

Trading conditions

The impact of COVID-19 gradually reduced during 2022, with most markets recovering to 2020 trading levels by year-end. All AME markets experienced some COVID-19 restrictions, including border closures, curfews, travel bans and health and safety protocols. While several African countries started vaccination programmes, vaccination rates tend to be low. Ten restaurants closed permanently during 2022 as a direct result of COVID-19.

Performance and focus areas

The AME region delivered solid results, with revenue increasing by 9% to R345 million (2021: R316 million). System-wide sales in this region increased by 19.5% but are still below pre-pandemic levels. The operating profit increased to R34 million (2021: R30 million).

The region achieved significant growth in the delivery sales across Quick Service Restaurant brands in Botswana, Ethiopia, Kenya, Nigeria and Sudan. Debonairs Pizza and Steers delivery apps were launched in Kenya. A new format dark kitchen store was opened for Debonairs Pizza in the United Arab Emirates in response to the ongoing customer shift to online platforms.

The Mugg & Bean On The Move format was launched in Angola at four Total Energies sites in Luanda.

Famous Brands continues to grow its Company-owned footprint in Africa. Four new Company-owned Mr Bigg's restaurants opened in Nigeria, and one Debonairs Pizza. A Debonairs Pizza and one Steers restaurant opened in Kenya. Company-owned restaurants introduce new brands to markets and drive faster scalability. They also allow Famous Brands to set the benchmark standards for those brands and develop sustainable business models for future franchisees.

Famous Brands assisted franchises by providing reduced royalties and extended payment terms to support the overall continued sustainability of the brand networks.

Restaurant revamps and relocation activity increased versus the prior year, with 20 projects completed.

Focus for 2023

We aim to grow our footprint selectively in the AME region through strategic partnerships, geographic expansion and Company-owned restaurants. We will continue investing in establishing Company-owned restaurant networks in Nigeria and Kenya.

We plan to enhance our online ordering, call centre and social media platform capabilities across key markets. This includes launching the Debonairs Pizza and Steers delivery apps in Zambia.

UK

Famous Brands operates the Casual Dining Restaurant Brand Wimpy in the UK.

	Wimpy	
Salient features – UK	**2021**	**2022**
Segment revenue (%)	2	**2**
Operating margin (%)*	12.8	**12.8**
Total number of restaurants	71	**67**
New restaurants opened	5	**1**
Number of restaurants revamped and/or converted	7	**6**
Number of restaurants closed	1	**5**

* *Operating margin before impairment loss.*

Trading conditions

The UK began 2021 in a lockdown period where restaurants could only offer delivery and take away services. Lockdown measures were eased in May 2021, allowing indoor hospitality to re-open with social distancing measures in place. In July 2021, all restrictions were lifted, including social distancing, allowing restaurants to operate without any seating limits.

The UK restaurant industry faces challenges due to significant utility price increases, rising food inflation, supply chain disruptions, fuel cost increases and poor labour availability.

Performance and focus areas

The UK recorded revenue of R133 million (2021: R112 million) and operating profit improved 18% to R17 million (2021: R14 million) before an impairment loss. The operating margin for the year was 12.8%, indicating no change from 2021 before impairment to goodwill. Delivery sales declined reflecting that more customers had returned to dining in restaurants.

While the pandemic placed additional pressure on the UK restaurant industry, Wimpy maximised trade through all available channels. Famous Brands continued to support its franchisees. Focus areas included digital marketing, especially digital social activity and national in-store marketing campaigns. This marketing drive assisted in boosting sales.

The Wimpy team maintained a consistent level of supply to restaurants despite supply chain issues and shortages of both food products and paper products within the UK.

Focus for 2023

Wimpy begins 2023 with four new restaurants in development. The brand will work on improving operational efficiencies, grow the franchise network, and steadily roll out Wimpy revamps to enhance the brand in the region.

Supply Chain

Our integrated Supply Chain comprises the Manufacturing, Logistics and Retail operations that support our Brands pillar in SA and selected African countries. The primary function of our Supply Chain is to provide a competitive advantage to franchise partners through efficient supply, product innovation and margin management. These businesses are managed and measured independently.

Most of our manufacturing plants are wholly owned, but we also operate certain partially owned subsidiaries. The Retail business sells condiments (sauces, dressings, spices), frozen meat products, coffee (ground and beans), frozen chips and other value-added products.

	Manufacturing		Logistics		Retail	
Salient features	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**
Segment revenue (R million)	2 118	**2 770**	2 994	**4 052**	151	**222**
Segment operating profit (R million)	181	**299**	(13)	**60**	1	**2**
Operating margin (%)	8.6	**10.8**	(0.4)	**1.5**	0.5	**1**
Capex (R million)	20	**57**	4	**3**	–	**–**

Manufacturing

Trading conditions

Over the year, South Africa has seen significant food inflation, peaking at 6.9%. Our basket price pressures were mainly from beef, green coffee beans, milk and whey powders, oil and spices. The stronger Rand has helped soften some significant increases in commodity prices.

COVID-19 continues to disrupt supply chains with a global shortage of vessels and containers, resulting in higher shipping costs, higher costs of imported goods and longer shipping timelines.

Extreme food safety precautions had to be taken, more than in pre-pandemic times. Safety protocols would dictate a potential plant shutdown in the event of COVID-19 high-risk safety breaches.

While the Eastern Cape is still experiencing a drought, better summer rains have improved dam levels and support good agricultural production. Water scarcity and electricity availability require operational focus to drive consumption efficiencies and contribute to cleaner operations.

Hygiene, health and safety standards and COVID-19 protocols were rolled out across all operations. We focus on a leader-led safety culture across the Supply Chain. Asset care practices apply across the value chain and ensure sufficient maintenance capex. The focus of asset care is on safety and environmental impact factors.

Performance and focus areas

Manufacturing turnover increased by 31% to R2.8 billion (2021: R2.1 billion) driven by increased demand from the front end of the value chain. Operating profit was up 65% on the prior year. All plants turnovers were up on the previous year thanks to good volumes and some inflationary increases. Production volumes are up by between 8% and 38%, depending on the product line. Products with higher Quick Service Restaurant exposure continue to perform better than those with high Casual Dining Restaurant exposure. Demand from Retail sales continued to grow.

In April 2021, Famous Brands sold its shareholding in the Famous Brands Great Bakery Company. At the end of January 2022, the Gauteng Bakery operation based at Midrand was closed. All employees were offered alternative employment within the Group while 11 employees opted for retrenchment.

In 2022, Famous Brands began the National Occupational Safety Association of SA (NOSA) audit system, and no plant was rated below three stars. Our sauce plant, coffee plant, Turn 'n Tender central kitchen, TruBev and Midrand meat plant all achieved four stars in 2022. We aim to achieve a four star rating or better for all sites in 2023.

Famous Brands monitors customer complaints across all plants and saw a reduction of customer complaints, with the notable exception of the Famous Brands Cheese Company, which was affected by product recalls and had a poor year in terms of its performance metrics. These included two proactive, plant-initiated product recalls due to the quality of the batches involved not meeting our agreed brand and quality standards. A batch of our cheese slices was recalled, before it was dispatched to customers, due to a potential contamination detected by our laboratory, that later passed all quality checks. Several mozzarella batches produced in September and October 2021, were recalled due to poor in-store store product performance, The stock was returned from both customers and our depots to the plant and replaced at no cost to customers. Additional pre-dispatch quality checks were added to prevent this happening again.

In addition, Manufacturing focussed on the following key initiatives for 2022:

- An ESG roadmap was developed.
- New and improved products were developed.
- Famous Brands Coffee Company moved to a new, more efficient site.
- A two-year wage negotiation aligned with a consumer price index (CPI)-based approach was concluded.
- Major hazardous installation gaps were resolved at the Midrand Head Office and Midrand Meat Plant.
- Implemented a new bacon production system to manage pork costs. Lamberts Bay Foods migrated to the Group's finance system, Sage X3, eliminating the need for month-end merging of numbers for consolidation and simplifying training and system requirements.
- Person machine interface, an additional module of our main maintenance management system, was introduced and implemented at the Famous Brands Ice Cream Plant. This allows for hour by hour tracking of throughput and quality control for the plant.

Capex increased to R57 million (2021: R20 million), including deferred projects from 2021.

Food safety risk was managed well, and no plant stoppages occurred during the year. 100% food safety accreditation at all manufacturing facilities was achieved.

Focus for 2023

- Enhancing efficiencies and reducing costs to improve the overall profitability of the Group and franchisees.
- Implementing the first phases of the ESG roadmap.
- Rolling out person machine interface to all plants.
- Key system upgrades to allow for greater monitoring and insights.
- Maintaining and improving NOSA ratings.
- Turnaround performance of Cheese plant.
- Repurpose now closed Gauteng Bakery plant.
- Commission coffee grounds recycling facility.

Logistics

Salient features	2021	2022
Number of trucks	109	**104**
Number of owner-drivers	28	**28**
% of cases delivered by owner-drivers	42	**56**
Energy consumption (diesel, petrol, other) (litres)	1 853 511	**2 519 462**
CO_2 emissions	5 414	**7 600**

Performance and focus areas

The performance of Logistics improved due to the easing of COVID-19 restrictions, although this was slowed down by the COVID-19 third and fourth wave and July's civil unrest. July's taxi strike in the Western Cape also slowed the recovery in that province. Logistics turnover increased by 35% to R4 billion (2021: R3 billion). The operating margin increased to 1.5% (2021: -0.4%), while national case volumes grew by 53.5%.

July's unrest in Gauteng and KwaZulu-Natal significantly impacted the Logistics business. Revenue losses to the KwaZulu-Natal logistics division amounted to approximately R62 million. The KwaZulu-Natal Distribution Centre was damaged and closed for three weeks before it became fully operational. Our business continuity plan ensured we delivered stock to franchisees through cross-docking and the use of other depots. This proved to be a good stress test for our business continuity plan.

Famous Brands extended the lease of the Crown Mines Distribution Centre until 2024 while the depot's relocation project is in process. We reviewed the layout of the Eastern Cape Province Distribution Centre to increase capacity and efficiency and extended the lease to 2024 while we discuss commercial rates for possible future expansion. The new KwaZulu-Natal Distribution Centre was approved, and we are finalising the lease and development agreements.

The fleet mix review per depot was completed with the reallocation in progress. We upgraded various systems to unlock operational efficiencies and gain greater visibility of key metrics. This included upgrading the drivers' tracking system with dashcams and other tools to improve driver behaviour and safety.

We implemented an AARTO management system to align with the new AARTO Act that went live in July 2021. The implementation process included a review of all policies and procedures associated with the act.

Thanks to a renewed and continuous management focus on safety, all depots achieved a four-star NOSA rating for safety.

Capital expenditure of R3 million (2021: R4 million) was incurred.

Focus for 2023

- Replacement of the warehouse management system to drive productivity and efficiency.
- Ongoing benchmarking of processes, costs and margins to enhance efficiencies and reduce operating costs.
- Relocating and commissioning the new KwaZulu-Natal Distribution Centre targeted for November 2022.
- Focussed evaluations of key personnel to enhance capability and competency development.
- Implement a water-saving project in the Western Cape Province Distribution Centre by reusing the condensed water runoff from the freezers.
- Continued focus on managing and reducing negative environmental impacts.

Retail

Performance and focus areas

The Retail business continued with its strong performance with a 47% increase in sales to R222 million (2021: R151 million). This is in line with the trend towards increased home consumption. We launched 16 new product lines, including dressings, sauces, private label and own-brand coffee blends and a new type of meat patty. While the introduction of new products was slow in the first half of 2022 due to retailers looking to limit in-store promotions due to COVID-19, new product introductions have picked up.

Focus for 2023

Famous Brands plans to grow the Retail business by launching a minimum of 12 new products, promoting the existing products and growing the number of outlets where products are sold. New product innovation includes a Wimpy range of chips, hash browns, skinny fries and thick-cut fries. Pricing will remain under pressure as food input costs increase.

Group associates

Famous Brands holds strategic stakes in the following entities: UAC Restaurants Limited in Nigeria and Sauce Advertising, DHQ and FoodConnect in SA.

uac restaurants	sauce ADVERTISING	Food Connect	DHQ
Shareholding owned by the Group	Shareholding owned by the Group	Shareholding owned by the Group	Shareholding owned by the Group
49%	37%	49%	49%
This business comprises the Mr Bigg's and Debonairs Pizza brands in Nigeria, as well as a central kitchen (bakery and manufacturing) and distribution component.	Sauce Advertising assists the Group by providing enhanced marketing capabilities and leveraging marketing spend to improve the business's competence in the digital market.	FoodConnect is a sales and distribution business in the food and beverage sector. It owns the rights to the Group's Baltimore ice cream brand and distributes the product to third parties. This provides Famous Brands with a strategic route-to-market. As a Level 2 BBBEE contributor, FoodConnect supports the Group's transformation agenda.	In March 2021, Famous Brands Design Studio (Pty) Ltd, a non-core asset trading as DHQ transitioned to an associate company. DHQ provides restaurant planning and design services to the Group and third-party clients. Famous Brands now holds 49% (formerly 60%) after the creation of the DHQ employees' share trust. Famous Brands donated the shares to the trust.