



SOCIAL (ETHICAL) MONITORING & EVALUATION REPORT

Quarterly Update for Q3 2022/2023

01/01/2023 – 31/03/2023



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INTRODUCTION

The Sustainability Initiative of South Africa, SIZA, provides a platform for agricultural stakeholders to ensure ethical and environmentally sustainable trade. This programme monitors care for the environment and compliance with labour legislation. With a vision of enabling South African agriculture to be a global leader in ensuring sustainable, ethical trade and environmental stewardship, SIZA aims to encourage continuous improvement in practices over time exceeding the minimum legal requirements.

SIZA was originally established in 2008 by the fruit industry to monitor and sustain ethical and environmental trade within the South African agricultural sector. In April 2016 it became a free-standing independent and self-sustainable organisation governed by an independent Board of Directors who represent the diverse membership and value chain that financially sustain the programme. As a membership-based programme catering for more than 30 different commodities across all nine provinces in South Africa, it is important for SIZA to ensure there is sufficient representation when it comes to the strategic direction and decision making.

This quarterly report provides insight into the various aspects related to the SIZA programme including statistics on SIZA membership, annual monitoring activities, third-party audit outcomes, and trends related to risk factors. As the SIZA programme drives continuous improvement, this report provides a balanced view of high-risk areas to allow SIZA and relevant stakeholders to engage and develop further capacity building and remediation strategies to sustain a continuous improvement environment within the agricultural industry in South Africa.

1. SIZA SOCIAL (ETHICAL) MEMBERSHIP

1.1. SIZA Membership Breakdown

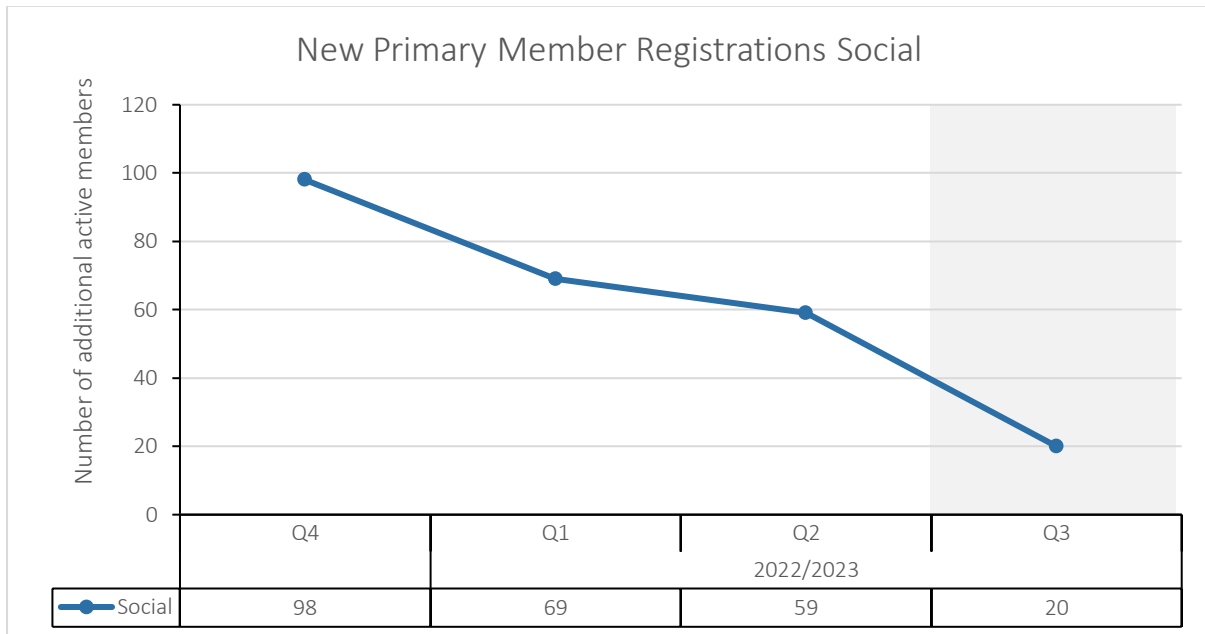
1.1.1. Active Primary Membership (Suppliers)



Currently there are 2 241 active primary member profiles registered on the MySIZA platform for the SIZA Social module. Of the 2 241 members, 931 are only registered for the Social module, whilst 1 310 members are registered for both the social and the environmental modules.



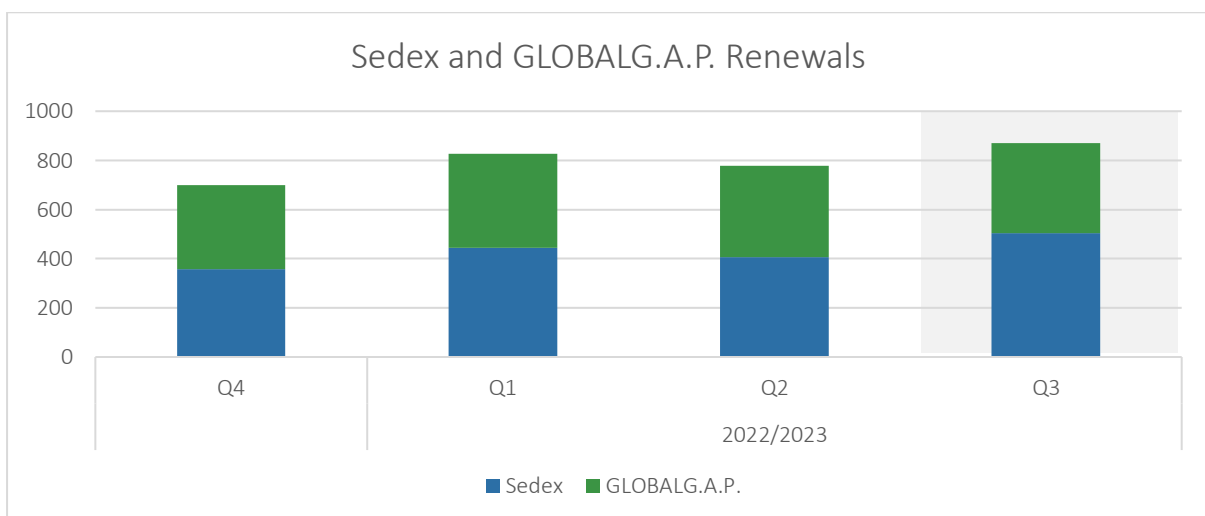
A total of 20 new primary members registered for SIZA Social.



Membership for the SIZA Social modules has been slowly increasing over the past several years, although the number of new members are less per period, each quarter still reflects a positive growth in Social membership.

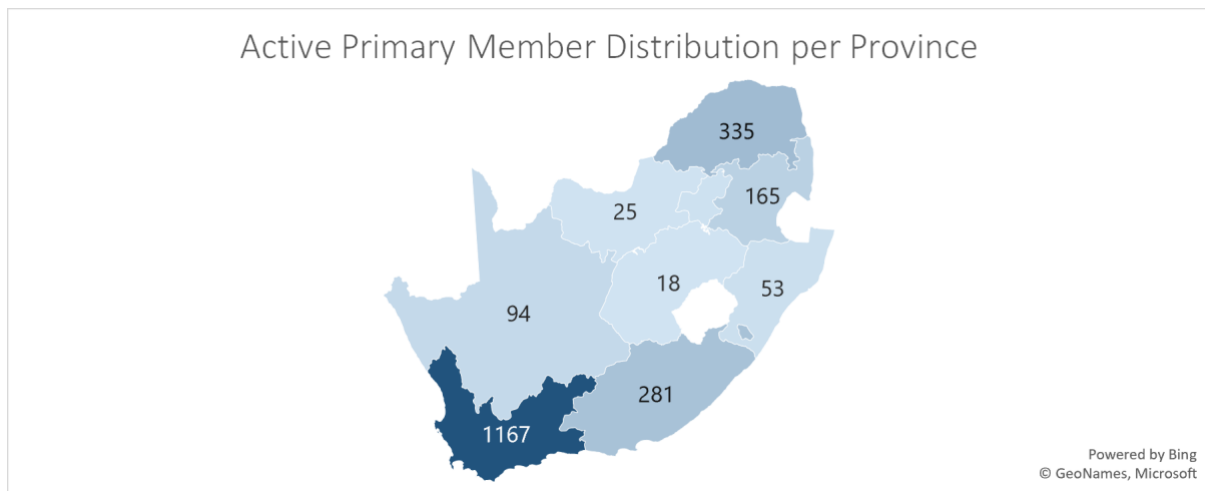
1.1.2. Sedex and GLOBALG.A.P. registrations

The SIZA vision is to supply a cost-effective approach, and to achieve that we need to partner with global platforms. Buyers prefer to work on global platforms, as they source from multiple countries and not only South Africa. Therefore, for SIZA to gain and maintain acceptance so that producers only need to undergo one single audit each for Social, SIZA offers producers the functionality to make their audit data available through platform such as Sedex and GLOBALG.A.P.



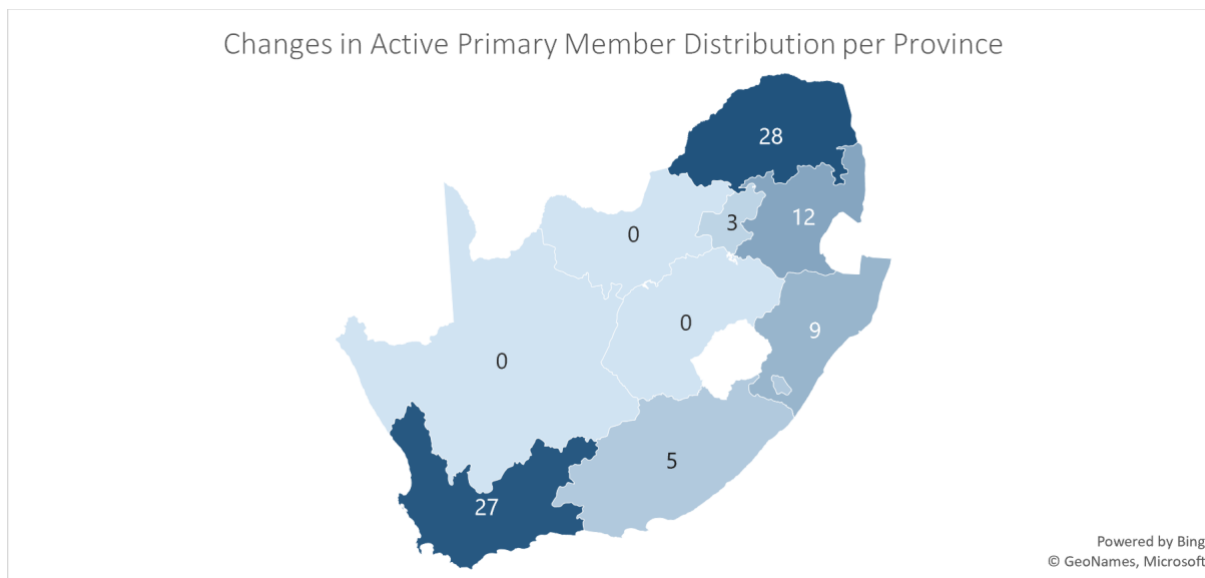
The chart above shows membership renewals with Sedex and GLOBALG.A.P. subscription items per quarter. The fluctuation per quarter can be attributed to fluctuation in membership renewals, as most members registered and therefore renew their membership in their primary commodity's season.

1.1.3. Active primary members per province



With the Western Cape being known for providing production stability to fruit production and being one of South Africa's most important provinces for the export of fruit products, the Western Cape records the highest SIZA membership across the nine provinces. Currently the Western Cape is home to 1 167 Primary Social member profiles, followed by Limpopo (335) and the Eastern Cape (281).

1.1.4. Changes in active primary member distribution per province



When comparing the primary member distribution per province for Q2 2022/2023 and Q3 2022/2023, clear growth is visible in the Western Cape and most of the other provinces.

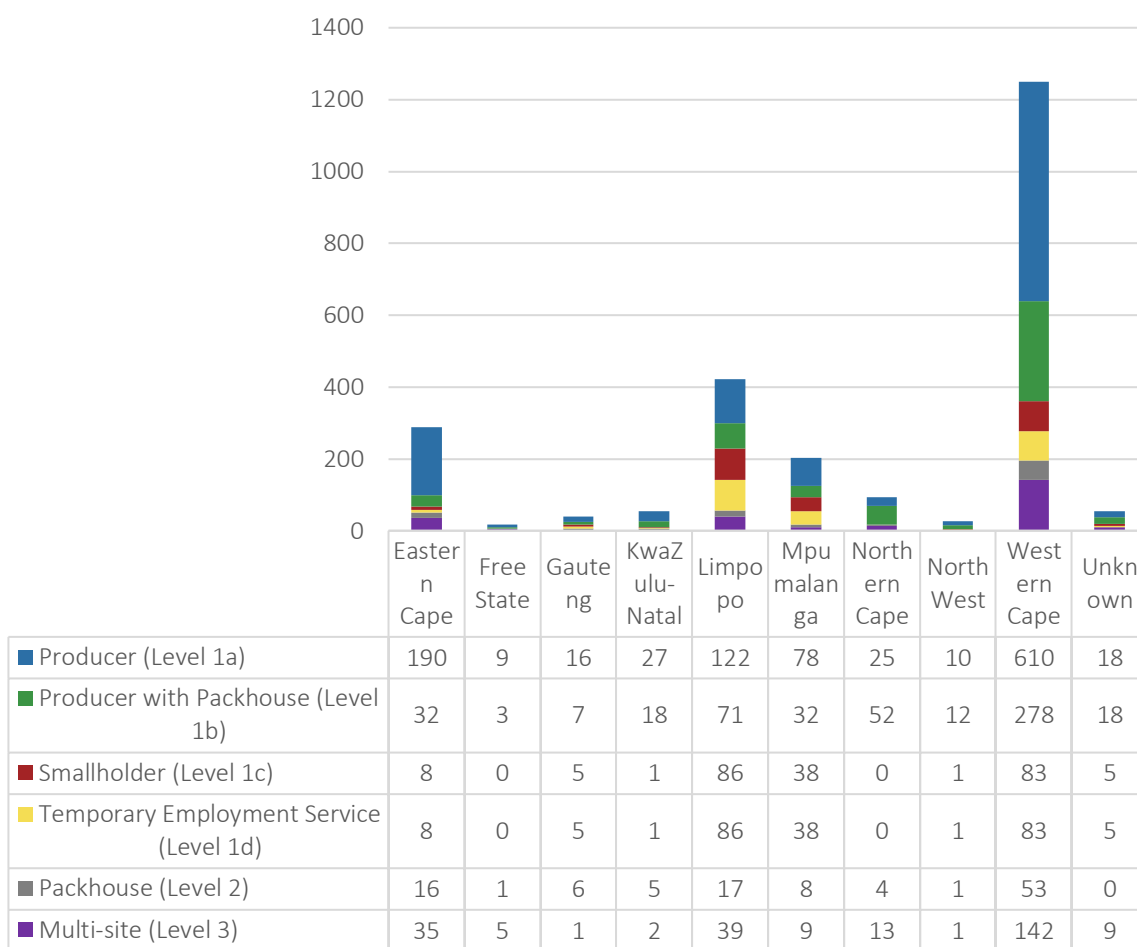
1.1.5. Active primary members by level

SIZA membership is structured into different levels to ensure that different functionalities can be allocated to the different levels of membership. Secondary members (Levels 4 – 6) can be linked to primary members (Levels 1 – 3) who supply to them to ensure that buyers have visibility and traceability on the suppliers that supply to them. This also ensures confidentiality and the protection of data.

Definitions as indicated below are the same for the Social (Ethical) and Environmental modules because they are two separate standards/modules.

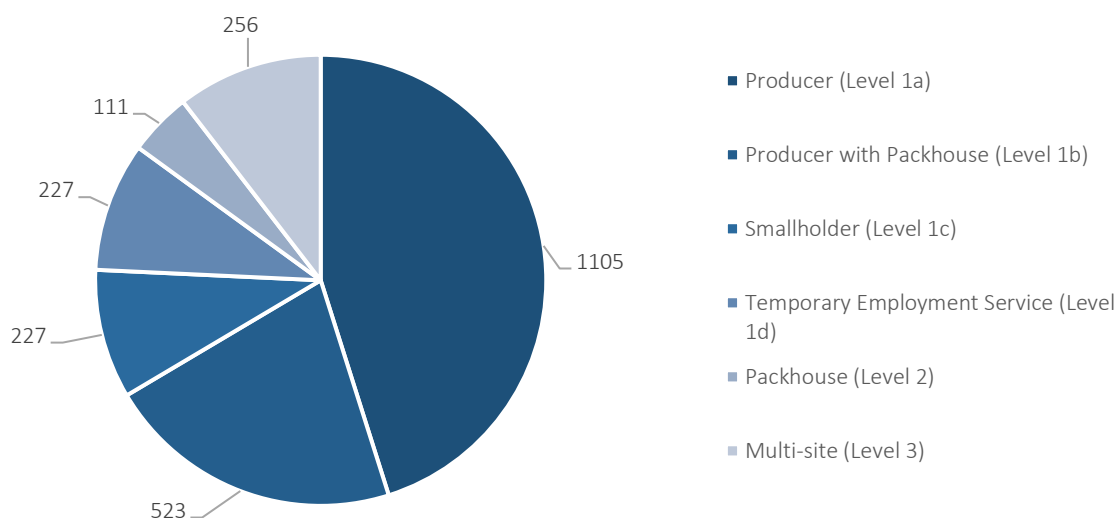
| | |
|------------------|--|
| Level 1a: | Producer A single production site. |
| Level 1b: | Producer/packhouse A single production site including a packing/processing facility on site, packing/processing their own product. |
| Level 1c: | Smallholders/Emerging Growers Producers who need to become compliant and have never undergone an audit who form part of the SIZA Emerging Growers Compliance Programme over a 3-year period. |
| Level 1d: | Temporary Employment Services (Labour Brokers) A person or company that provides labourers to client companies on a temporary basis. |
| Level 2: | Packhouse/processing facility An independent packhouse/processing facility which packs/processes on behalf of primary producers. |
| Level 3b: | Multisite The multi-site principle is applied where the organisation and multiple sites are registered as one legal entity and have one management system that is centrally controlled at a head office base. |
| Level 4a: | Export agent |
| Level 4b: | Import Agent |
| Level 5a: | Retailer |
| Level 5b: | Minor Industry Association Industry representing under 5 000 hectares. |
| Level 5c: | Major Industry Association Industry representing above 5 000 hectares. |
| Level 6: | Not-for-Profit organisation An organisation that does not need to be linked to Level 1 member sites. For example, NGO, trade union, or other non-profit entity not requiring visibility of Level 1 member sites. |
| Level 7a: | Social (Ethical) Audit Firms |
| Level 7b: | Environmental Audit Firms |
| Level 7c: | Independent Greenhouse Gas Specialists A company that specialises in calculating a site's carbon footprint within the agricultural sector. |
| Level 8: | Training Service Providers/Consultants/Remedy Programmes Companies who are recognised by SIZA and who need to be visible as recommended programmes to the producers. |

Active Primary Members per Province by Registration Level



Producer (level 1a) members continue to make up the largest percentage of membership – the producer (level 1a) members in the Western Cape currently represent 55,20% of all level 1a members.

Active Primary Members in South Africa by Registration Level

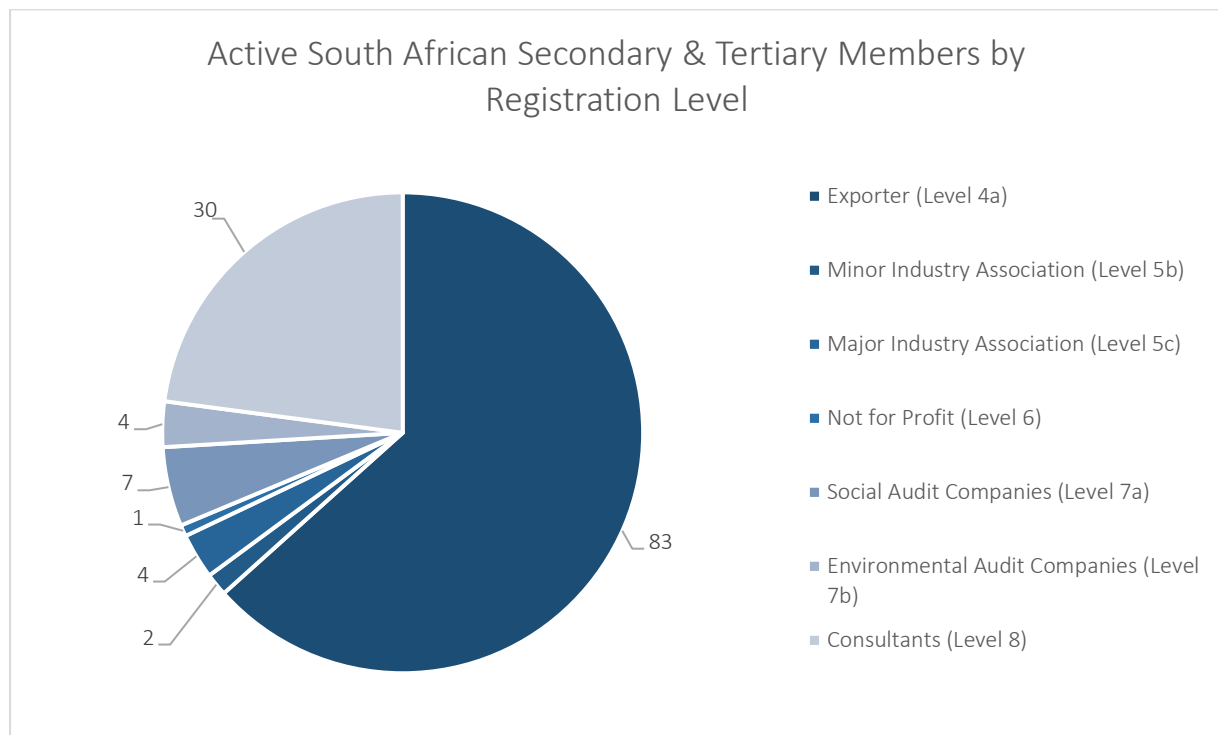


Since fruit producers have the biggest representation on the *MySIZA* platform, out of the total registrations for primary members, 1 105 members (51%) are based in the Western Cape.

At the national scale, level 1a members continue to make up the largest percentage of membership, and currently represent 45,12% of all primary members.

1.1.6. Active secondary and tertiary members by registration level

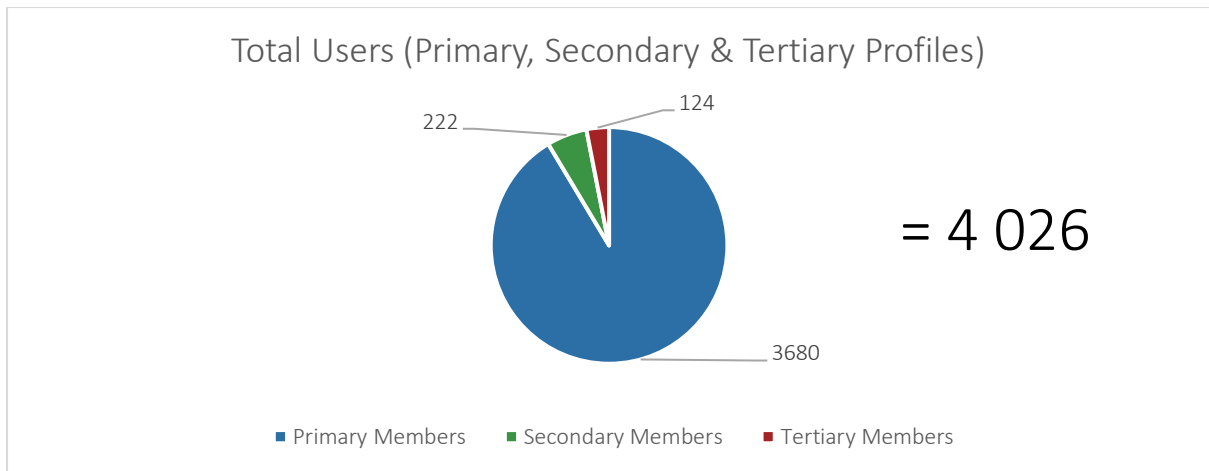
The *MySIZA* platform acts as a risk management tool for both the producer and the buyer, as secondary members (exporters, importers, and retailers) can manage risk within their supply chain by having visibility on the performance of their linked members for both social and/or environmental. Currently there are a total of 89 secondary members, (exporters and industry associations) and 42 tertiary members (auditors, consultants, and remedy providers) registered on *MySIZA* in South Africa.



At the global scale, exporters (level 4a) dominate the active secondary and tertiary membership at 63,36% of active secondary and tertiary members, followed by consultants (22,90%).

Total MySIZA Users

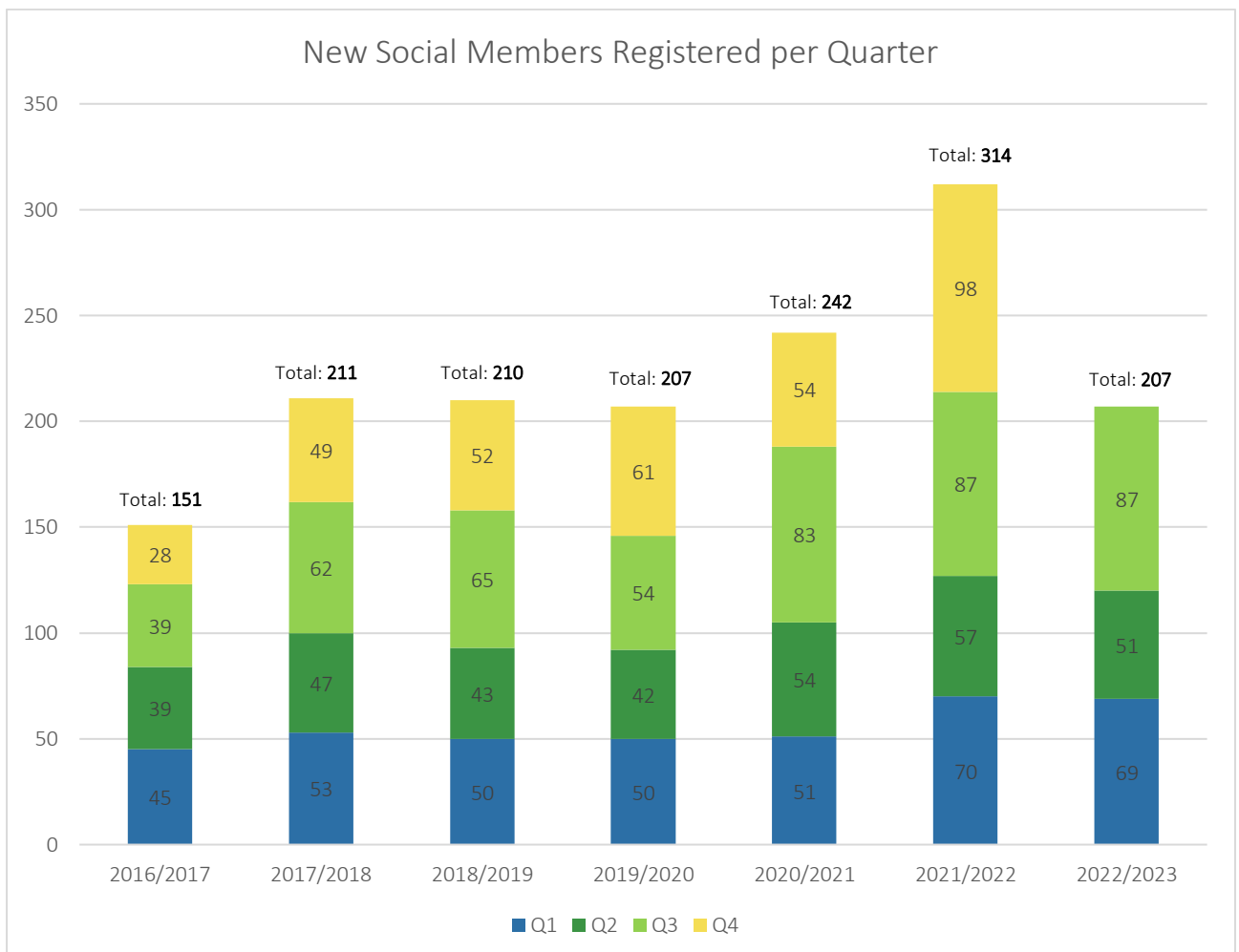
Several other users are also registered on the *MySIZA* platform which accumulates to the membership total. These consist of 75 audit managers, auditors and audit personnel, 132 secondary members (including buyers such as exporters, importers and retailers), 43 tertiary members (including consultants and remedy solution programmes), 3 environmental verification users, 3 GHG Specialist users, 90 secondary contacts (additional compliance personnel who are added on primary profiles) which adds up to a larger total of active users on the *MySIZA* platform. Remember, one user can be linked to both the Social and Environmental module. This brings a total of 353 profiles which could be added to the total membership data of 3 680 primary registrations which adds up to **4 026 users of primary, secondary and tertiary members of SZA.**



1.2. New Members and Renewals

With SIZA being a multi-sector agricultural solution, the ongoing aim is to have all production units within South Africa to be registered for SIZA Social and/or SIZA Environmental as a drive towards being a global leader in ethical trade and environmental sustainability. This section indicates a stable and steady growth in membership since 2016. One of the reasons for this growth can refer to the fact that SIZA expanded its practices to become a multisector, agri-wide compliance programme.

1.2.1. New member registrations



Since 2016, a total of 1 540 new members registered for the SIZA Social module, while 87 new members registered during the current reporting quarter. This indicates that there has been steady growth in membership since 2016 that doesn't seem to be slowing down, which will have a positive effect on ethical compliance throughout South Africa.

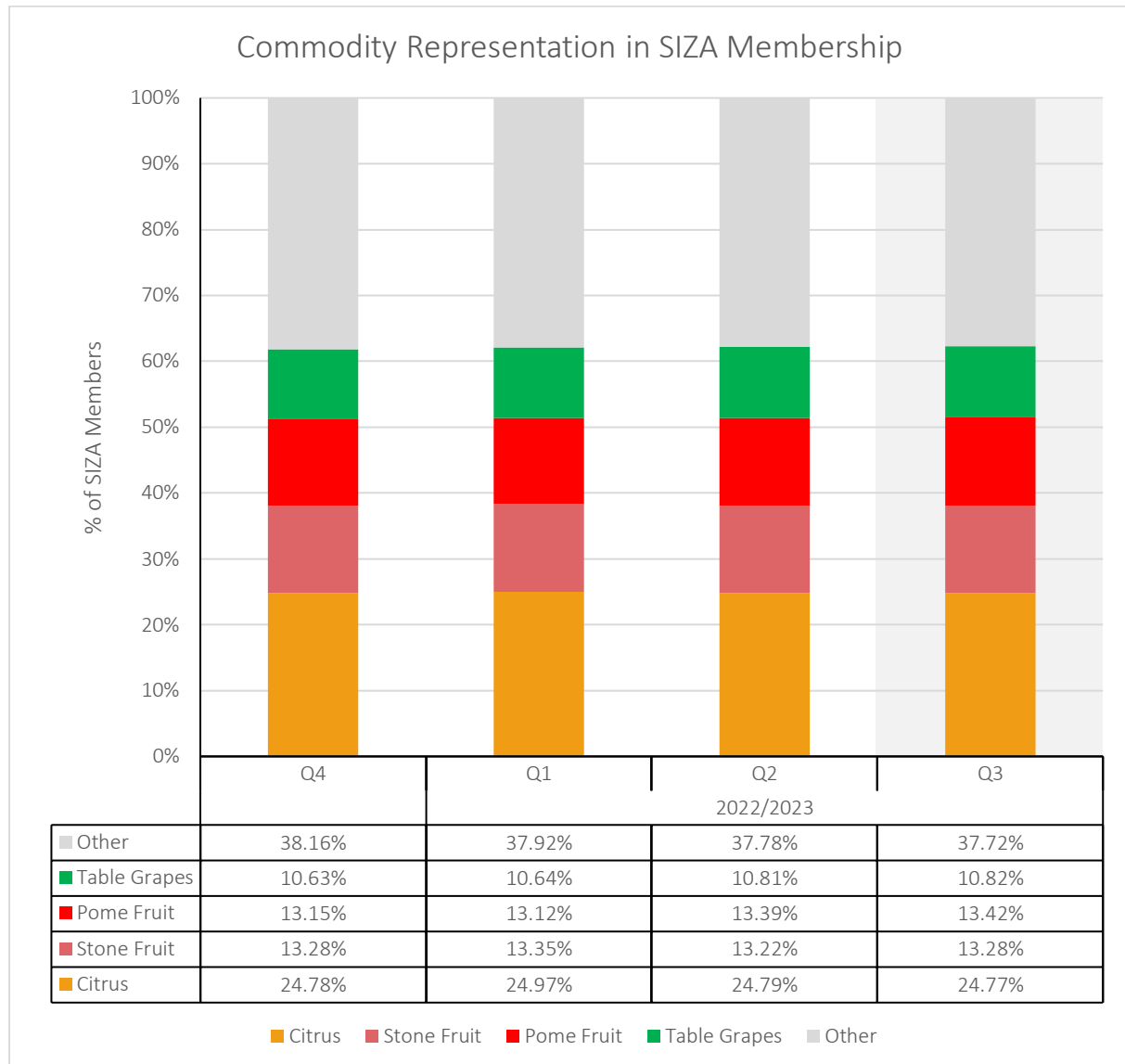
1.3. Membership per Commodity

As SIZA is a multi-sector agricultural solution, the *MySIZA* platform allows for a very detailed breakdown of commodities. SIZA Social members have contributed to completing the data and all profiles have indicated their commodities as follows:

| Commodity | All South Africa | | Western Cape | |
|--------------------------------|---|----------------------------------|---|----------------------------------|
| | Number of commodity represented in SIZA Social membership | % of total commodities indicated | Number of commodity represented in SIZA Social membership | % of total commodities indicated |
| Citrus | 744 | 24,77% | 332 | 17,37% |
| Pome Fruit | 403 | 13,42% | 365 | 19,10% |
| Stone Fruit | 399 | 13,28% | 381 | 19,94% |
| Table Grapes | 325 | 10,82% | 221 | 11,56% |
| Subtropical | 207 | 6,89% | 12 | 0,63% |
| Wine Grapes | 199 | 6,62% | 197 | 10,31% |
| Fresh Vegetables | 139 | 4,63% | 87 | 4,55% |
| Berries | 109 | 3,63% | 63 | 3,30% |
| Nuts & Seeds | 100 | 3,33% | 7 | 0,37% |
| Pomegranates | 37 | 1,23% | 34 | 1,78% |
| Figs | 25 | 0,83% | 26 | 1,36% |
| Dried Fruit | 23 | 0,77% | 8 | 0,42% |
| Canning Fruit | 24 | 0,80% | 23 | 1,20% |
| Tea & Beverages | 23 | 0,77% | 23 | 1,20% |
| Meat | 22 | 0,73% | 13 | 0,68% |
| Flowers & Ornamentals | 31 | 1,03% | 20 | 1,05% |
| Olives | 18 | 0,60% | 18 | 0,94% |
| Bananas | 20 | 0,67% | 0 | 0,00% |
| Persimmons | 16 | 0,53% | 15 | 0,78% |
| Kiwis | 13 | 0,43% | 4 | 0,21% |
| Guavas | 15 | 0,50% | 9 | 0,47% |
| Grain, Bread & Bakery Products | 12 | 0,40% | 6 | 0,31% |
| Granadilla | 12 | 0,40% | 3 | 0,16% |
| Sugar | 9 | 0,30% | 0 | 0,00% |
| Wool / Mohair | 5 | 0,17% | 5 | 0,26% |
| Dragon Fruit | 3 | 0,10% | 1 | 0,05% |
| Dairy Products | 3 | 0,10% | 3 | 0,16% |
| Seasoning & Preservatives | 2 | 0,07% | 1 | 0,05% |
| Eggs | 2 | 0,07% | 1 | 0,05% |
| Pineapples | 1 | 0,03% | 0 | 0,00% |
| Poultry | 2 | 0,07% | 2 | 0,10% |
| Marine | 1 | 0,03% | 1 | 0,05% |
| Other | 60 | 2,00% | 30 | 1,57% |

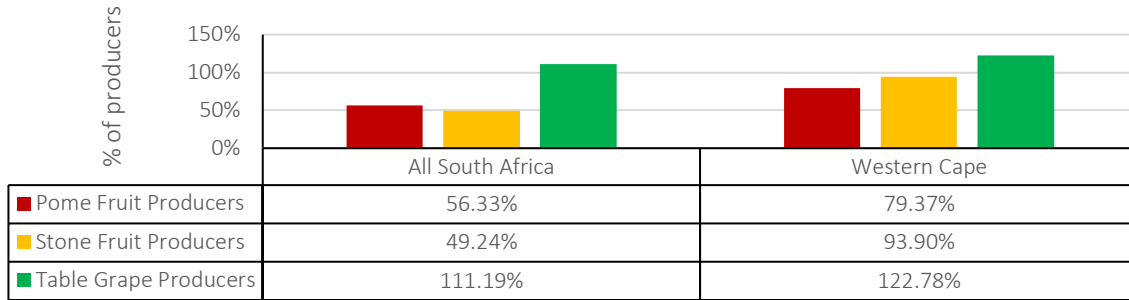
1.3.1. Commodity Statistics

Below is a representation of the four commodities with the biggest representation among SIZA members, namely Citrus, Stone Fruit, Pome Fruit, and Table Grapes. Information on industry membership was requested from each of these industries, however, unfortunately no response was received from the Citrus industry.



As can be seen in the previous table, three of the most prevalent commodities in the Western Cape are Pome Fruit (365 SIZA members), Stone Fruit (381 members), and Table Grapes (221 members). When comparing the information provided by SIZA members on MySIZA with information provided by the relevant Industry Associations, one can see that a significant percentage of each commodity is represented in the SIZA member base.

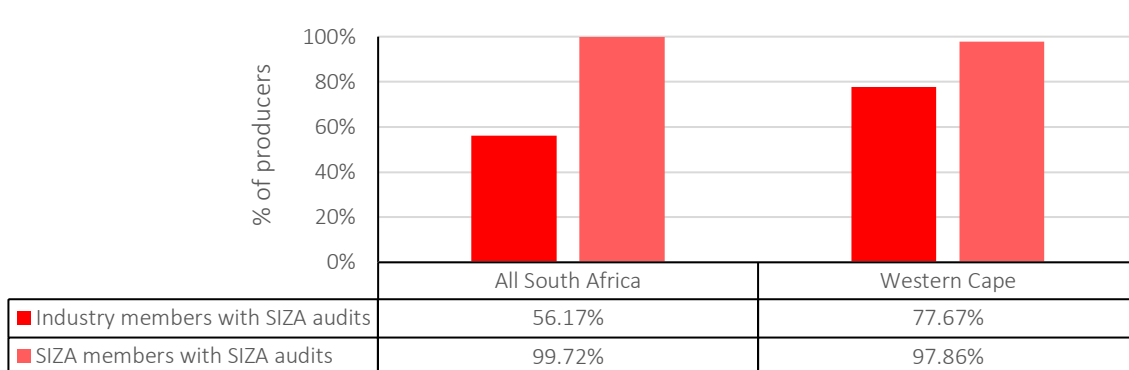
Percentage of all Pome Fruit, Stone Fruit, and Table Grape Producers registered for SIZA Social



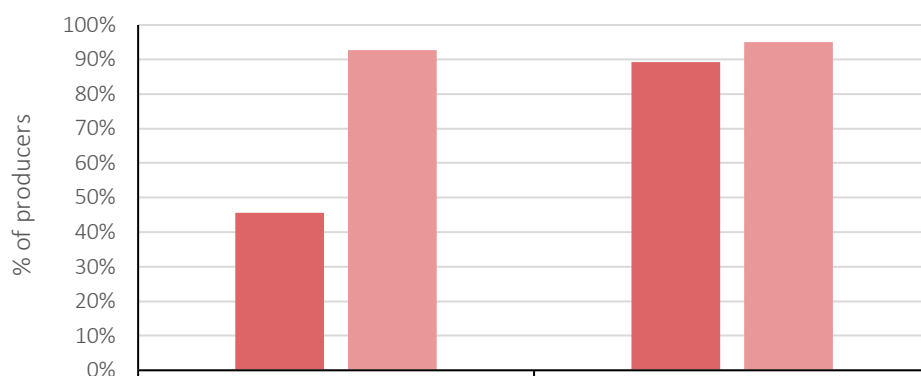
Interesting to note is that there are more Table Grape producers registered with SIZA than with the Industry Association. This might be due to a difference in how membership is determined/calculated within the industry body, for example per production unit, instead of business entity, separate trade entities etc. As SIZA membership is based on the entire entity that registers with the programme, a business as a whole will be counted once. In the Western Cape specifically, 79,37% of Pome Fruit producers, 93,90% of Stone Fruit producers, and 122,78% of Table Grape producers are registered for the SIZA Social module.

In terms of third-party audit compliance, in the Western Cape almost 100% of SIZA members for each commodity (Pome Fruit, Stone Fruit, and Table Grapes) have valid SIZA Social (Ethical) audits.

Percentage of Pome Fruit Producers with SIZA Audits

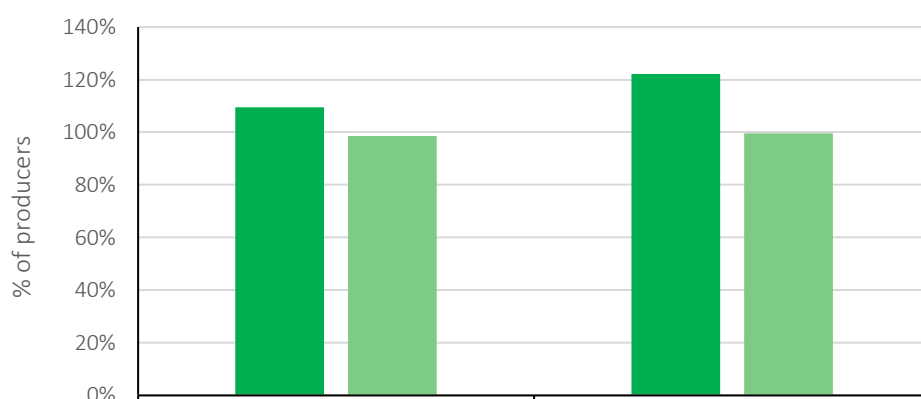


Percentage of Stone Fruit Producers with SIZA Audits



| | All South Africa | Western Cape |
|-------------------------------------|------------------|--------------|
| ■ Industry members with SIZA audits | 45.61% | 89.27% |
| ■ SIZA members with SIZA audits | 92.64% | 95.06% |

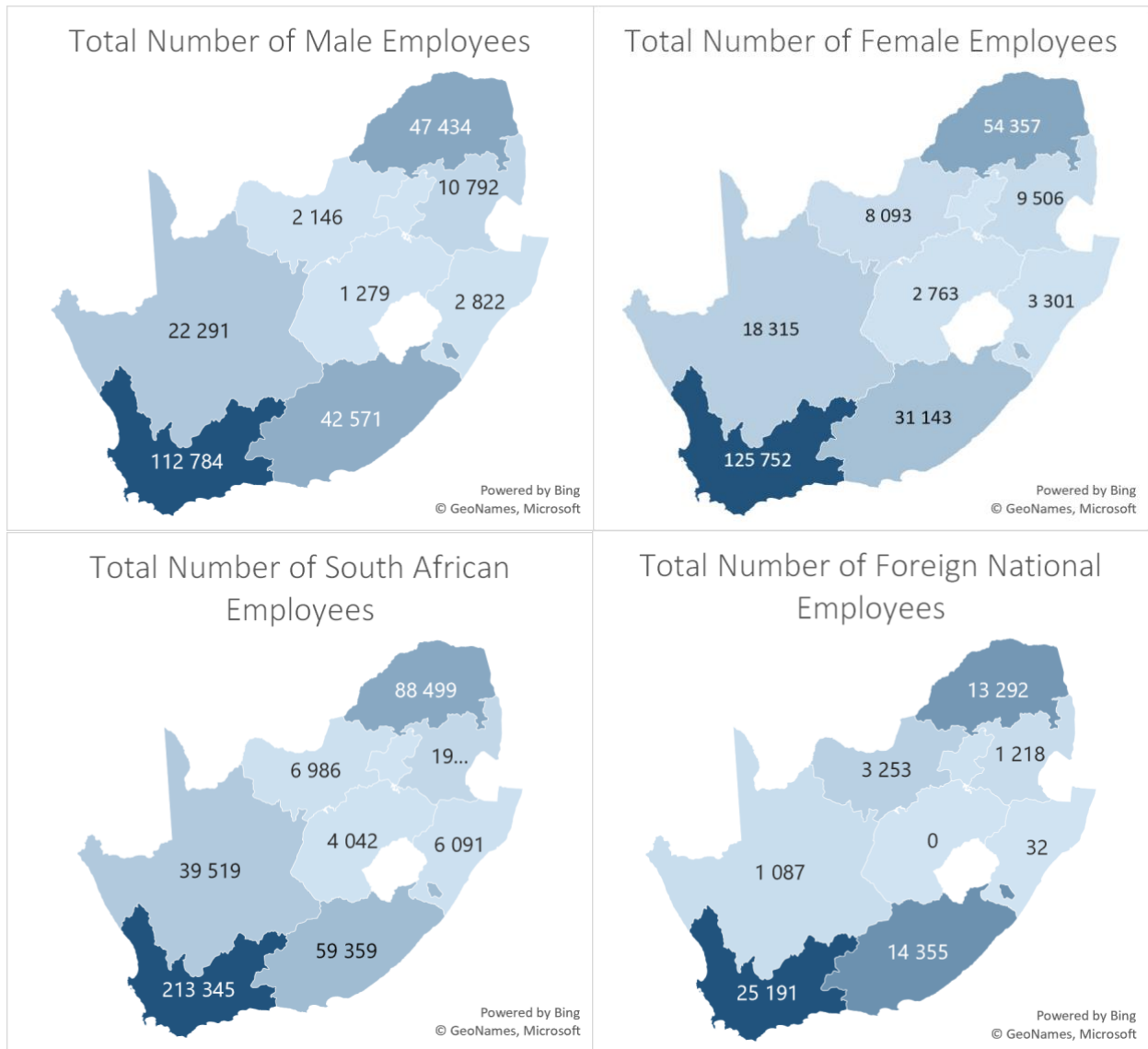
Percentage of Table Grape Producers with SIZA Audits



| | All South Africa | Western Cape |
|-------------------------------------|------------------|--------------|
| ■ Industry members with SIZA audits | 109.49% | 122.22% |
| ■ SIZA members with SIZA audits | 98.48% | 99.55% |

1.4. Worker Summary

The following summary represents information relating to agri-workers working on farms that are registered under the SIZA programme. Data is obtained from the SAQs that were completed by the producer and approved over the last 12 months.



The Western Cape accounts for the highest number of employees (46,76%) due to the large number of members that are based in the Western Cape.

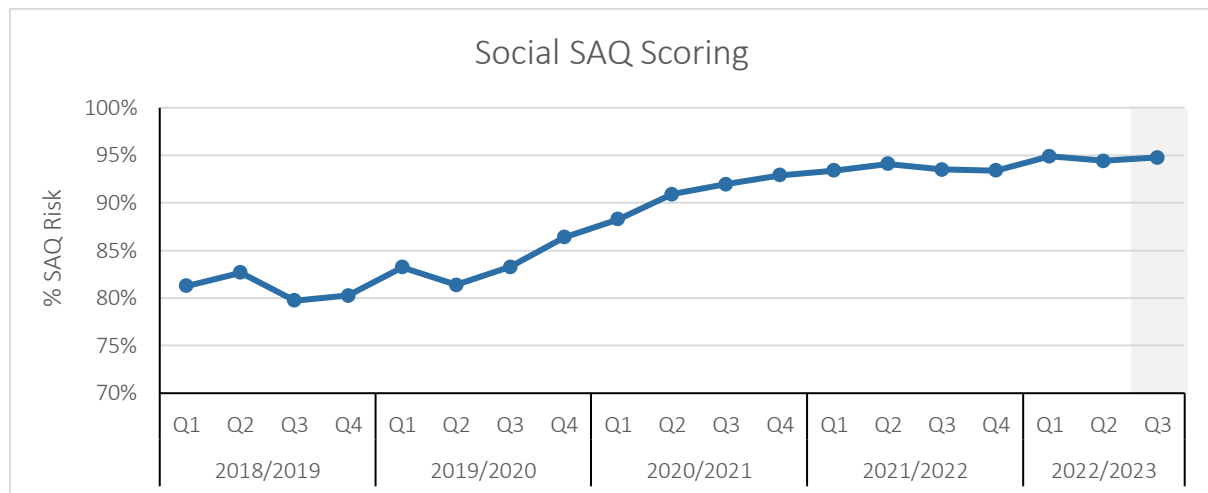
The table on the next page indicates the worker distribution per province and worker type.

| Province | Permanent Male | Permanent Female | Temporary Male | Temporary Female | Labour Service Provider Male | Labour Service Provider Female | Foreign National Male | Foreign National Female | Total Workers per Province |
|-------------------------------|----------------|------------------|----------------|------------------|------------------------------|--------------------------------|-----------------------|-------------------------|----------------------------|
| Unknown | 1 423 | 774 | 3 953 | 5 069 | 29 | 49 | 535 | 689 | 12 521 |
| Eastern Cape | 10 439 | 3 869 | 23 513 | 20 403 | 490 | 645 | 8 129 | 6 226 | 73 714 |
| Free State | 758 | 1 205 | 521 | 1 558 | 0 | 0 | 0 | 0 | 4 042 |
| Gauteng | 396 | 451 | 264 | 720 | 12 | 16 | 208 | 184 | 2 251 |
| KwaZulu-Natal | 1 195 | 1 092 | 1 005 | 1 646 | 601 | 552 | 21 | 11 | 6 123 |
| Limpopo | 17 609 | 12 175 | 19 287 | 35 049 | 2 265 | 2 114 | 8 273 | 5 019 | 101 791 |
| Mpumalanga | 5 071 | 2 900 | 4 188 | 6 131 | 596 | 194 | 937 | 281 | 20 298 |
| Northern Cape | 4 509 | 1 477 | 17 362 | 16 171 | 0 | 0 | 420 | 667 | 40 606 |
| North West | 904 | 715 | 693 | 4 493 | 6 | 175 | 543 | 2 710 | 10 239 |
| Western Cape | 40 425 | 25 054 | 55 409 | 80 981 | 5 778 | 5 698 | 11 172 | 14 019 | 238 536 |
| Total Workers per Type | 82 729 | 49 712 | 126 195 | 172 221 | 9 777 | 9 443 | 30 238 | 29 806 | 510 121 |

2. SELF-ASSESSMENT QUESTIONNAIRE (SAQ)

The purpose of the SAQ is for primary members to have an opportunity for self-evaluation and to benchmark against South African legislation. SAQs are also important for the auditing process, as the auditors use the SAQ information as a benchmark during third-party audits. SIZA also uses the SAQ as a between audit online monitoring tool to ensure that audit results are maintained between audits.

SAQs indicate growth and improvement year on year, as the primary members are required to complete their SAQs annually. MySIZA allows for feedback to the member by means of a risk indicator, which scores each answer according to the risk it holds.

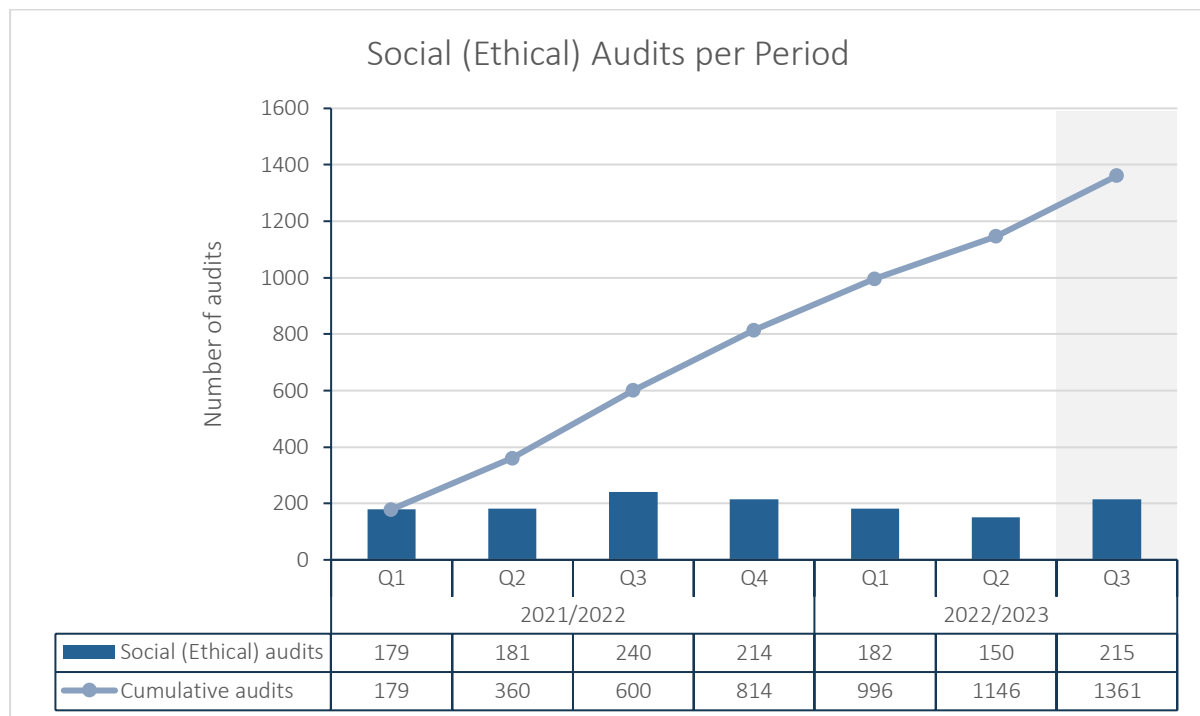


The average score for all Social (Ethical) SAQs approved in Q3 is 94,78%. The highest score for an approved SAQ in this period is 99,5%. SIZA administrative staff try to 1) only approve SAQs for existing members with a SAQ risk score above 85% (5% higher than 2020) and 2) complete a maximum of two SAQ reviews before approval. SIZA administrative staff assist new members with low scores to improve their scores every year before approval.

3. SOCIAL (ETHICAL) AUDIT INFORMATION

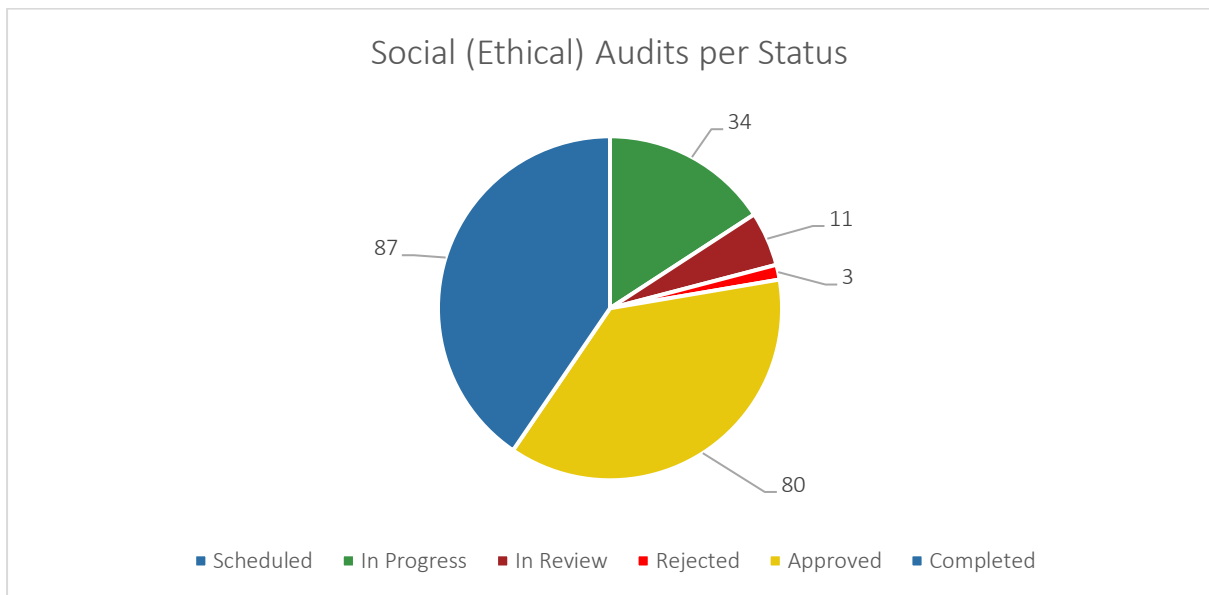
3.1. Social (Ethical) Audits per Period

SIZA adopted a third-party audit approach to allow for a credible and objective process which can be a true reflection of the audit outcome and ethical labour practices in a business. A SIZA Social (Ethical) audit is not a pass or fail exercise, but rather aimed at assisting all people living and working in agriculture to drive ongoing improvement in terms of socially responsible business practices. The purpose of the third-party audit is to evaluate the implementation of labour legislation through the SIZA Social Standard by evaluating and identifying areas within the business that are non-compliant and require corrective and remedial actions, so that ongoing continuous improvement can take place.



As with the growth in membership we saw a steady growth over the last 5 years in the amount of Social (Ethical) audits. Since 2016, a total of 3 867 Social (Ethical) audits were done. Over the past three months (Q3), between 1 January 2023 and 31 March 2023, a total of 215 audits were conducted, the second highest number of audits for Q3 compared to the same periods of previous years. This steady growth that is shown can be related to the expansion of becoming a multisector agri-wide programme as well as the change in the SIZA audit period from 5 years where the Platinum category has become the most stringent qualifying criteria with a 3-year validity period.

3.2. Audits per Status



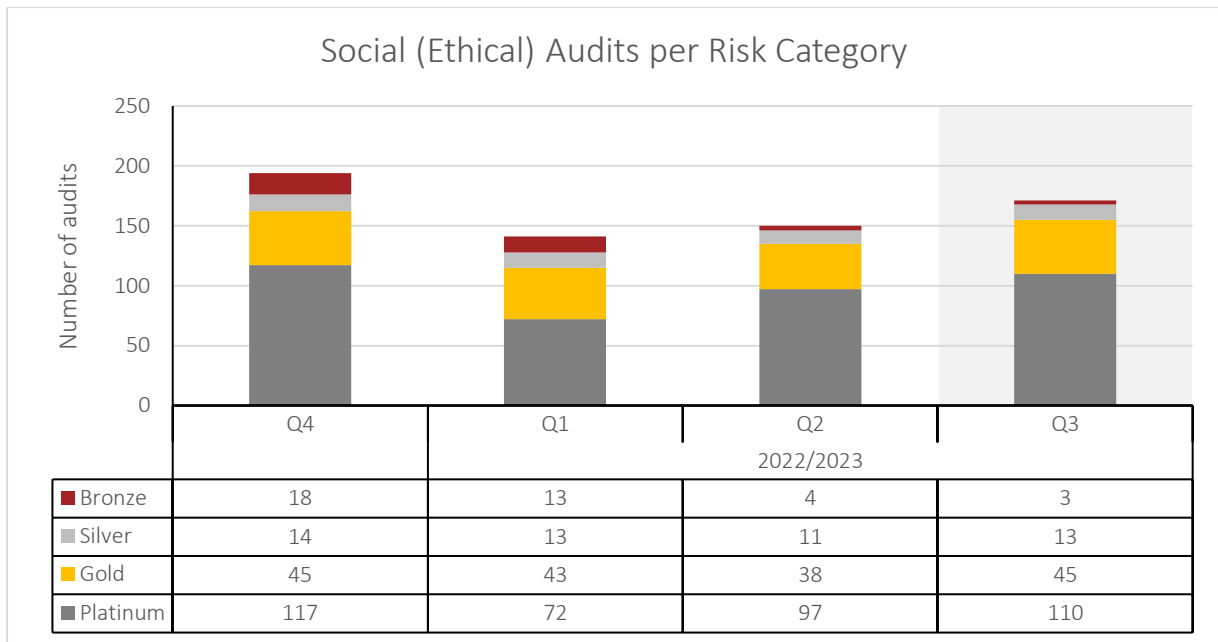
The emphasis in the SIZA programme is on continuous improvement to create better circumstances for all living and working on farms. Therefore, it is important to note that no Audit Completion Letter can be issued if all corrective actions are not completed and signed off by the auditor. If audits are not in completed status, it means that the audit process is not completed in full.

Of the 215 audits that were conducted during Q3, 87 have already been completed in full, 80 are in approved status and awaiting corrective actions which must be uploaded by the producer. The remaining 48 are either in progress or still being reviewed by the audit firms. It is important to note that timelines are allocated to all the steps in the audit process for both the auditor and the auditee.

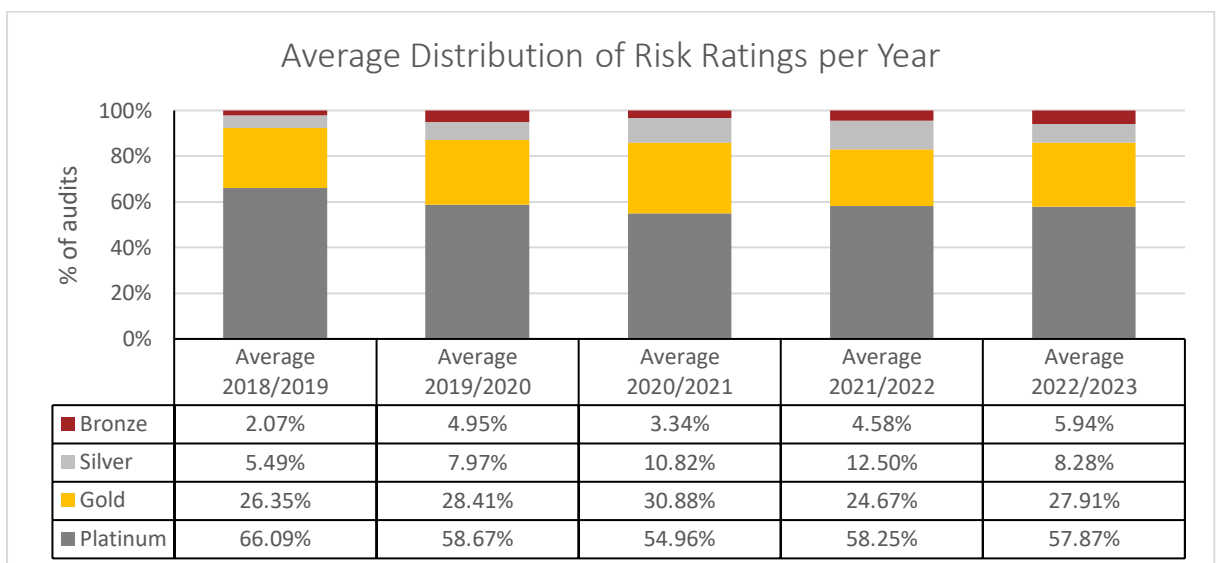
3.3. Social (Ethical) Audits per Risk Category

The SIZA Social (Ethical) programme subscribes to being improvement-led rather than audit-led and uses the [SIZA audit frequency matrix](#) to support this position. It creates four categories of risk: Platinum, Gold, Silver, and Bronze where the Platinum category has the most stringent qualifying criteria. A SIZA member will be rated according to these risk categories, based on the number and rating of each finding during their audit. As the business must drive continuous improvement and implement the required practices within their business, they should aim to get fewer findings and a higher rating during their next audit.

It is possible that in some instances auditees can get a lower rating due to the expansion of the audit checklist as well as some new market requirements or changes to legislation that were included over the last couple of years.



Of the audits done during this period, 110 (64,30%) achieved Platinum status, and 45 (26,30%) achieved Gold status. Producers are showcasing their commitment to continuous improvement, and this is evaluated and proven by the third-party audit outcomes.



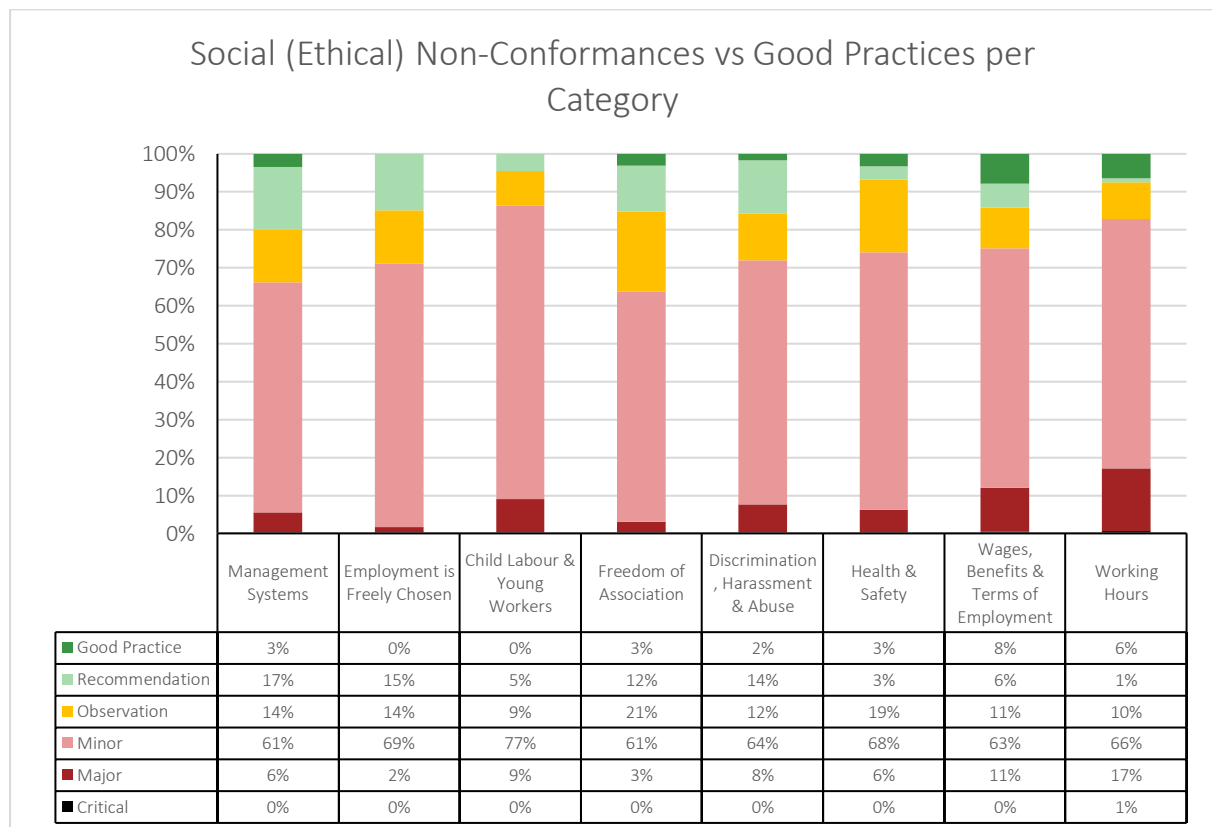
While the number of findings increases with each period, due to an increase in audits and more comprehensive auditor calibration efforts, the majority of producers still achieve a Platinum risk-rating. This is indicative of a consistent drive and effort from South African producers toward continuous improvement and best practice.

3.4. Non-Conformances

The non-conformances raised during audits are indicative of the risk areas in the industry. Although the total number of non-conformances may increase slightly between periods, this can be explained by the number of audits increasing, as well as increased training among auditors, leading them to be able to identify more areas of non-conformance. SIZA also expanded the audit checklist as well as some new requirements that were included over the last couple of years. It remains evident that SIZA members continue to improve their practices, which is supported through the various training programmes and guidance tools provided by SIZA. This support proves to be of great assistance when rectifying and improving non-conformances.

The SIZA programme monitors compliances in the following areas:

- Management systems
- Forced Labour (Employment is Freely Chosen)
- Child Labour
- Freedom of Association
- Discrimination, Harassment, and Abuse
- Health & Safety
- Wages, Benefits, and Terms of Employment
- Working Hours



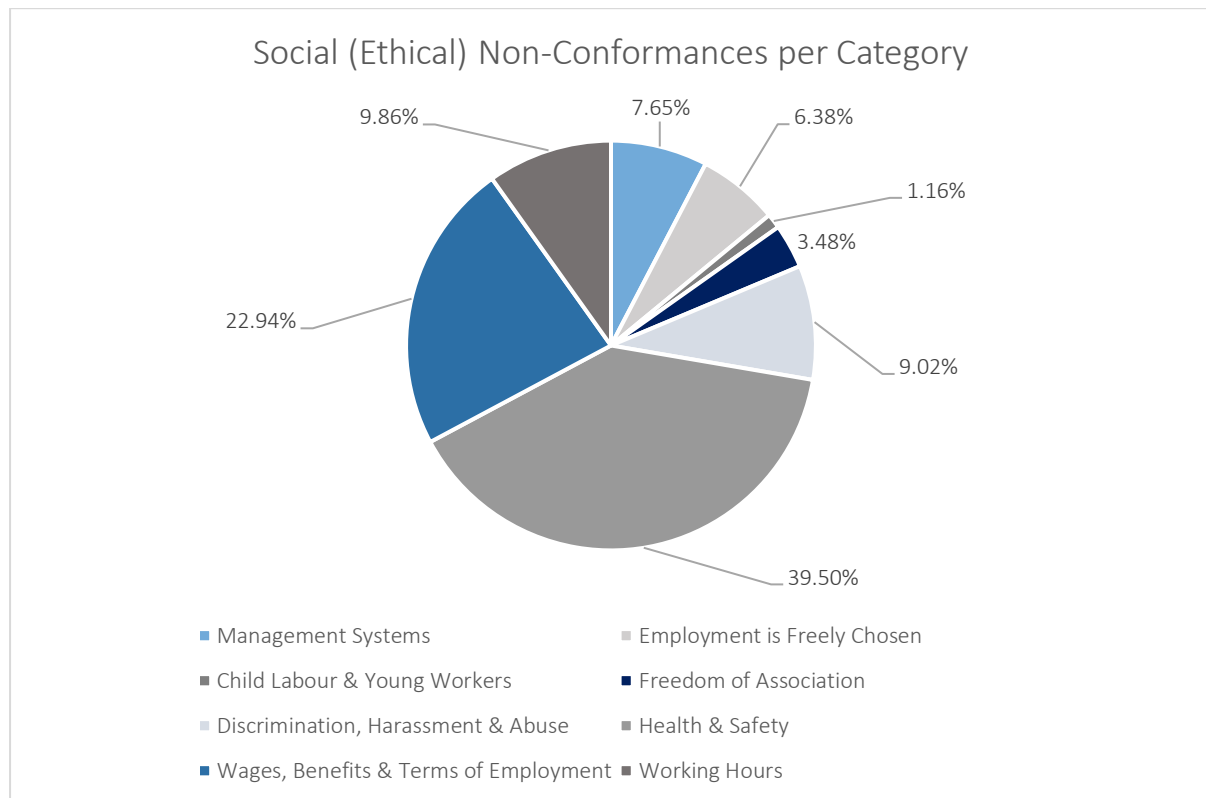
3.4.1. Non-conformances vs good practices per category

During this period, it is interesting to note that there has again been a noteworthy increase in the number of good practices raised. This increase can be explained due to better calibration efforts from auditors on reporting good practices more effectively. Another reason for this increase can be due to members wanting to showcase a more balanced view of their business practices by implementing a best practice approach rather than just focusing on minimum compliance.

3.4.2. Non-conformances per category

In Q3, most non-conformances (72,31%) fell in three categories, namely:

- Health & Safety (749 findings);
- Wages, Benefits, and Terms of Employment (435 findings); and
- Working Hours (187 findings)



As a measurement in looking at the top three areas of non-conformances, the various audit outcomes under the three top categories can be explained as follows:

Health and Safety:

As a high number of non-conformances are raised under this section, it is relevant to mention that this section also covers the most detailed questions and requirement areas during an audit which contributes to the number of non-conformances raised. In general, the largest areas of non-conformances within this section lie with the following themes:

- Employee housing does not meet basic health, safety, and hygiene requirements as set out by the SIZA standard and South African legislation.
- Inadequate management and maintenance of machinery related to the business production processes.
- Evidence is not sufficient in showcasing that the business' risk assessment has been implemented adequately.

Wages, Benefits & Terms of Employment:

The second largest area of non-conformances lies with wages and contracts of employment. In general, the largest areas of non-conformances within this section fall under the following themes:

- Not all employees (seasonal, temporary, or permanent workers) have written contracts of employment in place.

- Payslips do not contain all the information as required by legislation.
- During the recruitment process, the business does not gather all the relevant personal and emergency information for each employee.

Working Hours:

The third largest area of non-conformances lies with working hours. In general, the largest areas of non-conformances within this section fall under the following themes:

- Overtime does not conform to all the minimum requirements.
- Rest periods and meal intervals are not managed effectively and granted to workers in accordance with legislation.
- Night-work is not managed and implemented in accordance with the minimum legislative requirements.

Non-conformances Raised pertaining to forced and bonded labour indicators:

Over the last year a total of **109** non-conformances were raised under the Section for Forced and Bonded Labour/Employment is Freely Chosen during SIZA Social third-party audits. This equates to 1,6% of total NC's raised for each period, and overall, were related to Forced and Bonded-related indicators. For the reporting period a total of 46 non-compliances were raised for Q3. It is important to note that more findings are raised as auditors become more calibrated and skilled in detecting elements of forced and bonded labour in practice. In comparison, the number of non-compliances raised under forced and bonded labour remain similar in percentage compared to the overall growth in non-compliances raised. Furthermore, one must note that the SIZA audits evaluate comprehensively all eight (8) Principle Codes of human rights and ethical/social responsibility in accordance with the SIZA Social Standard. The Forced & Bonded Labour indicators merely represents one principal code. Below is a breakdown of non-compliances raised since the Stronger Together programme was implemented in 2017:

Top 3 Areas of non-conformances:

1. No evidence available on the day of the audit that senior managers, recruiters, supervisors and consultants attended training in recognising, preventing and dealing with forced labour, labour trafficking and other third-party labour exploitation.
2. The business does not have a clear procedure that indicates what steps management, supervisors and employees would take to prevent forced / bonded labour and the steps it would take if such practices were identified within its business.
3. Employees have not received and adequate introduction to forced labour and awareness of how to recognise and report exploitation have been made.

3.4.3. Risk distribution

The risk of individual producers is categorised by using a scoring matrix which divides risks into categories of Critical, Major, Minor, Observations, Recommendations, and Good Practices. Non-compliances and Observations are classified according to:

- The frequency of the problem and whether the issue is an isolated occurrence.
- The potential severity of the problem.
- The probability of recurrence.
- The management system in place.
- The response of the management

A minor non-compliance is:

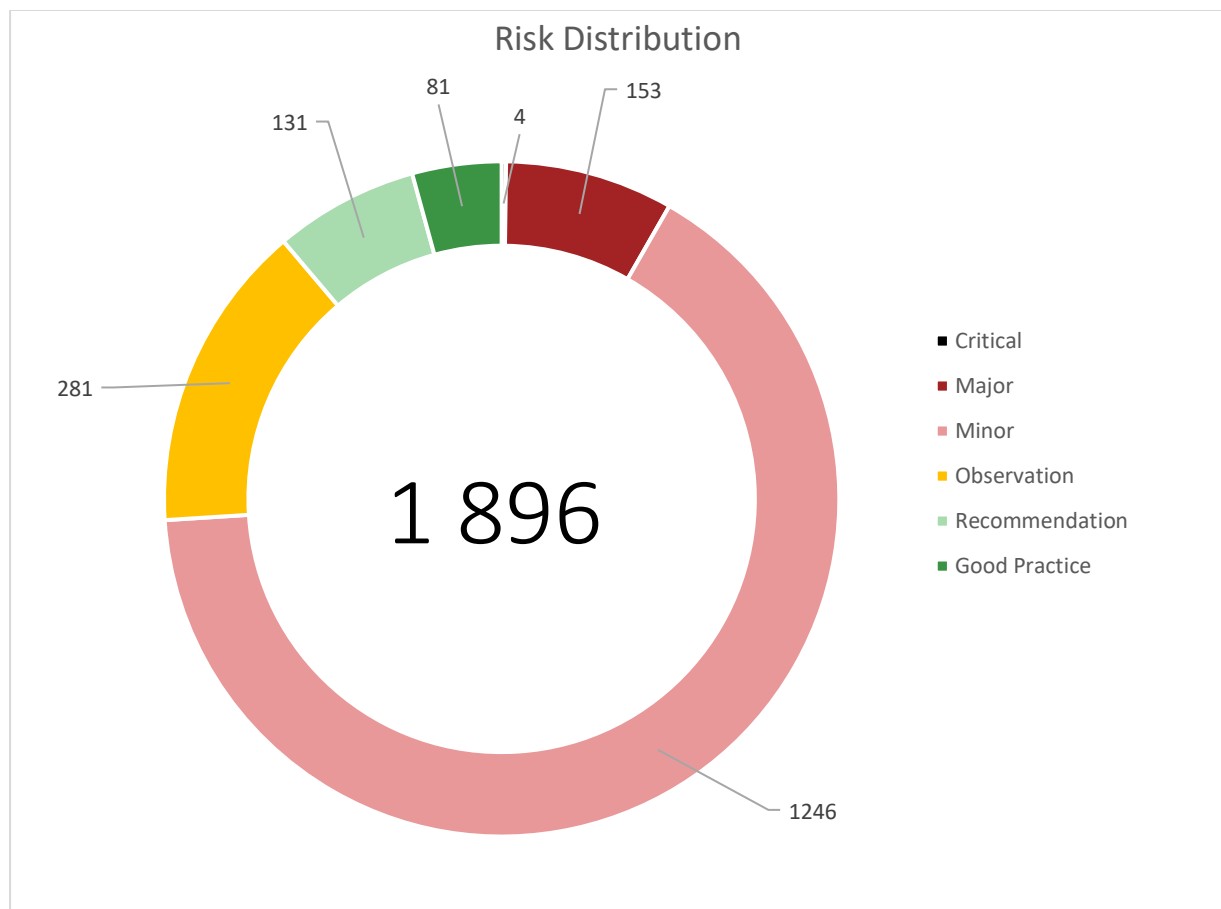
- An occasional or isolated problem.
- An issue which presents a low risk to workers/ those on-site.
- A policy issue or misunderstanding where there is no evidence of a material breach.

A major non-compliance is:

- A breach which represents a danger to workers/those on site.
- A material breach of a code requirement/law.
- A systemic violation of a code requirement/law.

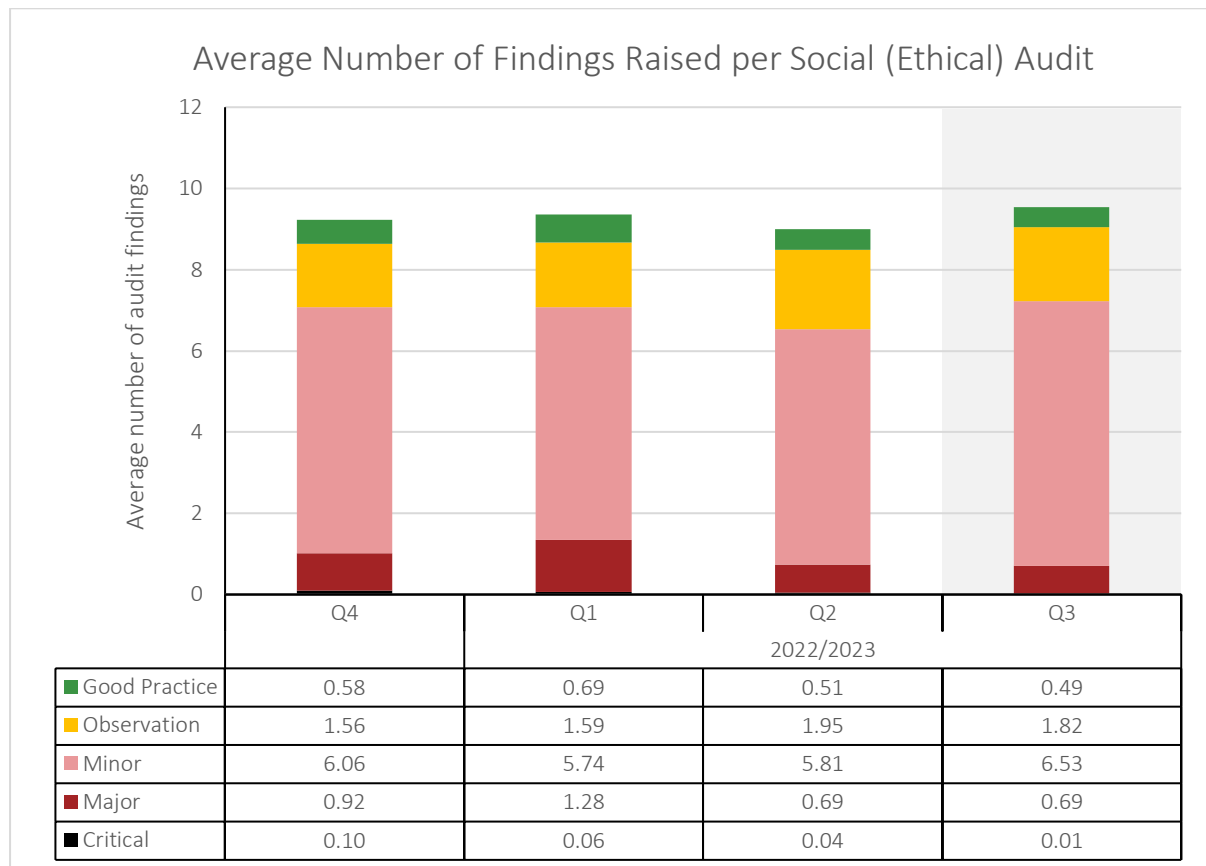
A critical non-compliance is:

- An issue which presents imminent risk to workers' safety/risk to life and limb or constitutes a significant breach of workers' human rights, and/or;
- A major non-compliance that has not been addressed or for which no significant improvement has been made by the time of a follow up audit, despite supplier commitment to resolve the issue.
- An attempt to pervert the course of the audit through fraud, coercion, deception, or interference.



3.4.4. Average number of findings per audit

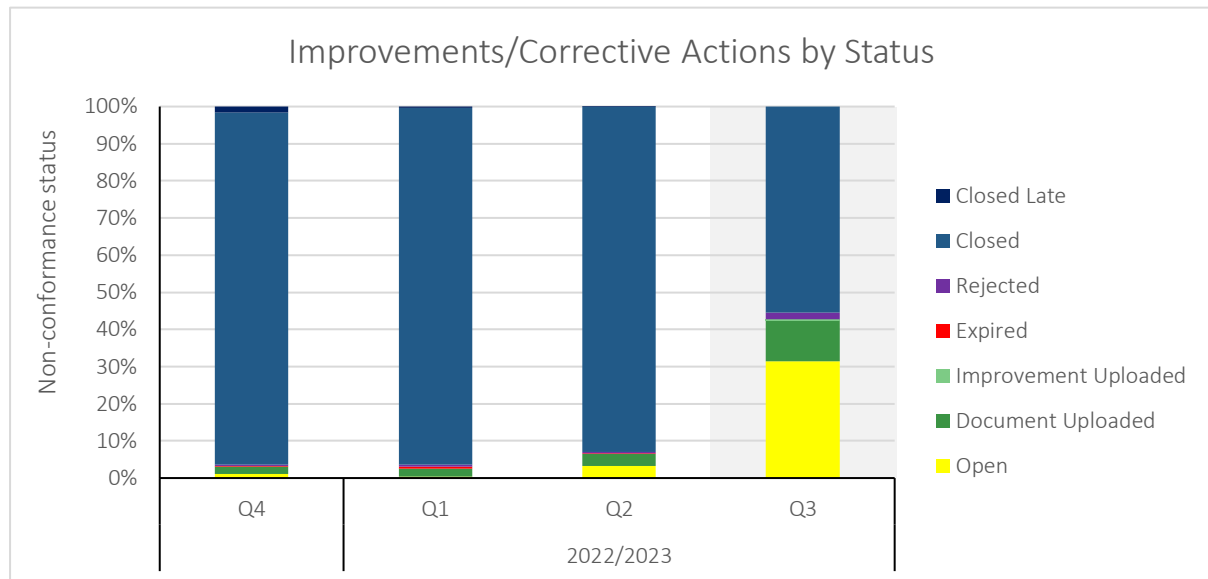
The graph below indicates the average number of findings that are raised per audit. During the Quarter 3 2022/2023 reporting period, an average of 9,27 findings were raised per audit.



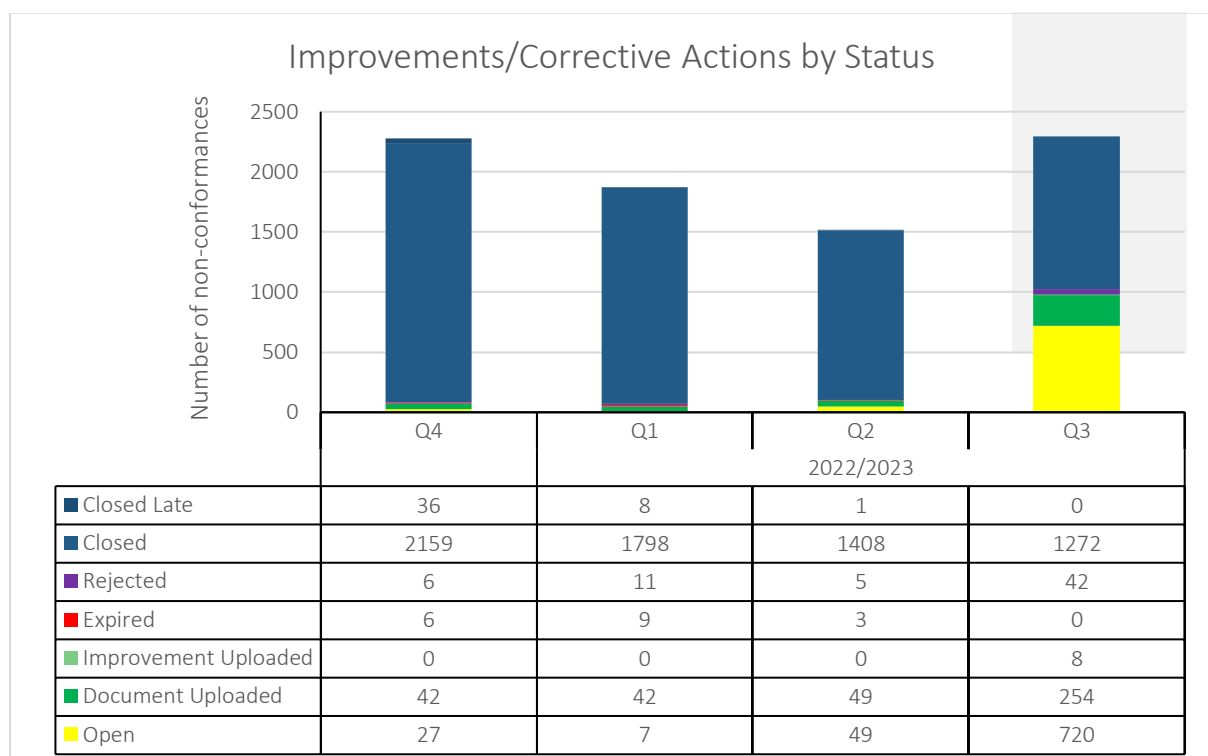
Although the majority of SIZA members received a Platinum risk rating; on average, due to the increased overall number of non-conformances raised on all audits, this results in the average SIZA risk-rating of Gold. This is due to the fact that a member's risk rating will immediately move to Gold if a Major non-conformance is raised or when more than 10 Minor non-conformances were raised. Despite many members receiving a Platinum risk rating, the high number of non-conformances results in the average of a Gold risk rating. The overall risk rating of a SIZA member is calculated on the SIZA Audit Frequency Risk Matrix, available here: <https://siza.co.za/wp-content/uploads/Annexure-2-SIZA-Audit-Frequency-Matrix.pdf>

3.5. Improvements and Corrective Actions

As SIZA is a continuous improvement programme, there is a strong focus on driving improvement on findings during audits. The below graph shows that most findings are closed out timeously during the given timeframes. The submission and closing of findings before the given deadlines is very important as this showcases the commitment from producers to rectify areas of non-compliances, and the audit validity of a producer will be affected if corrective actions are not completed within these deadlines. SIZA actively motivates and supports producers with the completion of the corrective actions which drives improvement within their own business, as well as throughout the agricultural industry. With each corrective action, the business is growing and improving their practices which in turn benefits the workforce and economy.



The graph below indicates how non-conformances are closed out over time. Expired non-conformances will result in a follow-up audit during the 12 months following the audit date, while open non-conformances indicate that the producer still needs to upload corrective action to show improvement.



4. COMMUNITY ENGAGEMENT BEYOND THE SOCIAL AND ENVIRONMENTAL AUDIT

Auditing has been a catalyst for driving sustainable change in the global supply chain for several years. The number of workplace violations were reduced through a principle of driving continuous improvement. Conducting audits on farms, pack houses, processing facilities, and workplaces in general has provided objective measurement to benchmark progress. Yet, auditing is not the only solution. To support SIZA's requirements and drive to ensure businesses' commitment toward their community, the Best Practice online programme was implemented by SIZA in 2018, gives producers the opportunity to showcase areas where they feel they have reached more than compliance, engage in their community, create value, and sustain practices beyond the audit process.

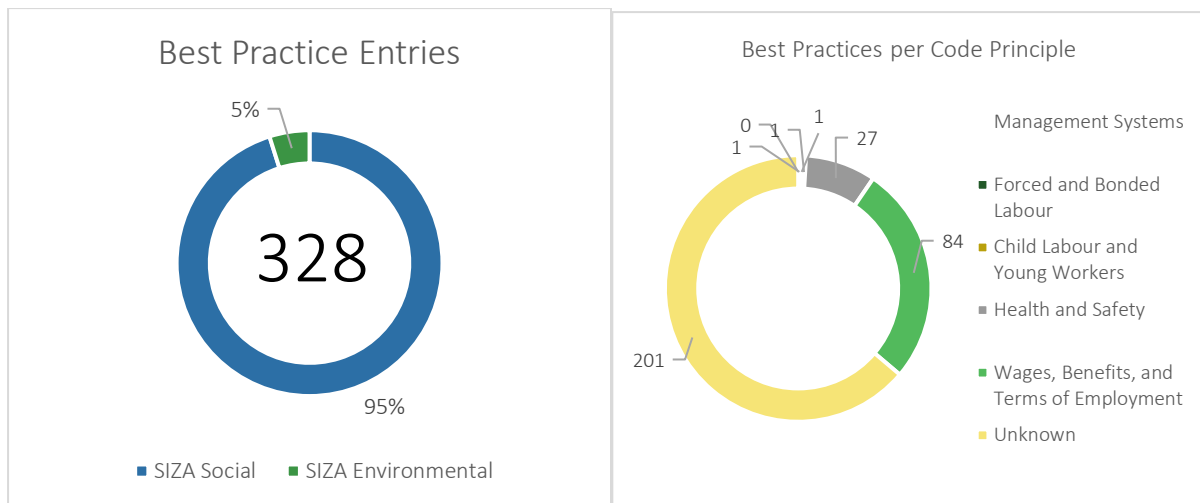
Members can upload details of their community engagement efforts and best practices on *MySIZA*, after which they are reviewed by SIZA admin. If approved, they will reflect as a Best Practices programme in the producer's member listing on *MySIZA*. It will also, together with other data, be visible to linked members (exporters, importers, and retailers) of choice. With this initiative, we aim to showcase best practices of producers and at the same time try to create a balanced view of ethical assurance practices in agriculture by highlighting the various community benefits and impacts achieved by agri-businesses.

The drive toward continuous improvement has been noticed with a significant growth in the submission of community engagement efforts and best practices as part of this online initiative. Producers' drive toward community engagement and having a positive impact on their neighbouring community, town, and area has been of great value. Some of the practices noted are:

- School support provided by producers to employees' children, sometimes also including on-farm schools and educational facilities.
- After care facilities and development programmes.
- Clinics and healthcare facilities onsite.
- Community health roadshows and educational days.
- Facilities made available for women and men from nearby communities to engage in crafts and art and contribute to producing products that in turn support their families.
- Pension funds and contributions to retirement annuities.
- Sport facilities and encouragement (proves very popular with teens and families on farms).
- Housing benefits (free housing on farm, employer provides/buys accommodation at nearby town for employee/family etc.).
- Clearing of invasive alien plants beyond farm border.
- Eco-energy implementation on farms and processing facilities, removing reliance on electricity from the grid.
- Carbon neutrality by balancing practices to put back oxygen into the atmosphere.
- Awareness-raising initiatives on becoming more aware of environmental conservation and sustainability as a whole.

The above is merely a highlight of some of the admirable practices offered by producers across South Africa. The importance of ensuring there is engagement with local communities is an embedded culture within South African agriculture that has survived over many decades and seems to increase with time.

To date, 312 Social (Ethical) and 18 Environmental Best Practices have been approved on MySIZA.



It is clear that the majority of the best practices are approved under two principal codes namely: Health and Safety, and Wages, Benefits and Terms of Employment. These two principal codes also carry the majority of the non-conformances raised during third-party audits. This balance provides a good understanding that although some businesses receive non-conformances, these areas of improvement are also focus areas for progress by many businesses.

The Best Practices in each category can be summarised as follows:

1. Forced and Bonded Labour
 - Formal training to all employees by renowned training programmes.
2. Child Labour and Young Workers
 - Educational upliftment programmes to employees' children.
 - School holiday and educational programmes.
3. Freedom of Association
 - Social development programmes for all employees, including exposure to association or trade unions, employee forums and learnings.
4. Discrimination, Harassment and Abuse
 - Implemented the When Grievances Becomes Good Practice training programme within the business and included all employees.
 - Additional social development by social workers on site.
5. Health and Safety
 - Clinic on site and other health-related services offered to employees and their families.
 - Availability to community health centres or onsite health services to employees.
 - COVID-testing facilities on site.
 - Education and training facilities.
 - Aftercare and crèche facilities offered to employees' children on site.
6. Wages, Benefits and Terms of Employment
 - Annual Christmas and production bonus offered to employees.
 - Seasonal performance bonus payments to employees who exceed targets.
 - Free transport and housing offered to occupants and employees.
 - Pension and provident funds offered to workers.

7. Working Hours

- Paid time off for targets achieved to employees during and after the season.

5. MARKET ACCEPTANCE

SIZA has positioned itself to be the preferred standard for suppliers from South Africa. It is in line with the SIZA vision to avoid audit duplication where possible and to save time and cost, whilst still being able to identify areas of risk in the industry and work towards the goal of continuous improvement.

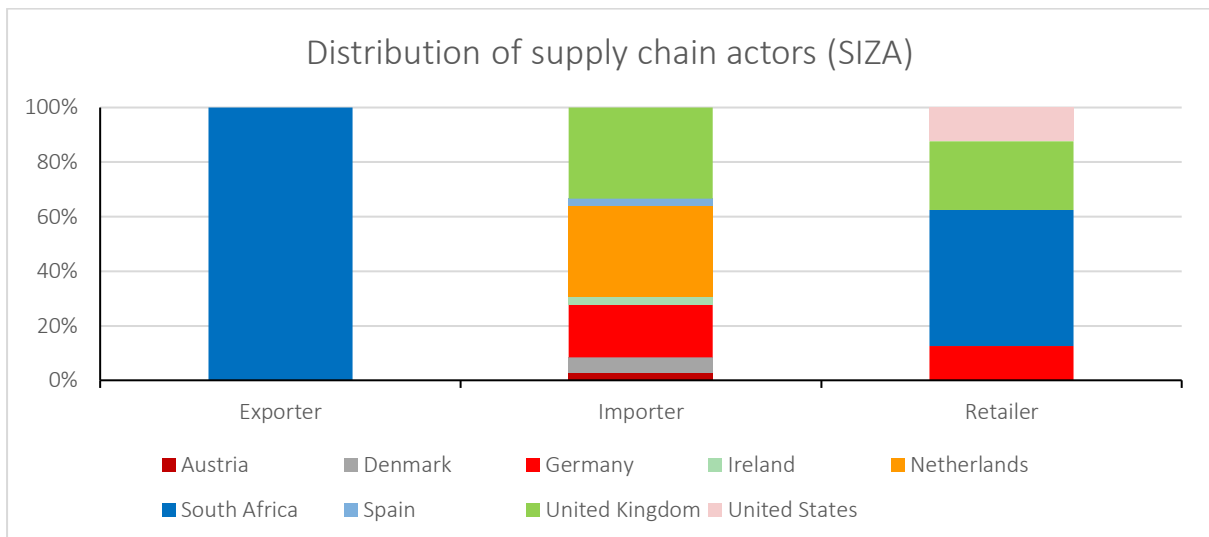
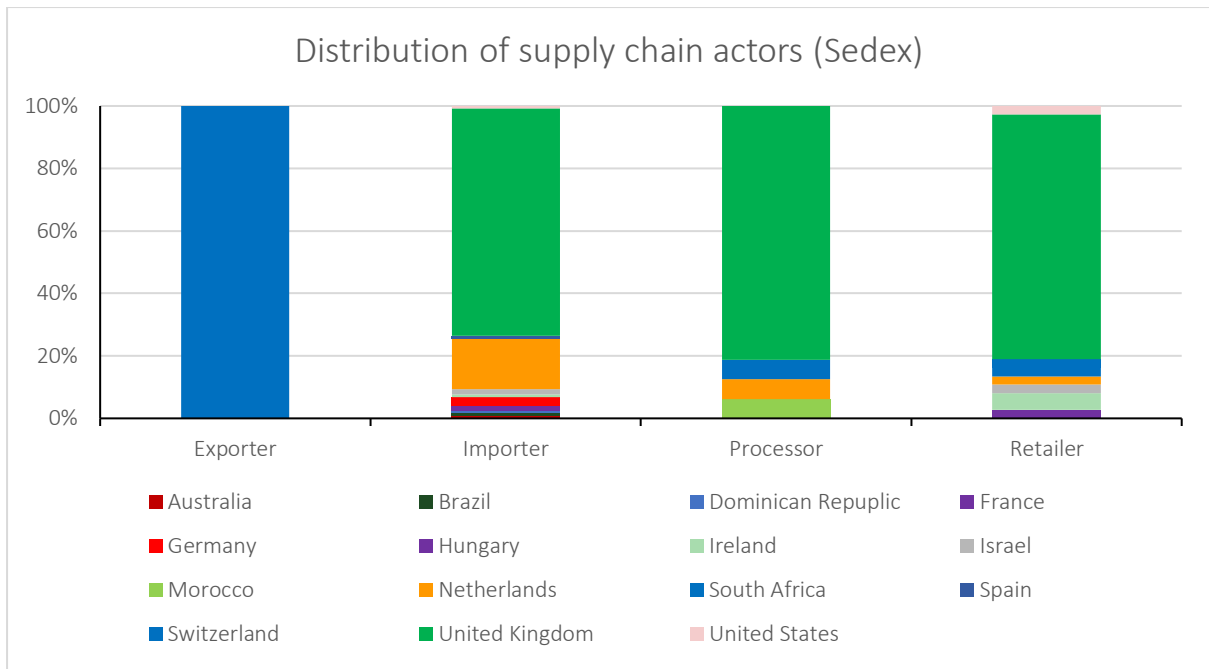
Market acceptance is therefore one of the key measurable objectives to monitor growth but also to maintain the current acceptance throughout the world. Currently SIZA provides supplier information when suppliers give SIZA permission to do so. Visibility on audit data and standards information are provided via four platforms at this stage.

- via the *MySIZA* Data platform
- via the Sedex Data Platform
- via a link on the GLOBALG.A.P. database
- via ITC Map

SIZA's acceptance has also grown in terms of businesses and industries that accept SIZA audits and recognise primary members' ethical and environmental performance against the SIZA standard. Current acceptance is through Exporters, Importers, Retailers, Manufacturing/Processing Facilities, Storage/Distribution Facilities, Wholesalers and Restaurants.

SIZA will continue to monitor the market growth and continuously engage with new markets for further acceptance. Across the four different platforms SIZA is accepted by 302 businesses that operate around the globe. Below is a table showing the number of businesses per country that we are aware of which accept and support SIZA.

| Country of SIZA Recognition | Number of Buyers Accepting SIZA Programme |
|-----------------------------|---|
| Australia | 1 |
| Brazil | 1 |
| China | 1 |
| Denmark | 3 |
| Dominican Republic | 1 |
| France | 2 |
| Germany | 18 |
| Ireland | 6 |
| Israel | 3 |
| Morocco | 1 |
| Netherlands | 33 |
| South Africa | 117 |
| Spain | 2 |
| Switzerland | 1 |
| United Kingdom | 141 |
| United States | 4 |
| Total | <u>335</u> |



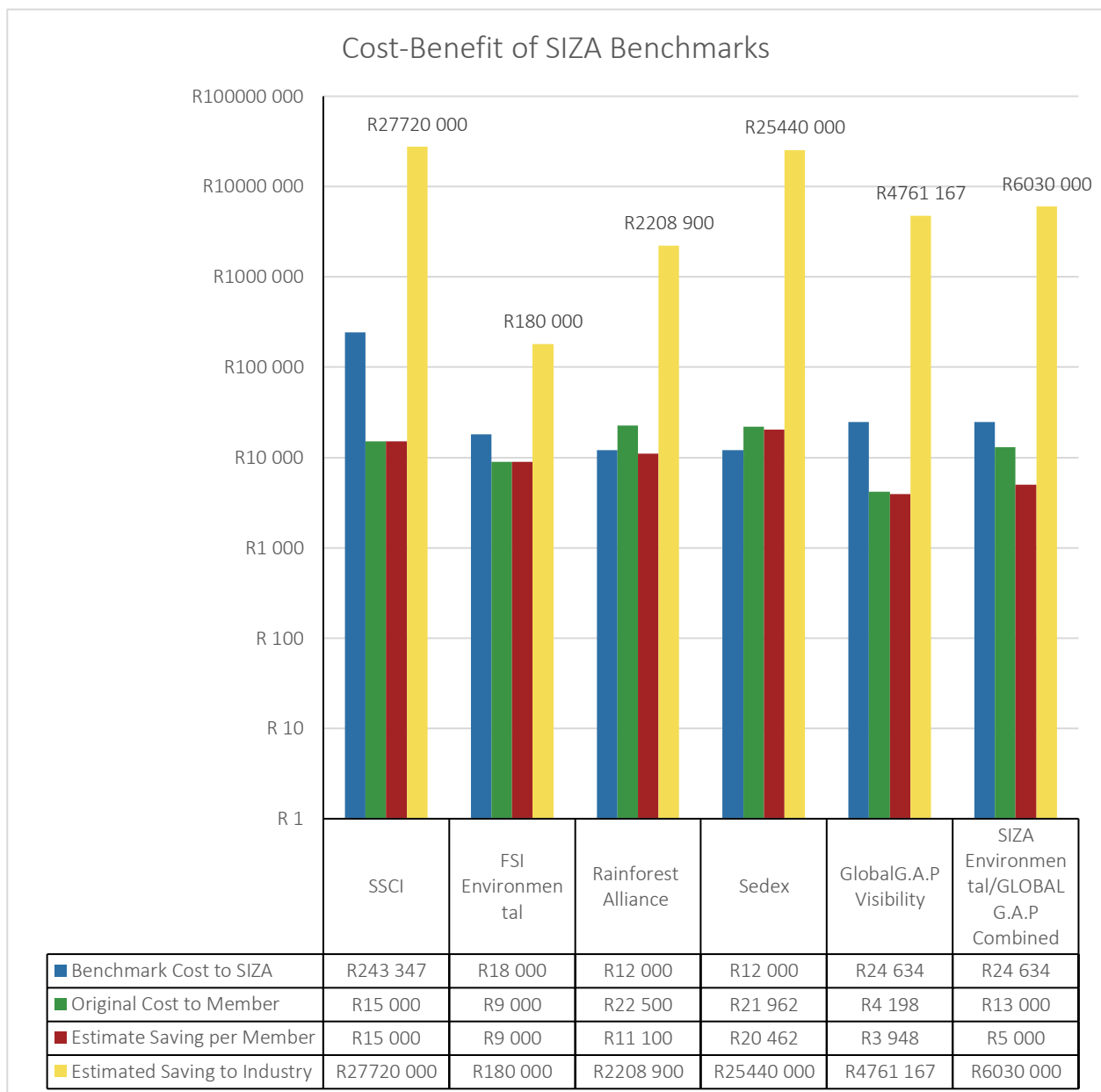
As SIZA continues to gain market acceptance across the globe, it remains important for members and audit companies to pay attention to specific requirements from certain retailers and buyers. As compliance requirements grow across the globe, it remains crucial that SIZA continues its efforts alongside the South African industry to maintain market acceptance and recognition to better drive a cost, and time effective solution for the agricultural industry.

6. COST-BENEFIT OF SIZA BENCHMARKS

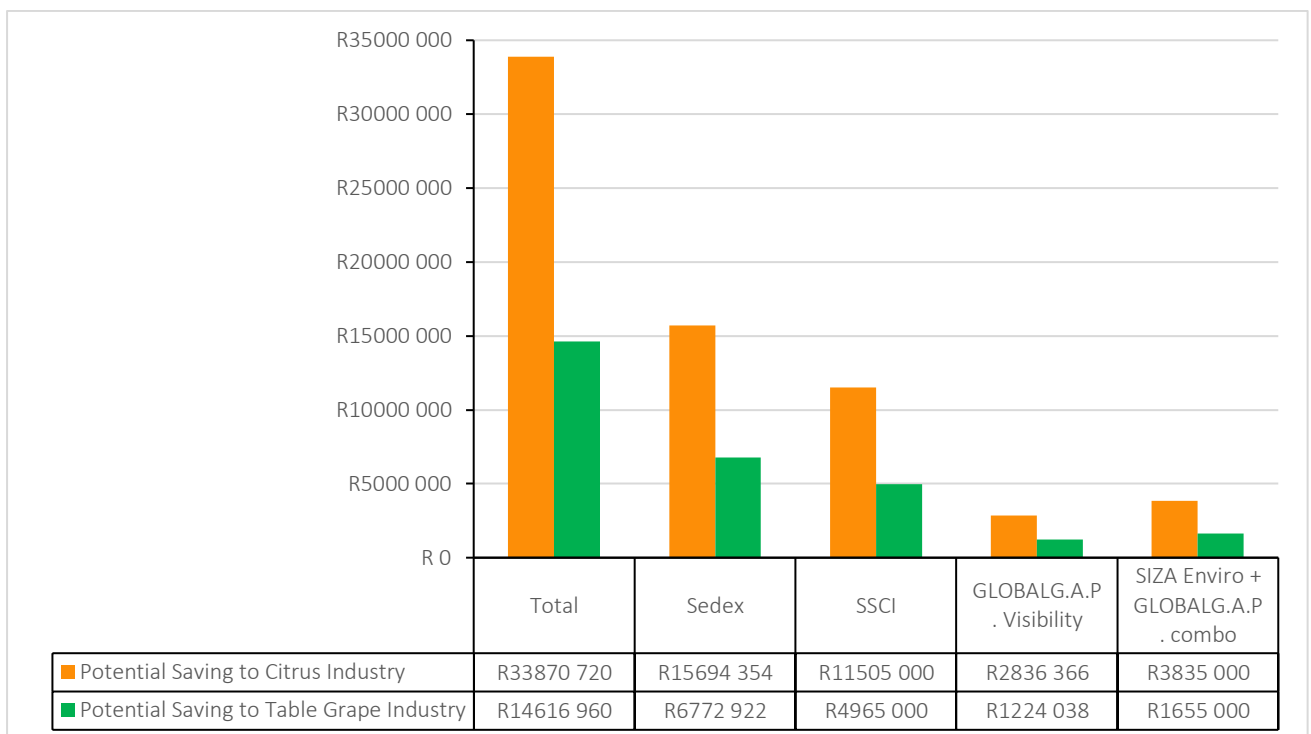
As part of SIZA's drive to support producers by providing a cost-effective approach toward third-party audits, taking into account the various markets that are supplied globally, SIZA has investigated some of the major benchmarks and agreements completed to understand the cost-benefit and savings to the producer and the industry at large. The value can be seen with the benchmark against the Sustainable Supply-Chain Initiative (SSCI) requirements, which will result in equivalence and acceptance amongst the world's most prominent standards, saving the agricultural industry approximately R27 720 000.

Similarly, the benchmarks against the Floriculture Sustainability Initiative and Rainforest Alliance save the industry approximately R180 000 and R2 208 900, respectively. It is clear that engagements with partners such as Sedex and GLOBALG.A.P. provide visibility to producers supplying markets in the UK and EU, resulting in a cost saving of +/- R5 000 per producer per audit. This translates to a saving of R9 263 552 for the industry for Sedex and R6 030 000 for GLOBALG.A.P. visibility.

The goal of maintaining partnerships with other global programmes and conducting benchmarks against other standards is to ensure that South African agricultural producers can access all the major global markets by only maintaining their SIZA compliance for both the Social and Environmental Standards.



The example below focuses on a hypothetical producer with a farm and a packhouse (level 1b member) who grows and packs table grapes and citrus for export to North America, the UK, and Europe. Through the equivalence and benchmarks provided by SIZA, this producer has an estimated saving of R44 160 per year related to compliance costs. Furthermore, the potential savings to the Citrus industry is approximately R33 870 720, and R14 616 960 to the Table Grape industry, adding up to total industry savings of R48 487 680.



7. SIZA TRAINING

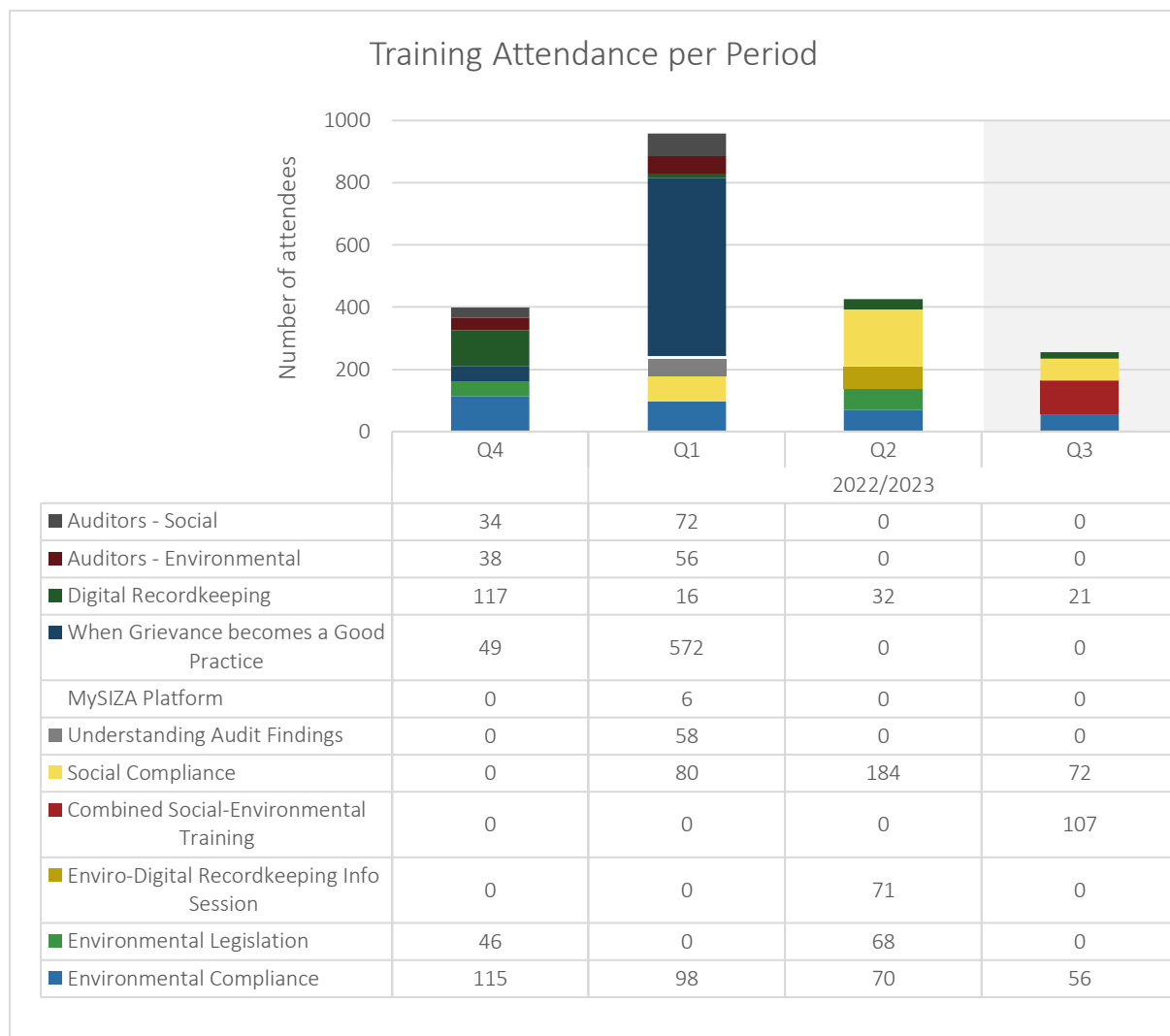
Through various training events, SIZA aims to assist members with understanding the various requirements of the SIZA Social and Environmental Standards, in addition to, helping members in their preparations for their third-party audits. The training, in combination with in-person SIZA In-Between Monitoring Site Visits, form the foundation of the Capacity Building initiatives undertaken by SIZA. SIZA training is either conducted in-person or online via a webinar platform throughout the year and focuses on various topics, as seen below:

Member training

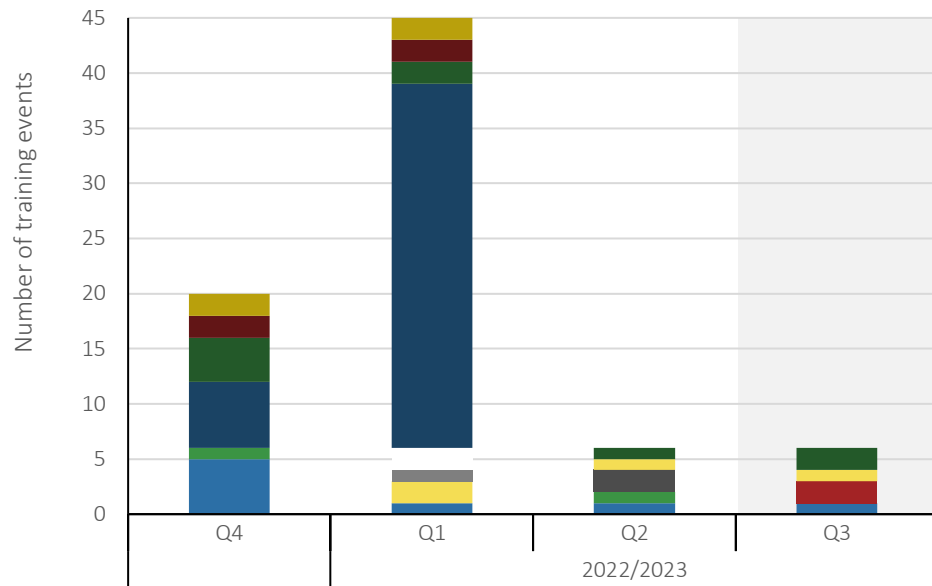
- Social Compliance
- When Grievance becomes a Good Practice
- Understanding Audit Findings
- Environmental Compliance
- Environmental Legislation
- Digital Recordkeeping
- MySIZA Platform navigation

Auditors

- Social Standard
- Environmental Standard



Training Events per Period



| | Q4 | Q1 | Q2 | Q3 |
|---|----|----|-----------|----|
| | | | 2022/2023 | |
| Auditors - Social | 2 | 2 | 0 | 0 |
| Auditors - Environmental | 2 | 2 | 0 | 0 |
| Digital Recordkeeping | 4 | 2 | 1 | 2 |
| When Grievance becomes a Good Practice | 6 | 33 | 0 | 0 |
| MySIZA Platform | 0 | 2 | 0 | 0 |
| Understanding Audit Findings | 0 | 1 | 0 | 0 |
| Social Compliance | 0 | 2 | 1 | 1 |
| Combined Social-Environmental Training | 0 | 0 | 0 | 2 |
| Enviro-Digital Recordkeeping Info Session | 0 | 0 | 2 | 0 |
| Environmental Legislation | 1 | 0 | 1 | 0 |
| Environmental Compliance | 5 | 1 | 1 | 1 |