2020 STAYING THE COURSE FROM SEA TO SHORE

INTEGRATED REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020





NAVIGATING OUR REPORT

OUR CAPITALS

- FC Financial capital
- MC Manufactured capital
- NC Natural capital
- HC Human capital
- IC Intellectual capital
- SC Social and relationship capital

Refer to **pages 36 to 47.**

OUR MATERIAL CARDINAL POINTS

- Operating efficiently
- Driving transformation
- Protecting our brands
- Managing relationships
- Acting responsibly
- Optimising financial capital

Refer to **pages 62 to 68.**

OUR KEY STAKEHOLDERS

- Employees and labour unions
- Shareholders
- Funders
- Government and regulators
- Fishing industry partners
- Customers and consumers
- Suppliers and service providers
- Communities and non-governmental organisations (NGOs)

Refer to **pages 28 to 35.**



IR

Our Integrated Report

The Sea Harvest Group Limited's Integrated Report (IR) is our main report to our stakeholders. It details all the elements that contributed to our value-creation story for the year ended 31 December 2020.



AFS

Our Annual Financial Statements

The Sea Harvest Group Limited's Annual Financial Statements (AFS) is a comprehensive report of our financial performance and standing for the year ended 31 December 2020.



AGM

Our Notice of Annual General Meeting and Form of Proxy

The Sea Harvest Group Limited's Notice of Annual General Meeting and Form of Proxy comprises information required by the Companies Act, No. 71 of 2008 to our shareholders.

Visit **www.seaharvestgroup.co.za** for more information on our reporting suite.

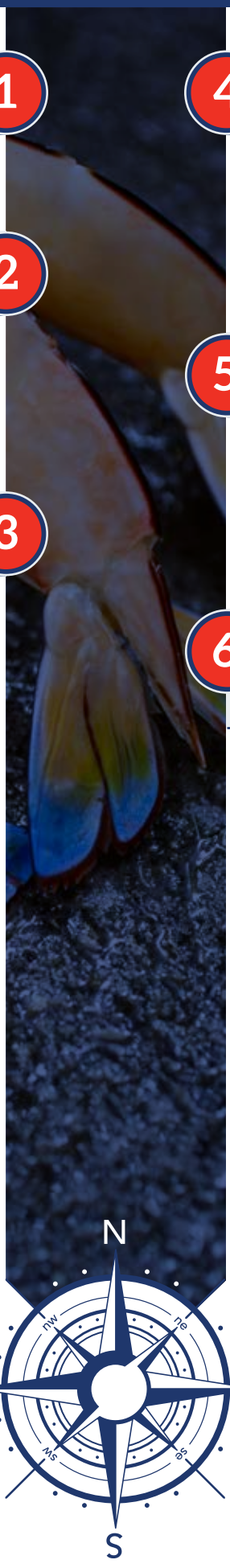
UNITED NATIONS (UN) SUSTAINABLE DEVELOPMENT GOALS (SDGs)

In its 2020 IR, the Sea Harvest Group has chosen to inform its stakeholders about how the business supports the UN's SDGs in the disclosure of its material cardinal points. These material cardinal points are what the Group deem non-negotiable during the course of its day-to-day activities, hence the decision to marry it with the goals, which more than 190 of the world's countries have prioritised as essential to achieve a more sustainable future for all by 2030.

- **No poverty**
- **Zero hunger**
- **Good health and well-being**
- **Quality education**
- **Gender equality**
- **Clean water and sanitation**
- **Affordable and clean energy**
- **Decent work and economic growth**
- **Industry, innovation and infrastructure**
- **Reduced inequalities**
- **Sustainable cities and communities**
- **Responsible consumption and production**
- **Climate action**
- **Life below water**
- **Peace, justice and strong institutions**
- **Partnerships for the goals**

Refer to **pages 62 to 68** for information on our material cardinal points.

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OUR SHORT, MEDIUM, AND LONG-TERM GOALS

The Sea Harvest Group Board has reiterated its commitment to ensuring the long-term sustainability of the business. Taking into consideration the current global instability amid the coronavirus pandemic (COVID-19), the Group has elected to retain a five-year framework for the achievement of the Group's revised strategic objectives.

Short term: Two years or less
Medium term: Two to five years
Long term: More than five years

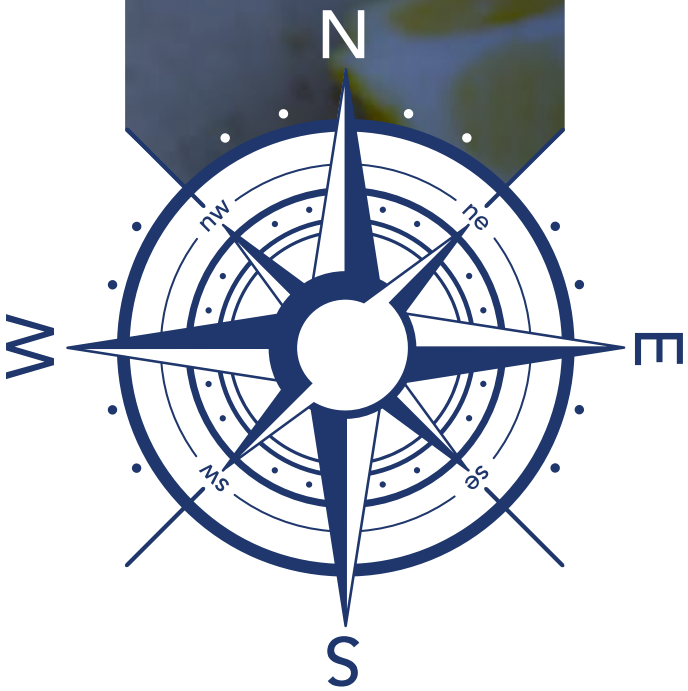


ABOUT OUR REPORT

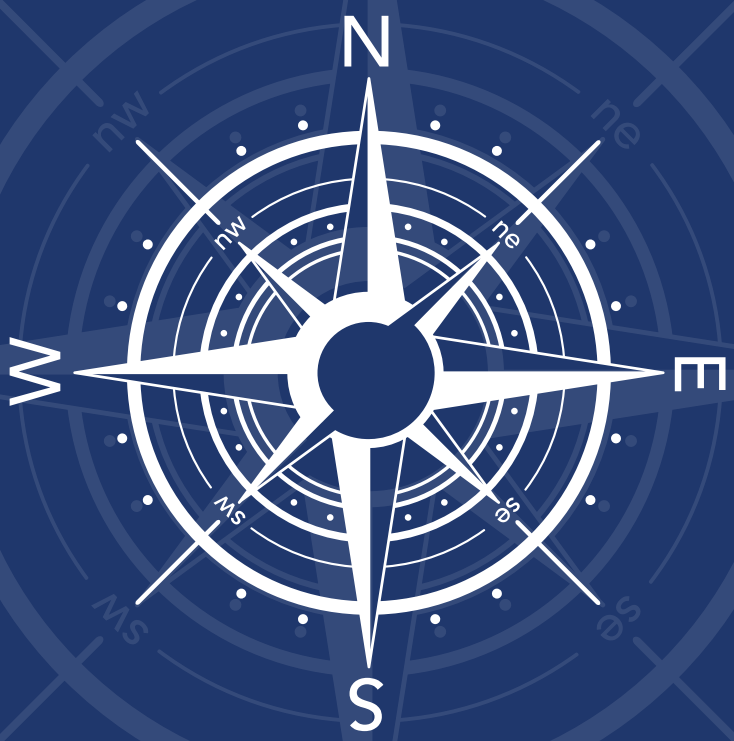
- Our IR theme and rationale
- Our report



1



OUR **IR THEME** AND **RATIONALE**



STAYING THE COURSE FROM SEA TO SHORE

Defining the goals for a financial year is one thing, achieving them is another matter entirely. The threat and ensuing reality of a global pandemic have impacted economies and businesses of all shapes and sizes. The Sea Harvest Group is no exception. In fact, the COVID-19 pandemic brought on one of the largest storms and some of the roughest seas that the Group has ever encountered. However, not even a global sea change could force the Group off course.

At the beginning of the 2020 financial year, the Sea Harvest Group responded to the weather forecast and started preparing for the then unknown impact of COVID-19. The Group adjusted its sails and prepared for what was to come.

Staying the course when you encounter rough seas is not an easy feat. It demands commitment and sacrifice, a clear vision and mission, and a set of core values to guide you ashore. The Sea Harvest Group's unwavering commitment to its core values is what enables us to weather economic, political, social and environmental storms. Acting responsibly, doing what we say, and being passionate about our business at sea and on shore are the core values that helped Sea Harvest to navigate the troubled waters to reach the end of the financial year intact and ready for another voyage.

Application

The theme will be integrated throughout the IR with reference to the Group's business activities at sea and on shore, with specific reference to the measures that were taken to mitigate the impact of the COVID-19 pandemic. The compass rose, which represents the centre of the Group's core values, will feature once more and emphasis will be placed on its importance in enabling the Group to stay the course.



Operating context



Governance



Value creation

OUR REPORT

OUR REPORTING SCOPE

The 2020 IR of Sea Harvest Group Limited (the Group or Sea Harvest) seeks to provide material information about the Group's operating companies and subsidiaries, including Sea Harvest Corporation Proprietary Limited (Sea Harvest Corporation/South African Fishing), Cape Harvest Food Group Proprietary Limited (Cape Harvest Foods), Sea Harvest Aquaculture Proprietary Limited (Sea Harvest Aquaculture), and Sea Harvest International Proprietary Limited (Sea Harvest International/Sea Harvest Australia).

The information pertaining to Sea Harvest Corporation covers the South African Fishing operations in Saldanha Bay on the West Coast of South Africa as well as the Viking Fishing division in Cape Town, Mossel Bay and Durban. The information on Cape Harvest Foods pertains to the value-added dairy and related operations within Ladismith Cheese Company Proprietary Limited (Ladismith Cheese) and the Group's factory shops. The information pertaining to Sea Harvest Aquaculture covers the Group's aquaculture interests in abalone, mussels, oysters and trout, while the information pertaining to Sea Harvest International covers the Group's Australian wild-caught fishing and trading operations.

OUR REPORT PREPARATION

This report has been prepared in accordance with the following guidelines and frameworks:

- Recognition and measurement requirements of the International Financial Reporting Standards (IFRS)
- South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides, issued by SAICA's Accounting Practices Committee and Financial Reporting Committee applicable to summarised financial information
- Companies Act, No. 71 of 2008 (Companies Act) of South Africa
- King IV Report on Corporate Governance™ (King IV™)[1]
- International Integrated Reporting Council's Integrated Reporting <IR> Framework
- JSE Limited (JSE) Listings Requirements

OUR SUPPLEMENTARY REPORTS

A suite of supplementary reports has been produced to satisfy our stakeholders' specific information requirements. The following reports are available for download on the Sea Harvest Group website (**www.seaharvestgroup.co.za**):

- 2020 IR, including the audited consolidated financial statements
- Group and Company AFS for the year ended 31 December 2020
- King IV™ Application Register
- Notice of Annual General Meeting and Form of Proxy

OUR FORWARD-LOOKING INFORMATION

This report contains forward-looking statements that, unless otherwise indicated, reflect the Group's expectations as at 31 December 2020. Actual results may differ materially from the Group's expectations, if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove to be inaccurate. We cannot guarantee that any forward-looking statement will materialise. Readers are cautioned not to place undue reliance on any forward-looking statements. Sea Harvest Group Limited does not commit, and disclaims any obligation, to update or revise any forward-looking statement, even if new information becomes available because of future events, or for any reason other than required by the JSE Listings Requirements.

OUR INFORMATION ASSURANCE

We have strived to achieve a high standard of disclosure that promotes accurate, transparent, balanced and complete reporting. Our Board of Directors (the Board), its committees and management were involved in finalising the disclosures made in this report and assume responsibility for the information contained herein. Deloitte & Touche South Africa has independently assured the consolidated financial statements and the summarised consolidated financial statements. Our non-financial information was not independently assured.

[1]*Copyright and trademarks are owned by the Institute of Directors in Southern Africa Not-for-Profit Company and all of its rights are reserved.*

BOARD APPROVAL

The Board acknowledges its responsibility for ensuring the accuracy of our 2020 IR and, in its opinion, the report addresses all material issues relevant to the business and presents an integrated view of the Group's performance in the year under review. The Board has indicated its approval of the report.

Frederick J Robertson
Non-executive Chairperson

Felix Ratheb
Chief Executive Officer

Muhammad Brey
Chief Financial Officer

Iqbal Khan
Non-executive Director

Tiloshani Moodley
Non-executive Director

Marshall Rapiya
Lead Independent Non-executive Director

André Hanekom
Independent Non-executive Director

Kari Ann Lagler
Independent Non-executive Director

Carol Kholeka Zama
Independent Non-executive Director

OUR FEEDBACK

We value feedback from our stakeholders and would appreciate any correspondence that would allow us to produce reports that improve in quality every year. Any comments or requests for additional information can be emailed to **Anthea Abraham** at **AntheaA@SeaHarvest.co.za**.

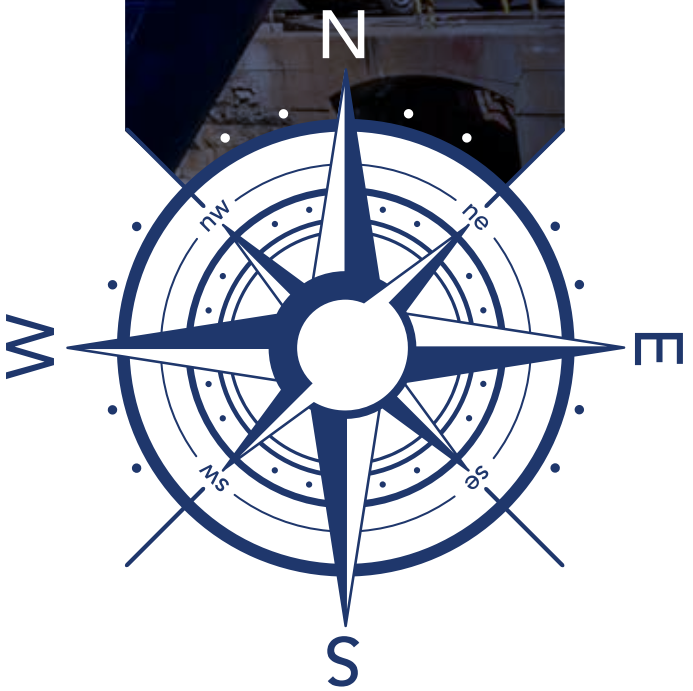


THE SEA HARVEST GROUP AT A GLANCE

- Highlights for 2020
- Who we are
- Our offerings
- Our leadership
- Our value-creation business model

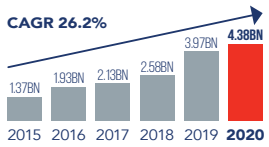


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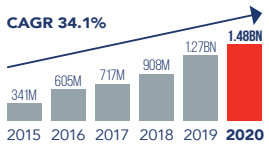


HIGHLIGHTS FOR 2020

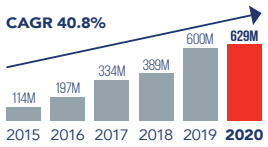
REVENUE	GROSS PROFIT	OPERATING PROFIT	HEADLINE EARNINGS PER SHARE (HEPS)
10% ▲	17% ▲	5% ▲	2% ▲
TO R4.38 BILLION (2019: R3.97 BILLION)	TO R1.48 BILLION (2019: R1.27 BILLION)	TO R629 MILLION (2019: R600 MILLION)	TO 150.8 CENTS PER SHARE (2019: 148.5 CENTS PER SHARE)



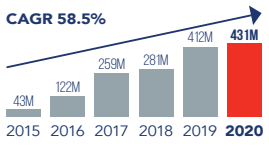
REVENUE



GROSS PROFIT



OPERATING PROFIT



ATTRIBUTABLE PROFIT*

DURING ONE OF THE WORST PANDEMICS IN RECENT TIMES, THE SEA HARVEST GROUP DELIVERED HEPS GROWTH OF **2%** TO **150.8 CENTS PER SHARE**, DRIVEN BY THE STRONG PERFORMANCE OF THE SOUTH AFRICAN FISHING OPERATION

SOUTH AFRICAN FISHING

Sea Harvest – Savour the sea

36 VESSELS

6 PROCESSING OPERATIONS

SPECIES:

HAKE | HORSE MACKEREL | PRAWN
ANCHOVY | PILCHARD | TUNA

EMPLOYEES:

3 200

SEA HARVEST INTERNATIONAL

Sea Harvest Australia

15 VESSELS

10 SHARK BAY PRAWN FISHERY LICENCES

19 SPANISH MACKEREL LICENCES

SPECIES:

PRAWN | SCALLOP | CRAB
SPANISH MACKEREL

EMPLOYEES:

110

SEA HARVEST AQUACULTURE

Viking Aquaculture

9 AQUACULTURE OPERATIONS

SPECIES:

ABALONE | OYSTERS
MUSSELS | TROUT

EMPLOYEES:

350

CAPE HARVEST FOOD GROUP

Ladismith Cheese

14 FACTORY SHOPS

1 PROCESSING OPERATION

PRODUCTS:

CHEESE | BUTTER
MILK POWDERS

EMPLOYEES:

550

*Refer to **pages 74 to 80** for more information on our operational performance within the business segments.*

OUR INVESTMENT CASE

1. **RESILIENT AND DEFENSIVE**
   Maintained profit and margins in a tough environment

2. **LEVEL 1 B-BBEE CONTRIBUTOR >80% BLACK-OWNED**
   Improved **B-BBEE score of 104.49** (2019: 104.44)

3. **STRONG TRACK RECORD OF FINANCIAL PERFORMANCE**
   Five-year revenue **CAGR of 26.2%** and attributable profit* **CAGR of 58.5%**

4. Geographically diverse customer base providing a **STRONG RAND HEDGE**
   with **46% of sales** in hard currency within developed markets

5. **ATTRACTIVE INDUSTRY DYNAMICS**
   with global demand for premium, wild-caught, MSC-certified seafood exceeding supply. Global aquaculture grew at a CAGR of 9% from 2009 to 2018 and global dairy is expected to grow at a CAGR of 5.2% from 2019 to 2025

6. **RECOGNISED AS SUSTAINABLE**
   Successfully renewed the South African Cape hake and Australian Shark Bay prawn fisheries MSC certification for a further five years to 2026

**Profit after tax attributable to shareholders of Sea Harvest Group*

WHO WE ARE

OUR

PURPOSE

Our purpose is to create value that fuels inclusive economic growth and benefits society through job creation, food security and social transformation.

VISION

We envision a Sea Harvest Group that is a leading, black-owned, responsible and diversified global agribusiness.

MISSION

To responsibly harvest, source and add value to natural and other resources in a way that exceeds stakeholder expectations, while providing sustainable employment and positively impacting the communities in which we operate and the stakeholders we serve.

VALUES

Our five core values anchor our behaviour to guide our engagements with all our stakeholders, namely:

1. We act **RESPONSIBLY**
2. We **DO WHAT WE SAY**
3. We respect **DIVERSITY**
4. We are **PASSIONATE** about our business
5. We **SAVOUR THE SEA AND THE SHORE**

OUR HISTORY

1964 Pescanova, Southern Sea Fishing Company and Imperial Cold Storage (ICS) establish Sea Harvest Corporation in Saldanha Bay.

1960s 1970s Increased focus on international markets and Cape hake is positioned as a premium species.

1980s Sea Harvest Corporation acquires Atlantic Trawling and becomes one of the largest, vertically integrated deep-sea hake fishing companies in South Africa. However, sanctions prevent the company from operating beyond the country's borders.

1990s Pescanova divests from Sea Harvest Corporation and ICS increases its stake to 62% and lists Sea Harvest Corporation on the JSE. Post-1994, international markets reopen and exports recommence. Tiger Brands acquires 100% of ICS and delists Sea Harvest Corporation from the JSE.

Early 2000s Brimstone increases its ownership in Sea Harvest Corporation to 21%. In 2009, a black consortium consisting of Brimstone, Kagiso Investment Holdings (Kagiso) and senior management acquire Tiger Brands' interest in Sea Harvest Corporation and establish Sea Harvest Holdings, of which Sea Harvest Corporation becomes a wholly owned subsidiary.

2014 A new management team is appointed and drives a bold investment strategy to renew the Sea Harvest fleet and factories and turn around the performance of the business.

2015 Sea Harvest Holdings' shareholders facilitate the acquisition of 4.4% of the business on behalf of employees through the establishment of the Sea Harvest Employee Share Trust.

2016 Brimstone acquires Kagiso's stake in Sea Harvest Holdings, increasing its shareholding to 85%. Sea Harvest Holdings acquires a controlling interest in Mareterram Limited (Mareterram), a diversified agribusiness listed on the Australian Securities Exchange (ASX).

2017 Sea Harvest Holdings lists on the JSE as Sea Harvest Group Limited.

2018 Sea Harvest Group Limited leads a black empowerment consortium that acquires 100% of Viking Fishing. Sea Harvest Group acquires a majority share of Viking Aquaculture.

2019 On 2 January, the Group acquires 100% of Ladismith Cheese. In May, Sea Harvest acquires 100% of Mareterram, renames the business Sea Harvest Australia and delists it from the ASX.

2020 COVID-19 severely impacts economies and businesses around the world and Sea Harvest proves its resilience and defensive characteristics in very tough conditions. Sea Harvest continues to integrate its subsidiaries and the Group readies itself for the fishing rights allocation process (FRAP) in 2021.

OUR FUTURE

Sea Harvest Group Limited will continue to make every effort to protect its business and people against COVID-19 and any variant of the virus, while retaining its focus on achieving organic and acquisitive growth to ensure the long-term sustainability of the business. The Group will further maintain its commitment to deliver premium, sustainably harvested seafood and other food products demanded by our global customer base, while patiently awaiting the South African government's 2021 FRAP.

OUR **OFFERINGS**

WHAT SETS US APART

1 RESILIENT AND DEFENSIVE NATURE OF THE GROUP

The COVID-19 pandemic has severely impacted economies and businesses around the world. The Sea Harvest Group proved its resilience and defensive nature by delivering revenue growth of 10%, maintaining the Group operating margin at 14%, and increasing HEPS by 2% to 150.8 cents per share, while keeping its people safe and protecting jobs and livelihoods.

Refer to **pages 81 to 85** for our CFO's report

2 INCREASING GLOBAL DEMAND FOR OUR PRODUCTS

Natural wild-caught fish from sustainable fisheries, with static supply

According to the World Bank, the world's population is projected to grow by an average of 1% per annum until 2025. Supporting the natural demand from population growth is a global rise in per capita fish consumption, which is projected to increase from an average of 20.2kg per annum in 2015 to 21.8kg per annum in 2025. On the supply side, supply of valuable wild-caught species remains static, with global supply of wild-caught white fish remaining relatively stable at 7 million tonnes annually.

Refer to **pages 74 to 75** for our South African Fishing segmental report

Dairy products

The growing demand for dairy can be attributed to the world's growing population, along with higher income levels and rising health consciousness. Dairy is considered an important part of dietary requirements and essential in both the foodservice and retail categories, with cheese an essential topping for pizza, a favourite meal in most parts of the world. Although the global dairy market is primarily dominated by the milk segment, butter and cheese account for the second and third largest segments respectively.

Refer to **page 76** for our Cape Harvest Foods segmental report

3 MARKET-LEADING BRANDS WITH BROAD AND INNOVATIVE RANGE OF PRODUCTS

We have a number of market-leading brands that are household names in their respective categories. In addition to the Sea Harvest brand, the Group also owns the established value-added dairy brand, Ladismith Cheese. In 2020, Sea Harvest Fish Fingers was voted South African Product of the Year in the Quick Meals category, further establishing Sea Harvest as a much-loved household brand in the domestic market. Internationally, Cape hake is recognised as a valued brand in its own right, and is supplied to leading international retailers in well-diversified export markets.

Sea Harvest has its own new product development (NPD) facility at our Saldanha Bay operations and the Group currently produces c.340 different seafood and dairy product lines for local and international markets. The year under review saw the roll out of several new and re-engineered products to market, diversified abalone offerings in our Aquaculture business as well as new products offered by our Sea Harvest Australia business.

Refer to **pages 44 to 45** for our intellectual capital

4 STRONG RAND HEDGE DUE TO GEOGRAPHICALLY DIVERSE, LONG-STANDING INTERNATIONAL CUSTOMER BASE

Our consistently high-quality products and world-class business standards are reflected in the extensive track record of growing and fostering customer partnerships with leading international customers, some of whom have been purchasing from Sea Harvest for over 50 years. The Group generated 46% (2019: 44%) of its 2020 revenue from international markets, making it a strong rand hedge. No single customer accounts form more than 10% of the Group's revenue.

Refer to **pages 28 to 35** for more on our key stakeholders





5 INTERNATIONAL REPUTATION FOR **COMMITMENT TO SUSTAINABLE BUSINESS PRACTICES**

Sea Harvest's international reputation as a supplier of sustainable seafood products is enhanced by its standing within the global seafood industry. Both the South African Cape hake and Australian Shark Bay prawn fisheries are Marine Stewardship Council (MSC) certified, the international gold standard for sustainable wild-caught fishing practices and a major differentiator in the markets where the species are sold. As a member of the Responsible Fisheries Alliance, along with the World Wildlife Fund South Africa, BirdLife SA and other fishing industry players, the Group is able to implement its commitment to a holistic marine sustainability programme. The Group's sustainable practices extend to its aquaculture and dairy operations, where all of its facilities are governed by robust and stringent measures to ensure minimal environmental impact. As part of the effort to standardise all the Group's sustainability and environmental management procedures, a new environmental control system was implemented at Ladismith Cheese and wind turbines were installed at Buffeljags Abalone Farm.

Refer to **pages 40 to 41** for our natural capital, and **page 67** for acting responsibly

6 **EXPERIENCED, GROWTH-ORIENTATED** MANAGEMENT TEAM

The executive management team has a successful track record of guiding the business through challenging times, including the global financial crisis and the current COVID-19 pandemic, while also facilitating the growth of the business, both organically and acquisitively. Furthermore, the team has experience in implementing key strategic expansion projects, making local and cross-border acquisitions in seafood and other food categories and integrating these acquisitions successfully.

Refer to **pages 12** to **15** for more information on our leadership

7 **DIVERSE, SKILLED AND COMMITTED** WORKFORCE

Our employees' collective skills, knowledge and abilities create economic value for the Group, for our stakeholders and for the communities in which we operate. Most of our employees have a minimum of 10 years of service; in 2020, we issued more than 200 long service awards to employees with between five and 40 years of service. The majority of our workforce consists of black women from rural areas who have gained years of industry experience.

Refer to **pages 42 to 43** for our human capital

8 VERTICALLY INTEGRATED BUSINESSES WITH WELL-LOCATED, **WORLD-CLASS FACILITIES IN INDUSTRIES WITH HIGH BARRIERS TO ENTRY**

Our business platforms extend across the entire value chain from harvesting and sourcing to production, sales and distribution, with significant investments throughout the entire value chain. Our factories are accredited by key international organisations, such as the international British Retail Consortium and MSC, and locally by the National Regulator for Compulsory Specifications (NRCS). Furthermore, the facilities enjoy accreditation by their key customers, including Nestlé, Nomad Foods and Woolworths (South Africa). The South African and Australian fishing industries are highly regulated, with fishing rights issued for 15 years in South Africa and in perpetuity in Australia. Fishing, aquaculture and value-added dairy businesses are highly capital intensive, requiring expensive assets, working capital and economies of scale to be globally competitive.

Refer to **pages 38 to 39** for our manufactured capital, and **pages 62 to 63** for operating efficiently

9 DEMONSTRABLE COMMITMENT TO **SOCIAL TRANSFORMATION**

Our commitment to social transformation has remained steadfast over the years and runs deep within the Group's business practices. It is demonstrated by the fact that the Group has retained its Level 1 B-BBEE contributor status with a rating of 104.49 (2019: 104.44). The Group is committed to continuing its journey in aiding the social transformation of South Africa through job creation and skills development, as well as its procurement policies where a majority of the Group's R1.1 billion spend is directed towards suppliers in economically depressed semi-rural areas. This is a significant job multiplier in semi-rural areas of South Africa. Furthermore, the Group remains dedicated to social change through direct enterprise development with a spend of R21 million during 2020, as well as wider community support through contributions from Sea Harvest Foundation and South African Fisheries Development Fund.

Refer to **pages 46 to 47** for our social and relationship capital.

10 ETHICAL AND EFFECTIVE LEADERSHIP THROUGH **GOVERNANCE**

Our leadership remains committed to ensuring the creation of value for all stakeholders over the long term through the implementation of sound corporate governance principles, including disclosure and transparency.

Refer to **pages 88 to 95** for our governance report

OUR LEADERSHIP

OUR BOARD OF DIRECTORS

Our Board of Directors remains committed to ensuring the creation of value for all stakeholders over the long term. Collectively the Board possesses the requisite skills to realise the fulfilment of the Group's vision, mission and strategy. The composition of the Board ensures a balance of authority and does not permit individual dominance in the decision-making processes. The roles and functions of the Chairperson of the Board and the Chief Executive Officer are separate and clearly distinguishable. The composition of the Board for the 2020 financial year was as follows:

Frederick Robertson (66)

Non-executive Chairperson



Qualifications: Honorary Doctorate in Philosophy
Appointed: 2009

Committees: Chair: SES **Invitee:** AR N R IH

Experience: Fred Robertson is executive chairman and co-founder of Brimstone. He serves as deputy chairman of Remgro Limited and chairman of Lion of Africa Life Assurance Company. He also serves as non-executive director of AON Re Africa and Swiss Re Life and Health Africa. His trusteeships and patronages include: chairman of the board of trustees of the University of the Western Cape Foundation; patron to the South African Academy for Young Leaders; and trustee of The District Six Museum Foundation. He has received numerous awards over the years and, in 2016, was conferred an Honorary Doctorate in Philosophy by the University of the Western Cape.

Muhammad Brey (42)

Chief Financial Officer



Qualifications: CA(SA)
Appointed: 2016

Committees: Member: SES EXEC **Invitee:** AR IH

Experience: Former member of the corporate finance division of Nedbank Capital, managing executive at Brimstone, and former Chief Investment Officer and current Chief Financial Officer of Sea Harvest Group Limited.

Tiloshani Moodley (46)

Non-executive Director



Qualifications: LLB
Appointed: 2018

Committees: Member: SES

Experience: Executive director and company secretary at Brimstone, and non-executive chairperson of Obsidian Health Proprietary Limited as well as company secretary at Lion of Africa Insurance Company Limited.

Felix Ratheb (48)

Chief Executive Officer



Qualifications: BSc (Hons) (Elec Eng), MBA
Appointed: 2009

Committees: Member: EXEC **Invitee:** AR N R SES IH

Experience: Over 18 years' experience in the FMCG and fishing industries. Chairman of the South African Deep-Sea Trawling Industry Association (SADSTIA), board member of the Groundfish Forum, and former trustee on the board of the Marine Stewardship Council from 2016 until 2019, and current Chief Executive Officer of Sea Harvest Group Limited.

Marshall Rapiya (68)

Lead Independent Non-executive Director



Qualifications: BAdmin
Appointed: 2016

Committees: Member: AR N R SES

Experience: Extensive experience in the insurance industry, and former chief executive officer of Old Mutual Life Insurance (SA). Served on various boards in South Africa.

Iqbal Khan (54)

Non-executive Director



Qualifications: CA(SA)
Appointed: 2016

Committees: Member: N R SES IH **Invitee:** AR

Experience: Over 25 years' experience as a chartered accountant at SAA and the Old Mutual Group, former partner at Ernst & Young, former chief operating officer at Old Mutual Investment Group, former board member of the Independent Regulatory Board of Auditors, former head of the audit committee of the University of the Western Cape, and currently chief operating officer of Brimstone.

COMMITTEES

AR Audit and Risk	R Remuneration	IH Investment and Hedging
N Nomination	SES Social, Ethics and Sustainability	EXEC Executive

Kholeka Zama (43)

Independent
Non-executive Director

Qualifications: CA(SA)
Appointed: 2018



Committees: Member: AR SES

Experience: Over 25 years' experience in finance, former management accountant for Mondi, former chief financial officer of Ezemvelo KZN Wildlife, former head of internal audit and financial controller at British American Tobacco South Africa, and the current chief financial officer and finance director at Wesgro.

Kari Lagler (51)

Independent
Non-executive Director

Qualifications: CA(SA)
Appointed: 2018



Committees: Chair: AR

Experience: Over 25 years' business experience, former tax partner at KPMG, former general manager in Old Mutual Corporate, accountant member of the Western Cape Tax Court, tax practitioner and professional trustee.

André Hanekom (62)

Independent
Non-executive Director

Qualifications: CA(SA)
Appointed: 2016



Committees: Chair: N R IH **Member:** AR

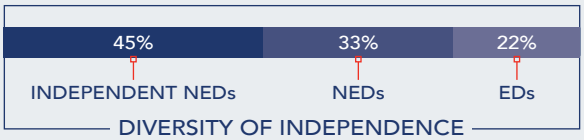
Experience: Over 30 years' experience in the FMCG and manufacturing industries, former chief executive officer of Bokomo, former chief executive officer of Pioneer Foods, and chairperson of Quantum Foods Holdings Limited.

BOARD CHANGES

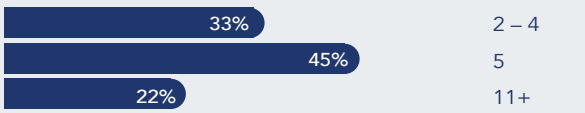
Former Chief Financial Officer, John Paul de Freitas, resigned with effect from 30 April 2020 and was replaced by Muhammad Brey.

BOARD COMPOSITION

The Group has a unitary board structure, presently comprising nine directors, with four independent non-executives directors (NEDs), three NEDs and two executive directors (EDs).



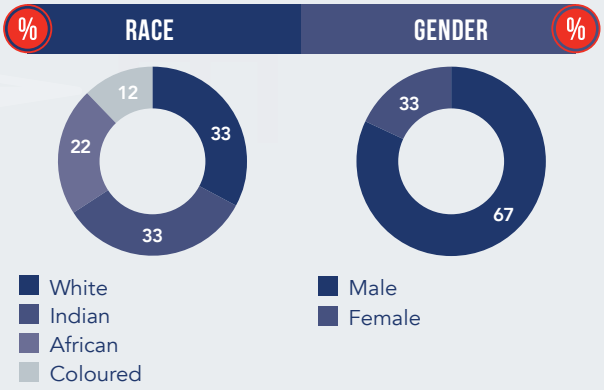
Diversity of tenure on the Board

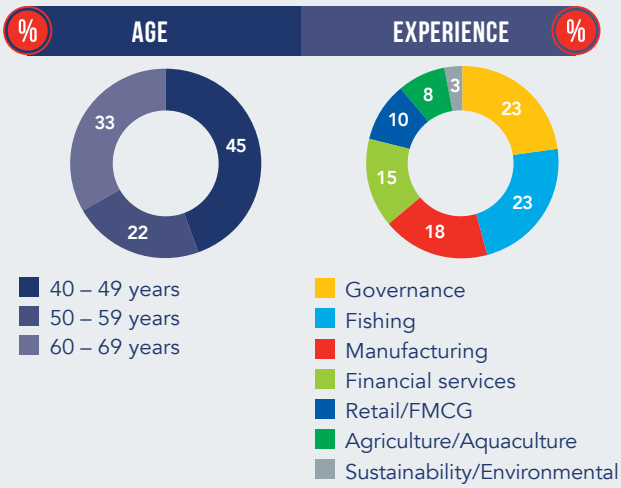


Board expertise, demographics and racial diversity

The Board comprises the appropriate balance of knowledge, experience, skills and diversity to discharge its responsibilities. Our Board is an independent body with the relevant expertise to provide perspective and facilitate robust decision-making for the benefit of the entire Group.

The three-year diversity targets established by the Board indicated that by 2020, 70% of its members should be historically disadvantaged individuals and 30% should be female. The Board is satisfied that this target was sufficiently achieved.





Qualifications



OUR LEADERSHIP CONTINUED

OUR EXECUTIVE COMMITTEE

The Executive Committee is primarily charged with the achievement of the Group's strategy as established by the Board. As the operational committee of the Group, the Executive Committee comprises executives and directors of key subsidiary companies and divisions. The committee meets regularly to determine, assess and monitor the implementation of strategies and policies approved by the Board whilst ensuring value creation. Assessing previously reported barriers and risks to the attainment of the Group's objectives and identifying and mitigating newly identified ones are a key focus of the Executive Committee.

Felix Ratheb (48)

Chief Executive Officer



Qualifications: BSc (Hons) (Elec Eng), MBA
Appointed to the Exec: 2006
Years at Sea Harvest: 17

Committees: Member: EXEC **Invitee:** AR N R SES IH

Experience: Over 17 years' experience in the FMCG and fishing industries. Chairman of the South African Deep-Sea Trawling Industry Association (SADSTIA), board member of the Groundfish Forum, and former trustee on the board of the Marine Stewardship Council from 2016 until 2019, and current Chief Executive Officer of Sea Harvest Group Limited.

Mary-Lou Harry (61)

Human Resources Director



Qualifications: National Diploma: HR Management, BCom (Hons), MPhil (Management Coaching)
Appointed to the Exec: 2008
Years at Sea Harvest: 13

Committees: Member: EXEC **Invitee:** SES

Experience: Numerous senior management and executive positions in the human resources field in the broadcasting and engineering sectors, former chairperson of South African Fishing Industry Employers' Organisation, former board member of the Fishing Industry Medical Scheme (Fishmed) and the Food and Beverages Sector Education and Training Authority (FoodBev SETA), and executive member of the Bargaining Council for the Fishing Industry.

Terence Brown (45)

Operations Director



Qualifications: National Diploma: Mechanical Engineering
Appointed to the Exec: 2014
Years at Sea Harvest: 10

Committees: Member: EXEC **Invitee:** SES

Experience: Over 20 years' experience in the local and international fishing industry, former fleet manager at Oceana Group and Sea Harvest Group Limited, former GM at Ireland Blyth Limited, former chairperson of SADSTIA, and current chairperson of the Sea Harvest Foundation.

Russell Hall (53)

Fleet Executive



Qualifications: Maritime Qualification, National Diploma: Cost and Management Accounting
Appointed to the Exec: 2015
Years at Sea Harvest: 29

Committees: Member: EXEC

Experience: Extensive seagoing experience on merchant ships gained at Safmarine as well as 20 years' experience devising fishing strategies, managing vessel acquisitions, production at sea and project management gained at Sea Harvest Group Limited.

Muhammad Brey (42)

Chief Financial Officer



Qualifications: CA(SA)
Appointed to the Exec: 2016
Years at Sea Harvest: 8, including four years as a managing executive at Brimstone

Committees: Member: SES EXEC **Invitee:** AR IH

Experience: Former member of the corporate finance division of Nedbank Capital, managing executive at Brimstone, and former Chief Investment Officer and current Chief Financial Officer of Sea Harvest Group Limited.

Konrad Geldenhuys (51)

Sales & Marketing Director



Qualifications: MBA
Appointed to the Exec: 2013
Years at Sea Harvest: 12

Committees: Member: EXEC

Experience: Extensive experience in sales management with broad international exposure, former Sea Harvest Commercial Manager, Managing Executive, and current Group Sales and Marketing Director of Sea Harvest Group Limited's domestic and international sales channels, brand management and marketing.

Gerrit Nortje (52)

Corporate Finance Executive



Qualifications: CA(SA), ACMA
Appointed to the Exec: 2014
Years at Sea Harvest: 19

Committees: Member: EXEC

Experience: Over 25 years' experience in the FMCG and manufacturing industries, 19 of which were gained at Sea Harvest Group Limited.

Madoda Khumalo (34)

Strategic Services Executive



Qualifications: BSc, MSc (Oceanography)
Appointed to the Exec: 2015
Years at Sea Harvest: 7

Committees: Member: EXEC **Invitee:** SES

Experience: Extensive knowledge in marine science, with seagoing research experience obtained at various institutions, such as the Department of Environment, Forestry and Fisheries and the University of Cape Town; former Resource and Sustainability Manager of Sea Harvest Corporation; and current Group Strategic Services Executive and chairperson of SADSTIA's Scientific subcommittee.

Renaldo Groenewald (48)

Ladismith Cheese: Managing Director



- **Qualifications:** CA(SA), MBA
- **Appointed to the Exec:** 2019
- **Years at Sea Harvest:** 2 years, with 14 years at Ladismith Cheese

Committees: Member: EXEC

Experience: Senior roles at Deutsche Bank, DHL and the South African National Defence Force, over 15 years' experience in the dairy industry, former chief financial officer and current managing director of Ladismith Cheese.

Nondumiso Seshoka (30)

Company Secretary



- **Qualifications:** LLB (Wits); Higher Diploma: Compliance Management (UJ)
- **Appointed to the Exec:** 2020

Committees: Member: EXEC

Experience: Over eight years' experience in legal, company secretarial, compliance and agricultural fields gained in private practice and in-house.

Nick Loubser (54)

Viking Aquaculture Operations Director



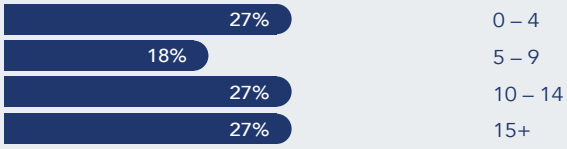
- **Qualifications:** BSc (Hons)
- **Appointed to the Exec:** 2020
- **Years at Sea Harvest:** 2 years, with 8 years at Viking Aquaculture

Committees: Member: EXEC

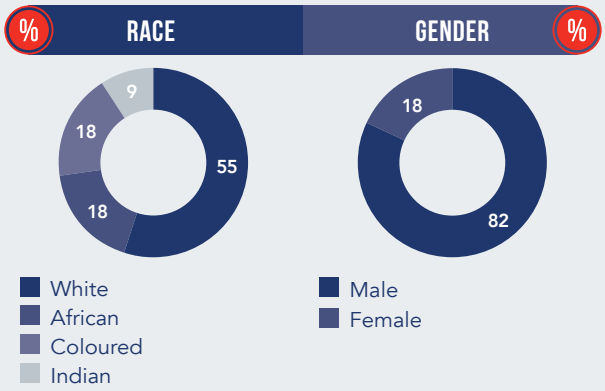
Experience: Over 30 years' experience in the aquaculture field from project management to strategic business development, over 20 years' senior management experience at I&J, current operations director at Viking Aquaculture, former chairman of the Abalone Farmers Association of South Africa (AFASA) and serves on the board of Amanzi Biosecurity.

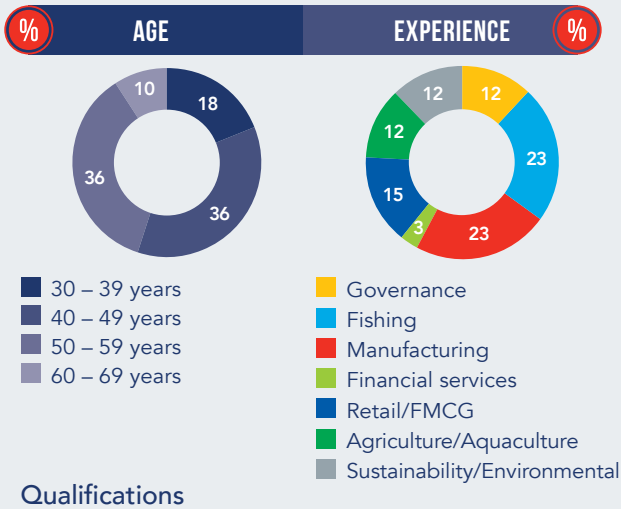
EXECUTIVE COMMITTEE COMPOSITION

Diversity of tenure at Sea Harvest

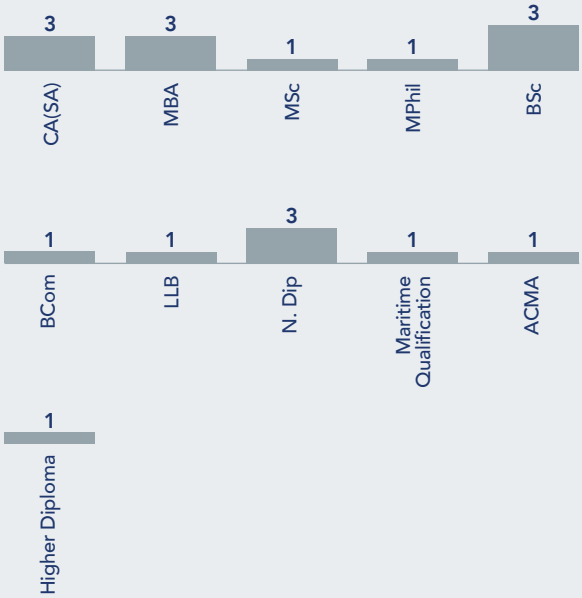


Diversity of experience, expertise and qualifications





Qualifications



COMMITTEES

AR Audit and Risk	R Remuneration	IH Investment and Hedging
N Nomination	SES Social, Ethics and Sustainability	EXEC Executive

OUR VALUE-CREATION BUSINESS MODEL

CAPITAL INPUTS

FC FINANCIAL CAPITAL

page 36

Equity, debt and internally generated capital to fund organic and acquisitive growth

MC MANUFACTURED CAPITAL

page 38

Vessels, processing plants, cold stores, distribution facilities, information technology (IT), aquaculture farms and factory shops

NC NATURAL CAPITAL

page 40

Natural resources, including various fish species, milk, water, energy and land

VALUE-ADDING ACTIVITIES 74 to 80

SOUTH AFRICAN FISHING

NO OF PRODUCTS:
c.150

TYPE OF SERVICE:
Catching, processing and marketing of Cape hake, horse mackerel, small pelagics (anchovies and pilchards), large pelagic (tuna) and prawn

SEA HARVEST INTERNATIONAL

NO OF PRODUCTS:
c.120

TYPE OF SERVICE:
- Catching, processing and marketing of prawn, scallops, crab and Spanish mackerel
- Importing and marketing of traded product, including Cape hake

SEA HARVEST AQUACULTURE

NO OF PRODUCTS:
c.10

TYPE OF SERVICE:
Farming and marketing of abalone, oysters, mussels and sea trout

CAPE HARVEST FOOD GROUP

NO OF PRODUCTS:
c.60

TYPE OF SERVICE:
- Ladismith Cheese – sourcing and processing milk into a variety of dairy products such as cheese, butter and powdered milk, and the marketing of these products
- Sea Harvest factory shops



OUTPUTS

C.340 PREMIUM QUALITY SEAFOOD AND DAIRY PRODUCTS for our customers who are retailers, foodservice providers, and food producers locally and internationally in **35 COUNTRIES AROUND THE GLOBE**.

CAPITAL OUTCOMES

Refer to **page 36** for more information on our financial capital

- \+ Revenue increased by 10% to R4.38 billion (2019: R3.97 billion)
- \+ Profit after tax attributable to shareholders of the Group increased by 5% to R431 million (2019: R412 million)
- \+ HEPS increased 2% to 151 cents per share (2019: 149 cents)
- \+ Return on capital employed (ROCE) of 17%, in line with 2019
- \+ Net debt to EBITDA improved to 1.4 times (2019: 1.6 times)
- \+ Ordinary dividend of 45 cents per share, in line with 2019

Refer to **page 38** for more information on our manufactured capital

- \+ Number of days at sea: 8 781 (2019: 8 665)
- \+ c.340 fish, shellfish and dairy product lines across the Group (2019: c.330)
- \+ Land-based total production output increased by 7% to 40 298 tonnes (2019: 37 610 tonnes)
- \+ Benefits realised from R286 million capital expenditure investment (2019: R264 million).

Refer to **page 40** for more information on our natural capital

- \+ 6% increase in Shark Bay prawn catches to 637 tonnes (2019: 599 tonnes)
- \+ More than 12 tonnes of plastic prevented from entering the ocean over a two-year period due to litter traps
- \+ Utilisation of renewable wind energy contributed to overall reduction in electricity consumption
- \+ Cape hake at MSY - hake TAC remained constant in 2020
- \+ Carbon emissions (Scope 1): 89 170 tCO_2e (2019: 106 719 tCO_2e)
- \+ Saldanha Reverse Osmosis (RO) desalination plant provided a 3% saving on water usage

VALUE CREATION FOR OUR STAKEHOLDERS

28 to 29

- Sustained 4 210 jobs across the Group
- R998 million paid in salaries and wages
- Staff earned c.R4.2 million in dividends from employment share trusts
- Spent R38 million on skills development

28 to 29

- Cash flow conversion increased from 58% in 2019 to 79% in 2020
- An ordinary dividend of 45 cents per share was declared in respect of the 2020 financial year, in line with 2019
- HEPS growth of 2% to 151 cents (2019: 149 cents)

32 to 33

- During 2020 we continued to actively support two new black entrants into the South African fishing sector
- Sea Harvest Australia continued to participate in a share-fishing arrangement with the boat skippers who operate their fishing vessels in Carnarvon and Darwin
- The Group implemented practices to retain the MSC certification of its Cape hake products in South Africa and Shark Bay prawn products

32 to 33

- The Group was able to grow its diversified product range to c.340 products in 2020 (2019: c.330) that were distributed to a wide range of customers located in 35 countries (2019: 37)
- Sea Harvest Fish Fingers received the South African Product of the Year award in the Quick Meals category
- Market share in the domestic retail market increased to 31% in 2020 (2019: 30%)
- Enhanced online presence with increased social media activity due to COVID-19 restrictions

GOVERNANCE

HUMAN CAPITAL

page 42

Employees – both skilled and semi-skilled

INTELLECTUAL CAPITAL

page 44

Brands, trademarks, reputation, employees' skills and experience

SOCIAL AND RELATIONSHIP CAPITAL

page 46

Stakeholder relationships and socio-economic investments



NON-NEGOTIABLES

62 to 68

OUR MATERIAL CARDINAL POINTS

Operating efficiently	Driving transformation	Protecting our brands
Managing relationships	Acting responsibly	Optimising financial capital

OUR TOP RISKS

49

1. Retention of fishing rights	2. COVID-19 pandemic	3. Macroeconomic factors	4. Sustainability of resource	5. Failure of food safety standards
6. Loss of major assets	7. Business interruption	8. Negative impact on reputation	9. Market concentration risks	10. Employee safety

STRATEGIC PERFORMANCE

Sea Harvest's strategy has been established around six pillars, split between organic growth and acquisitive growth. Please refer to **pages 70 to 73.**

CAPITAL OUTCOMES

Refer to **page 42** for more information on our human capital

- \+ R998 million paid in salaries and wages
- \+ R4.2 million paid in dividends to participants of employee share trusts
- \+ 94% (2019: 94%) of South African employees are African, Coloured and Indian (ACI)
- \+ More than 200 employees received long-service awards for service ranging from five to 40 years
- \+ 925 (22%) Group employees were upskilled in 2020, despite the challenges experienced as a result of COVID-19
- \+ Livelihoods protected and no jobs lost due to COVID-19

Refer to **page 44** for more information on our intellectual capital

- \+ Longstanding relationships with both suppliers and customers allowed the business to withstand turbulent headwinds
- \+ 100% recyclable packaging was launched in Europe together with other product innovation
- \+ NPD revised its focus due to changes in consumer behaviour
- \+ Aquaculture diversified its abalone products
- \+ Rebranding projects completed at Sea Harvest Australia and Ladismith Cheese

Refer to **page 46** for more information on our social and relationship capital

- \+ Retained a Level 1 B-BBEE contributor status and achieved a score of 104.49 (2019: 104.44)
- \+ Maintained the Group's black ownership at more than 80%
- \+ 10 560 food parcels and c.10 000 medical face masks packed and distributed in the fight against COVID-19
- \+ c.R1.1 billion spent procuring goods and services from majority black-owned businesses
- \+ Provided continued support to two new black entrants in the fishing sector
- – R463 million (2019: R492 million) spent on 642 SMMEs (2019: 745)

30 to 31

- ✪ The Group repaid a net R204 million of borrowings (2019: R214 million)
- ✪ R72 million was paid in net interest (2019: R101 million)
- ✪ All covenant requirements were met

30 to 31

- ▲ Paid taxes and levies in excess of R398 million and generated R1.9 billion in foreign currency revenue
- ✪ Actively supported SMMEs involved in small-scale fishing and allied sectors through the South African Fisheries Development Fund, which Sea Harvest co-founded

34 to 35

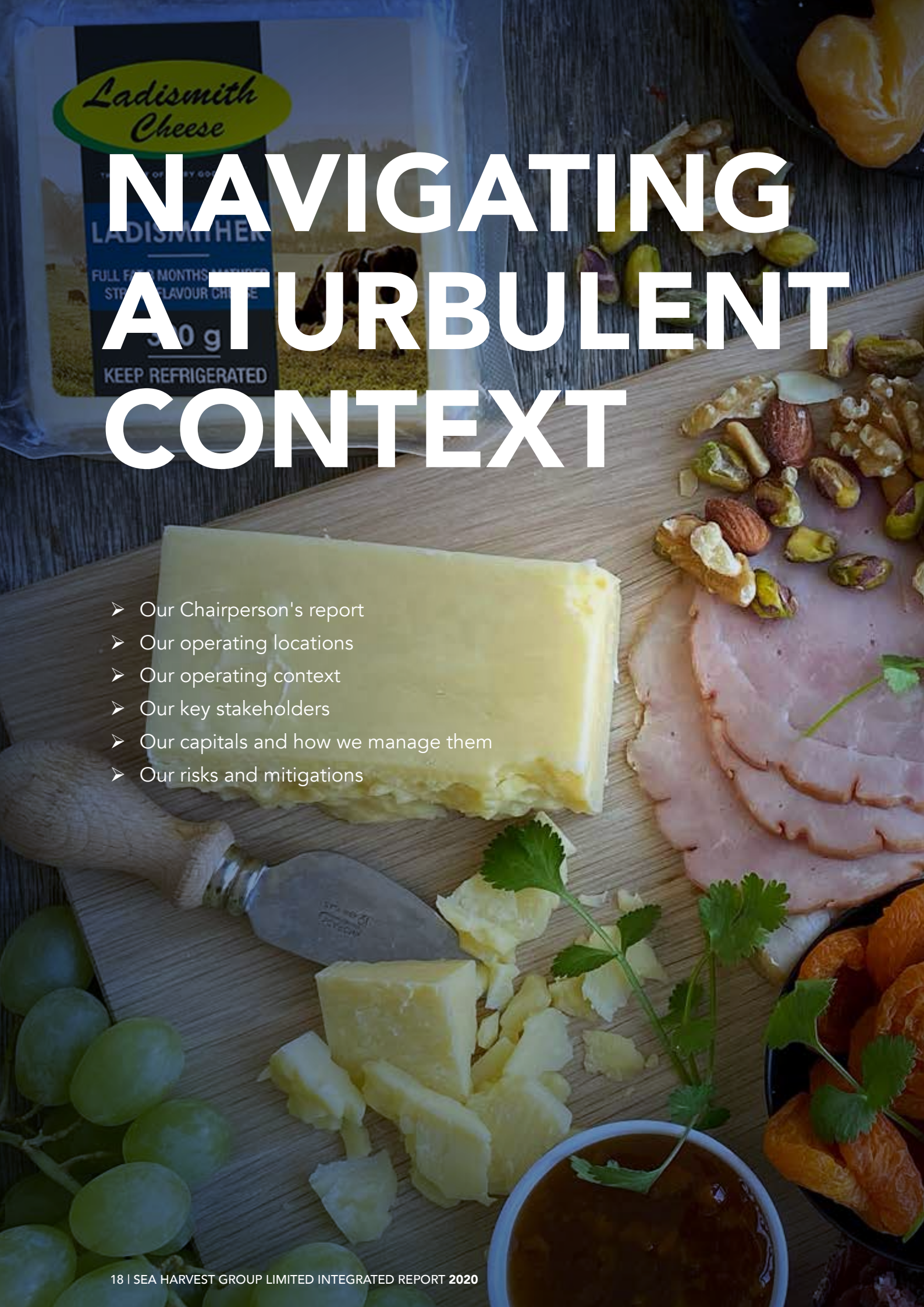
- ▲ Acquired products/services of R1.1 billion from 222 (2019: 223) majority black-owned suppliers
- ✪ R15.5 million contributed towards supplier development
- ▲ R5.7 million contributed towards enterprise development
- ✪ R463 million was spent on 642 SMMEs

34 to 35

- ▲ Through the Sea Harvest Foundation, the Group invested R4.9 million (2019: R4.5 million) on community-based projects
- ▲ Supported small-scale fishing sector by providing training and coaching, and developing a specialist insurance policy for fisherfolk in this sector
- ▲ A call centre was established to regularly check in and provide support to employees who tested positive for the COVID-19 virus

Achieved ✪ Increased ▲ Decreased ▼

OPERATING CONTEXT

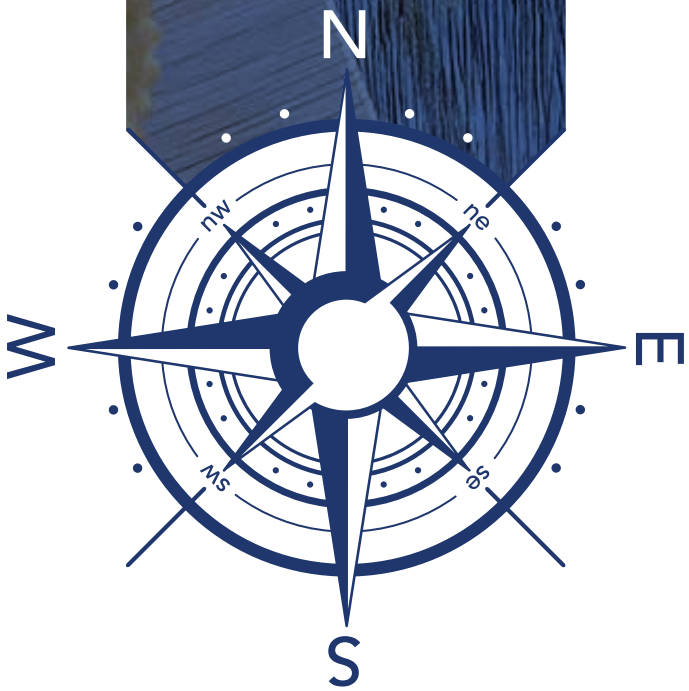


NAVIGATING A TURBULENT CONTEXT

- Our Chairperson's report
- Our operating locations
- Our operating context
- Our key stakeholders
- Our capitals and how we manage them
- Our risks and mitigations



3



OUR **CHAIRPERSON'S REPORT**

I present this report to you within the context of a world that has changed drastically over the last year. A year ago, the world was stunned by the onset of the COVID-19 pandemic and we were all anxious and feared the unknown impact of this global phenomenon. When one delves back into history to study the evolution of pandemics over a few centuries, one could probably attribute the rapid growth and spread of COVID-19 to globalisation, which has created a world without borders. The free and vast movement of people has accelerated the spread from one city in the Far East to every corner of the world.

At the outset, let me convey my sincerest condolences to our staff, friends, associates and all stakeholders who have lost loved ones to the pandemic.

At the time of writing this report South Africa has witnessed more than 1.5 million positive cases and over 50 000 deaths. At Sea Harvest, sadly, we lost Nico Bacon, the founder of Viking Fishing, and five other staff members who all succumbed to COVID-19. One life lost is one too many and I pray that the pandemic is soon brought under control so that lives and livelihoods are protected. It is now almost certain that each and every one of us has been impacted and/or experienced the loss of a family member or friend to COVID-19. The emotional and mental toll created by this pandemic across communities has been significant. I have to commend and thank the frontline healthcare workers who have served selflessly and cared for the sick in the toughest of conditions. I also acknowledge the role of government, regulators and staff who have tirelessly navigated through these unprecedented times to save lives.

As a country, South Africa has had its fair share of successes and failures in managing the pandemic. In the early stages, we fared very well in containing the spread and kept case numbers low. The strict national lockdown aimed to give us time to prepare our healthcare system for unprecedented admission rates. The national lockdown also resulted in a severely negative impact on most sectors of the economy as businesses, production and services were brought to a standstill. As the lockdown eased and restrictions lifted, we were unfortunately hit by a very bad second wave with increased mortalities. The second wave was characterised by rapid infection rates and a more dangerous mutant of the original virus. I respect the dedication of the National Coronavirus Command Council and health authorities in giving direction and showing leadership during these trying times. It could have been far worse. However, I am appalled at how unscrupulous characters used the pandemic as an opportunity to further corruption and actually contributed to the loss of lives. Corruption in all its forms needs to be eliminated from all spheres of government, business and civil society.

I RESPECT THE DEDICATION OF THE NATIONAL CORONAVIRUS COMMAND COUNCIL AND HEALTH AUTHORITIES IN GIVING DIRECTION AND SHOWING LEADERSHIP DURING THESE TRYING TIMES.

FRED ROBERTSON



At Sea Harvest, the safety of our people and communities is of paramount importance and we continuously ensure that our employees remain protected and work in a safe environment at all times. Sea Harvest was designated as an essential service provider, which meant that most of our staff worked throughout the lockdown period last year. We ensured that screening procedures, masking and social distancing were adhered to and made adjustments to operating procedures to accommodate these, and at no point have we compromised on these safety standards.

Sea Harvest's responsibility extends to the greater community of Saldanha and the surrounding areas and, as the largest employer in the region, it is important that we do everything in our power to contain the spread of the pandemic. During the year, we spent approximately R39 million on direct COVID-19 related costs to ensure the safety of our employees and sustainability of the business. Sea Harvest also contributed to food parcel distribution in communities whose plight was further impacted by the pandemic. We now eagerly await the rollout of the vaccine and pledge our support to facilitating this rollout to our employees and the greater community in which we operate.

Despite the challenges presented by the pandemic, superimposed on an already fragile economy, Sea Harvest presented a solid set of results – a testimony to the Group's resilience and defensive nature. With markets disrupted worldwide and certain markets closing, Sea Harvest managed to transition quite remarkably and shifted its product mix from depressed demand markets, such as food service, to the retail markets, which showed higher demand from consumers eating at home. Other segments, such as aquaculture, were hit hard as their primary markets for product in the Far East shut down. Although some of these markets opened later in the year, trade was hampered by severely restricted air cargo operations.

Financial performance highlights include a 10% increase in revenue for the year to R4.38 billion from R3.97 billion in the previous year. Operating profit increased by 5% to R629 million from R600 million and profit after tax increased marginally to R398 million from R396 million in the previous year. This translated into headline earnings growth of 3% to R421 million or 150.8 cents per share. The Company declared an ordinary dividend of 45 cents per share, unchanged from the previous year.

The South African deep-sea fishing resources are in good shape. I must commend the Department of Environment, Forestry and Fisheries (DEFF) and the University of Cape Town for their continued co-operation, resulting in the excellent management of the hake resource by government. This proves the strength in collective wisdom and co-operation towards a common goal. The South African hake deep-sea industry successfully renewed its MSC certification for a further five years, thus retaining its gold standard in sustainability, an accolade that we as an industry are very proud of.

The South African government's fishing rights allocation process (FRAP) is gaining traction after initially being postponed to allow the Minister to familiarise herself with the industry. We are pleased that the FRAP guidelines have been gazetted and we anticipate the process to be completed in December 2021. Our team is eagerly awaiting the next steps of this process as it has invested extensive resources into this key strategic project for the Company. We expect the process to be fair, equitable and transparent, taking into account all the factors that impact our industry. We hope that we will at least retain our rights to enable the Group to continue its empowerment journey in the interest of all its stakeholders, including employees and local communities.

I am proud that Sea Harvest has retained its Level 1 B-BBEE contributor status. While this factor is reduced to a simple score on a scorecard, B-BBEE is truly anchored very deeply in our Company and resonates in everything we do at Sea Harvest. We have strived to be a good model of how B-BBEE should be actualised and implemented, not just in our sector but in corporate South Africa. As a result of the Group's procurement policies, approximately R1.1 billion has been spent on procuring goods and services from majority black-owned suppliers and R463 million with SMMEs.

Sea Harvest is a co-founding member of the South African Fisheries Development Fund, a joint initiative with our majority shareholder Brimstone. The Fund was established to empower small-scale businesses and co-operatives in the fishing and allied sectors. The primary objective of the Fund is to transform the fishing industry from the ground up by assisting smaller quota holders and new entrants to acquire boats, catch their quotas, process catches and access markets. Sea Harvest supports these SMMEs via the Fund by providing marketing assistance, vessels and assets, management expertise, training and mentoring, and processing of fish to promote enterprise development.

The COVID-19 pandemic resulted in requests for Sea Harvest to support vulnerable households within the local communities. Sea Harvest responded with ease as this was a mere extension of the existing role we fulfil in the communities that are closely connected to the fishing sector. During the year under review, through the Sea Harvest Foundation, the Group invested R4.9 million on community-based projects, which included the distribution of food parcels, care packs, face masks and other hygiene items, an annual bursary programme and other initiatives.

The Group sustained more than 4 000 jobs, resulting in R998 million paid in salaries and wages. We ensure that our employees are remunerated on a competitive basis and in many cases their packages are above the market-related average. I cannot over-emphasise the importance of our most important asset – our people and their safety. I wish to thank each and every employee – they have worked in the most uncertain and fearful conditions presented by the pandemic. I can assure them that we will do our utmost in ensuring their continued safety as we navigate through and beyond COVID-19.

I would like to thank all my fellow Board members for their guidance and support. I also wish to congratulate and thank our CEO, Felix Ratheb, and his executive team for their extra dedication and hard work during a difficult year that presented many challenges. They proved their agility in so many ways as they faced up to meet the challenges. Their quick repositioning of the Company, as if adjusting their sails, proved highly successful.

To all our stakeholders, shareholders, suppliers, customers, unions, regulators, advisors and associates, thank you for your support – it continues to make a positive difference to us and enables us to stay the course from sea to shore.

> Despite the challenges presented by the pandemic, superimposed on an already fragile economy, **Sea Harvest presented a solid set of results – a testimony to the Group's resilience and defensive nature.**



Frederick J Robertson
Non-executive Chairperson

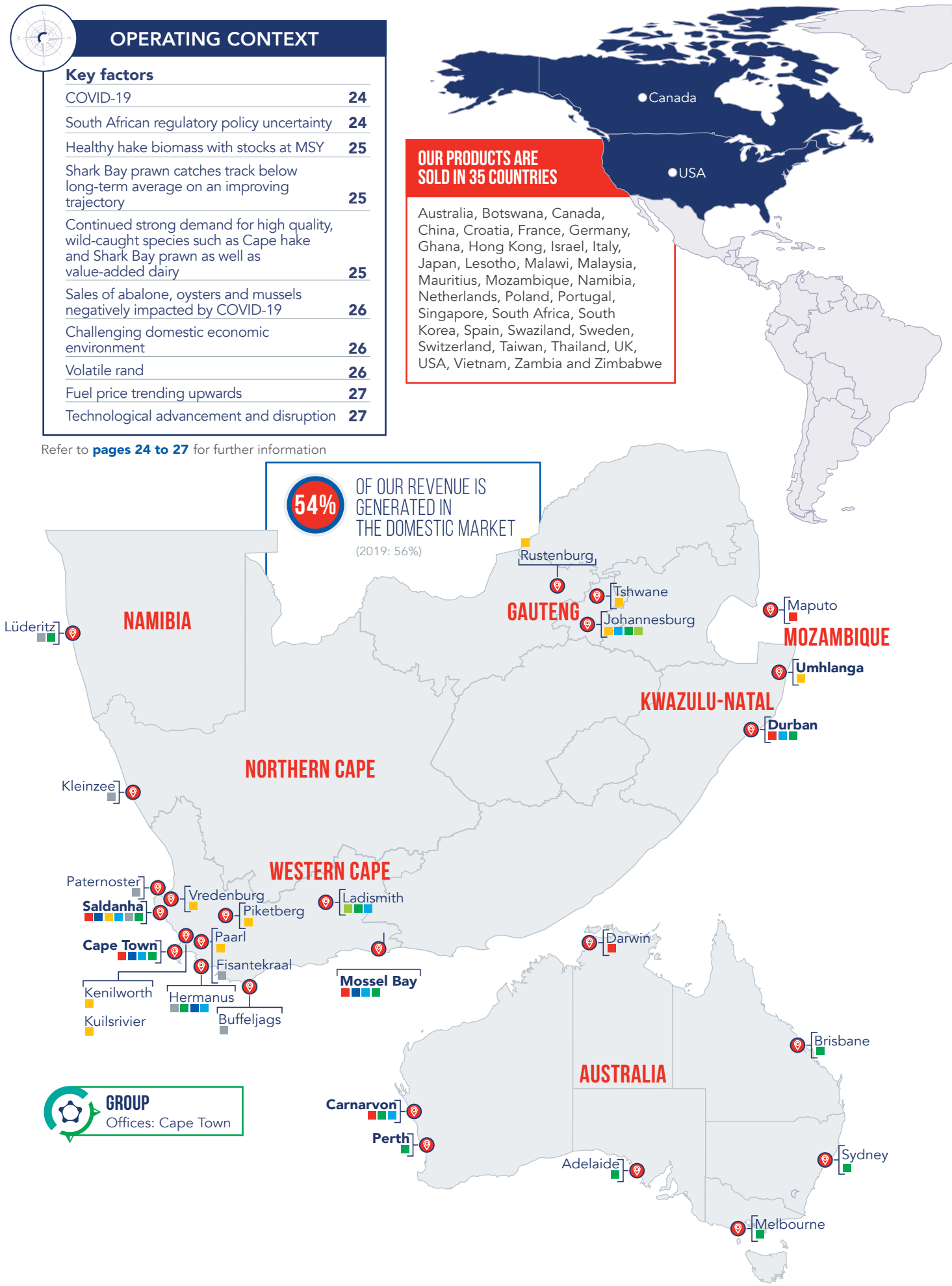
OUR OPERATING LOCATIONS

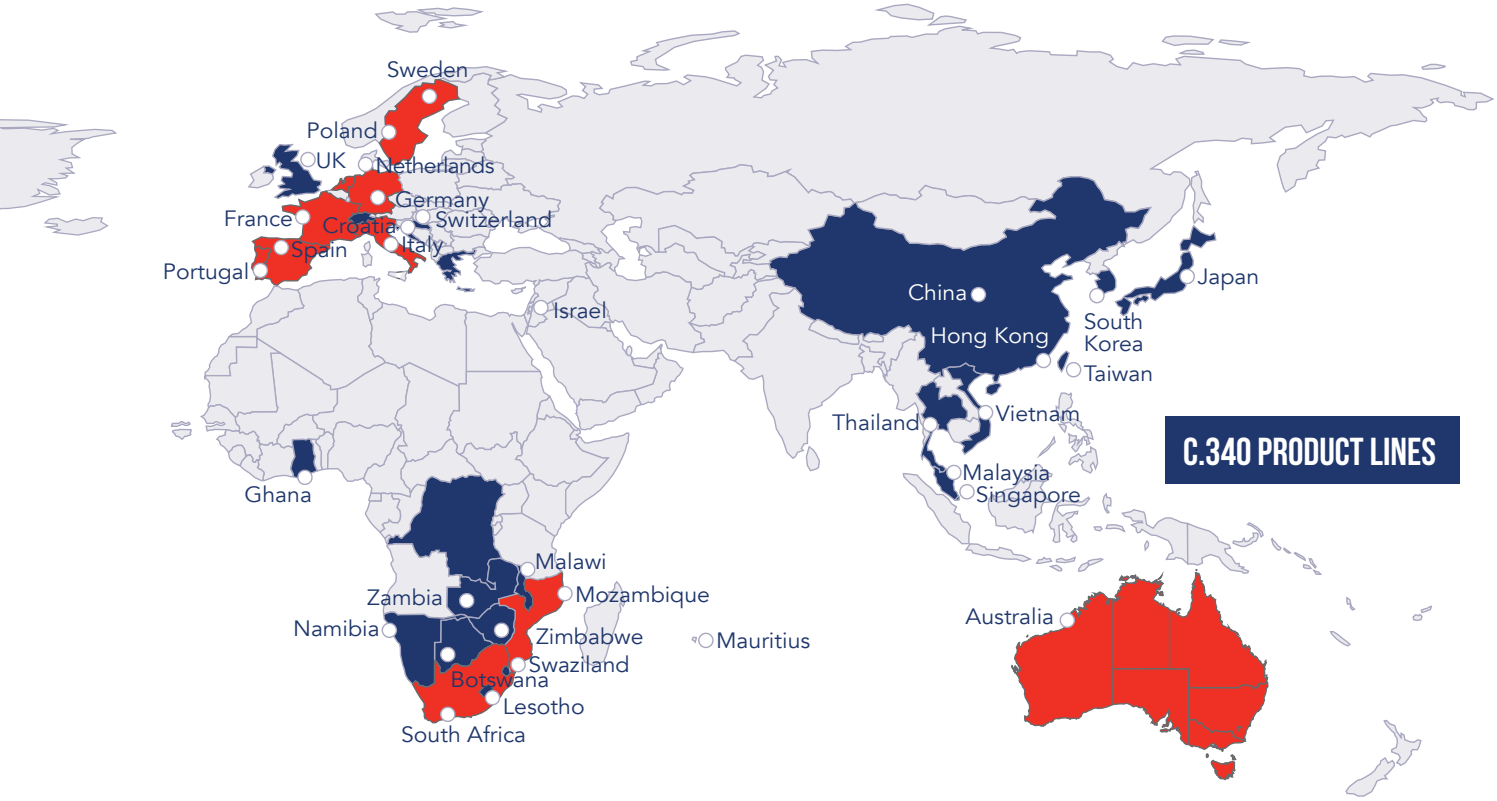
OPERATING CONTEXT

Key factors

COVID-19	24
South African regulatory policy uncertainty	24
Healthy hake biomass with stocks at MSY	25
Shark Bay prawn catches track below long-term average on an improving trajectory	25
Continued strong demand for high quality, wild-caught species such as Cape hake and Shark Bay prawn as well as value-added dairy	25
Sales of abalone, oysters and mussels negatively impacted by COVID-19	26
Challenging domestic economic environment	26
Volatile rand	26
Fuel price trending upwards	27
Technological advancement and disruption	27

Refer to **pages 24 to 27** for further information





C.340 PRODUCT LINES

1% Revenue **USA** (2019: 1%)

29% Revenue **EUROPE** (2019: 28%)

3% Revenue **OTHER MARKETS** (2019: 3%)

1% Revenue **UK** (2019: 1%)

OUR GLOBAL PRESENCE
- Major markets (95%)
- Minor markets (5%)
- Countries where our products are sold

54% Revenue **SOUTH AFRICA** (2019: 56%)

12% Revenue **AUSTRALIA** (2019: 11%)

SOUTH AFRICAN FISHING

Catching, processing and marketing of Cape hake, horse mackerel, small pelagics (anchovies and pilchards), large pelagic (tuna) and prawn.

- Saldanha Bay
- Cape Town
- Mossel Bay
- Durban
- Maputo

- Saldanha Bay
- Cape Town
- Mossel Bay

- Saldanha Bay
- Cape Town
- Mossel Bay
- Durban
- Johannesburg

- Saldanha Bay
- Cape Town
- Mossel Bay
- Johannesburg
- Durban

SEA HARVEST INTERNATIONAL

Catching, processing and marketing of prawn, scallops, crab and Spanish mackerel as well as importing and marketing traded product, including Cape hake.

- Carnarvon
- Darwin

- Carnarvon

- Carnarvon
- Perth
- Adelaide
- Melbourne
- Sydney
- Brisbane

SEA HARVEST AQUACULTURE

Farming and marketing of abalone, oysters, mussels and sea trout.

- Lüderitz
- Kleinzee
- Paternoster
- Saldanha Bay
- Hermanus
- Fisantekraal
- Buffeljags

- Saldanha Bay
- Hermanus

- Saldanha Bay
- Hermanus

- Lüderitz
- Hermanus

CAPE HARVEST FOOD GROUP

Sourcing and processing milk into a variety of dairy products such as cheese, butter and powdered milk, and the marketing of these products as well as operating Sea Harvest factory shops.

- Ladismith
- Johannesburg

- Ladismith
- Johannesburg
- Cape Town

- Ladismith
- Johannesburg
- Cape Town

- Cape West Coast (Vredenburg, Saldanha Bay, Piketberg)
- Cape Town (Paarl, Kenilworth, Kuilsrivier)
- Johannesburg (Xavier, Boksburg, Honeydew)
- Tshwane (Silverton, Centurion, Rooihuiskraal)
- Rustenburg
- Umhlanga

Fishing Operations | Seafood Processing Facilities | Fish Factory Shops | Cold Storage and Distribution
Dairy Production Facilities | Aquaculture Operations | Offices

OUR OPERATING CONTEXT

OPERATING CONTEXT

The Sea Harvest Group is a global fishing, aquaculture and food business with operations in South Africa, Mozambique, Namibia and Australia. We catch, source, process, market and distribute premium, sustainably sourced seafood, value-added dairy and other food products to 35 countries around the world.

The external environment in which we operate has a direct influence over our business model and impacts on our ability to create value for our various stakeholders. Understanding our operating context is important as it influences what we do to mitigate risks identified within the external environment and harness emerging opportunities. We have analysed the political, economic, social and environmental factors that influence our business in the jurisdictions in which we operate and have identified the following 10 trends that have already, or may in the future, materially impact Sea Harvest's operations and our ability to create value for all our stakeholders in the short, medium and long term.

1 COVID-19

Management is cognisant of the impact that COVID-19 has had and will continue to have in the short to medium term on the Group's operating context.

The Group started preparing for the pandemic in early 2020, having witnessed the impact the virus was having in Europe.

IMPACT

- Preparation was initially confined to ensuring that we devised protocols and practices to keep our staff safe, should the pandemic reach any of our operating sites.
- In March 2020, as the pandemic began to spread, in particular into our key markets in western Europe, sectors in those markets began to close under national lockdowns. Where the catering/foodservice sectors were closed, the demand for our products shifted to the retail sector in those locations.
- The closures exhibited, first in China and then western Europe, made their way to South Africa in April 2020, where again we saw a shift from out-of-home dining to increased in-home consumption.
- The impact of the virus also extended beyond market activity to challenges in the supply chain due to logistical challenges as ports closed or severely reduced capacity all over the world.
- Lower levels of productivity and efficiency were experienced as employees struggled to adjust to the impact of the virus.
- The impact of COVID-19 was particularly felt in our traditional aquaculture markets in the Far East where the primary channel of foodservice remains severely lethargic and demand for catering and restaurant products remains low.

OUR RESPONSE

- Our primary response was to ensure that our staff were safe and protected at the workplace through rigorous medical screenings, testing, hygiene practices, adequate personal protective equipment (PPE), social distancing and the provision of private transport. Furthermore, where required, the Group undertook to test its affected staff and ensure their well-being should they have contracted the virus.
- Operationally, the Group's operations were focused on the drastic shifts in market from foodservice to the retail sector. Under normal circumstances, the Group strives to strike a balance in servicing both markets equally; however, due to the pandemic, the Group prioritised the production of retail-type products.

2 SOUTH AFRICAN REGULATORY POLICY UNCERTAINTY

- The FRAP for the hake deep-sea trawl, small pelagics, KwaZulu-Natal prawn trawl and tuna pole-line sectors was scheduled to be completed during 2020, with new rights coming into effect from 1 January 2021.
- On 26 June 2020, the FRAP 2021 process commenced once again. Through the commencement of the process, the Minister also gazetted the process timelines where it would begin in October 2020 and culminate in December 2021 with the new fishing rights valid from 1 January 2022.
- There are particular legislated requirements that the Department of Environment, Forestry and Fisheries (DEFF) has to undertake for the process such as: a) procuring a service provider to assist in the entire process; and b) undertaking a comprehensive socio-economic impact assessment of the proposed legislative changes for each of the reallocation sectors as a part of FRAP 2021. This process had not commenced by the end of the period under review.
- At the time of writing our IR, the general and sector-specific policies that govern the upcoming rights allocation process were being drafted and expected to be published during the first half of 2021. Until these policies are published, the evaluation criteria that will be used remain unclear.

IMPACT

- A potential reduction in Sea Harvest's quota allocation will result in lower catches, and consequently proportionally lower sales tonnes and revenue.
- Quota allocations are proportional to the number of jobs created, and therefore a quota reduction will likely translate into job losses within the rural communities in which we operate.
- A potential reduction in Sea Harvest's quota could result in stranded assets and a reduction in investment in the fishing sector.

OUR RESPONSE

Sea Harvest continues to invest significant effort and resources to align with government's objectives of transformation, job creation, investment and growth.

- We supported government's inclusive growth and transformation objective by:
  - retaining a Level 1 B-BBEE contributor status with an improved score of 104.49 (2019: 104.44);
  - spending R368 million in 2020 within our South African Fishing operations to procure goods and services from 558 predominately black SMMEs;
  - increasing black shareholding from 21% in 2005 to >80% in 2020; and
  - investing R16 million on projects to empower local communities in and around which we operate between 2016 and 2020.
- We supported government's job creation objective by increasing the number of jobs in our South African Fishing operations to c.3 200, in mostly rural areas, from approximately 2 000 at the time that the long-term hake rights were last awarded in 2005. In 2020, the Group paid R998 million in salaries and wages to our employees.
- We supported government's investment and growth objectives by investing significantly in the South African fishing sector. Since our long-term hake rights were last awarded in 2005, it is estimated that the Group has invested approximately c.R2 billion in acquiring and maintaining existing vessels and production facilities.
- The Group has engaged extensively with the DEFF on ensuring that the sector remains stable, not only during the COVID-19 pandemic but also post FRAP 2021, so it can continue to contribute to the growth of the South African economy.
- We maximise beneficiation in South Africa, thereby maximising jobs.

3 HEALTHY HAKE BIOMASS WITH STOCKS AT MSY

- The DEFF's Fisheries Research and Development directorate is supported by scientific stakeholders from multiple academic institutions and industry. Together, through the governance by DEFF, all stakeholders actively manage South Africa's fishing resources by limiting fishing efforts and allocating a scientifically evaluated annual Total Allowable Catch (TAC).
- Surveys and stock assessments for the Group's targeted species are conducted throughout the year to evaluate the health of the fish species, and adjustments are then made to the TAC or fishing efforts where necessary.
- In the hake sector, the most recent assessments indicate that the deep-water hake resource has recovered to above the maximum sustainable yield (MSY) level. As a result, the stock is considered to be in a healthy state, and TAC has consequently increased between 2018 and 2020.
- Horse mackerel remains stable after the initial TAC reductions from 2014 to 2018, primarily due to the catchability of the resource. However, since 2018, the sector has seen a rebound in catches and this has been supported by the increased TAC between 2018 and 2019, which has been followed by a stable TAC and catches during 2020.
- Small pelagics (anchovies and sardines) catches remain low and this further indicated that the abundance and recruitment for both species remain low. However, the DEFF has committed to continue monitoring and adjusting management strategies as necessary in order to facilitate growth objectives for the species over the next few years.

IMPACT

- As a result of the hake biomass reaching MSY, the hake TAC for 2020 remained unchanged at c.147 000 tonnes, which translated into stable catches from the species.
- In 2020, the improved health of the hake biomass resulted in stable catch rates and size mix, keeping the trawling cost per kilogram steady, which in turn benefited the South African Fishing operation margins in a tumultuous year due to the COVID-19 pandemic.
- This was further reinforced in the horse mackerel sector where catches and the subsequent trawling cost per kilogram remained strong and stable respectively.

OUR RESPONSE

- Through our leadership roles in the South African fishing industry, Sea Harvest actively promotes the sustainable management of our marine resources through responsible fishing practices and active engagement with all stakeholders in the sector.



4 SHARK BAY PRAWN CATCHES TRACK BELOW LONG-TERM AVERAGE ON AN IMPROVING TRAJECTORY

The 2020 Shark Bay prawn catch volumes of 637 tonnes were 6% higher than the prawn catches experienced in the 2019 prawn season. However, even though this still remains below the long-term average prawn catch of 800 tonnes, the resource management strategies undertaken by the Western Australia Fisheries Department in consultation with the industry seem to be yielding dividends and building towards the stock objectives.

IMPACT

- The lower than average prawn catch has, been offset by a larger size mix, particularly in higher-value tiger prawns. This has had a proportional positive impact on the revenue of Sea Harvest Australia's prawn operation, however, dampened by slightly softer pricing as a result of COVID-19.

OUR RESPONSE

- In late 2019, Sea Harvest Australia successfully engaged with the Western Australian Fisheries Department to motivate a later start to the prawn catching season in 2020.
- This management strategy was implemented and the later start to the prawn season allowed the resource an opportunity to grow, improving volumes and size mix.
- This strategy was continued in 2020 leading up to the start of the 2021 prawn season in Shark Bay.

5 CONTINUED STRONG DEMAND FOR HIGH QUALITY, WILD-CAUGHT SPECIES SUCH AS CAPE HAKE AND SHARK BAY PRAWN AS WELL AS VALUE-ADDED DAIRY

- Increasing global populations, together with a growing global trend towards healthier proteins, is driving an increased global demand for sustainable and natural seafood and value-added dairy.
- The supply of wild-caught fish remains static, with global wild-caught white fish supplies remaining stable at c.7 million tonnes.
- Cape hake and Shark Bay prawn are sought after wild-caught, MSC-certified species with limited supply, which are in high demand globally, particularly in our key markets in Europe and Australia.

IMPACT

- The global demand for wild-caught species such as Cape hake and Shark Bay prawn exceeds supply, which creates a positive dynamic that enables continued firm pricing in the markets in which we operate. South Africa is also a net importer from a dairy perspective.

OUR RESPONSE

- Export revenue from the South African Fishing operation has increased 15% compared to 2019, and the export mix of revenue has increased to 54% from 53% in 2019.
- The slowdown in the hotels, restaurants and catering (HORECA) markets, both locally and internationally, was offset by increased in-home consumption, both locally and internationally, resulting in the retail market mix increasing to 50% (2019: 45%) of total Group revenue.

OUR OPERATING CONTEXT CONTINUED

6 SALES OF ABALONE, OYSTERS AND MUSSELS NEGATIVELY IMPACTED BY COVID-19

- South African abalone is a valued species and historically has been in high demand in Hong Kong and China. Our two abalone farms have a design capacity of 570 tonnes with most animals destined for live sale into Hong Kong and China.
- Oysters and mussels are sold locally into the foodservice market.
- In the year under review, sales were severely affected by the global COVID-19 lockdowns and the limitation on international flights.

IMPACT

- Lower demand for abalone due to lockdowns resulted in lower sales volumes and negative pricing pressure, resulting in 23% lower revenue at Sea Harvest Aquaculture.
- Sea Harvest Aquaculture recorded an operating loss of R73 million for the year, compared to an operating loss of R30 million for 2019, driven by the inability to access markets and the cost of feeding an abalone biomass 25% higher than 2019.

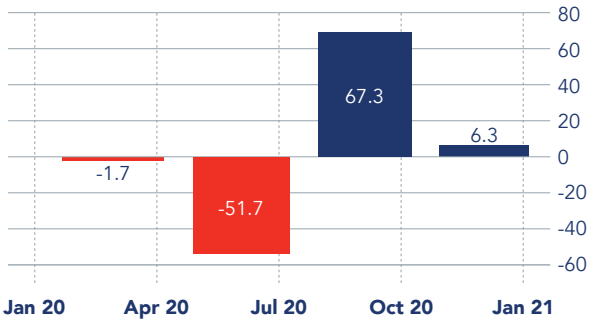
OUR RESPONSE

- The expansion of the Kleinzee abalone farm in the Northern Cape has been suspended until markets recover.
- The business has made progress in diversifying market concentration away from Hong Kong by identifying alternative markets.
- Alternate products in the form of frozen and dried were launched and the production of canned abalone has been increased during the course of 2020.

7 CHALLENGING DOMESTIC ECONOMIC ENVIRONMENT

- On the back of one of the worst pandemics in our history, the South African economy had a challenging year, contracting by a record 51.7% from April to June, which was partially offset by a recovery in Q3 of 67.3%. However, despite the rebound, the economy is still 7% smaller than at the start of 2019.

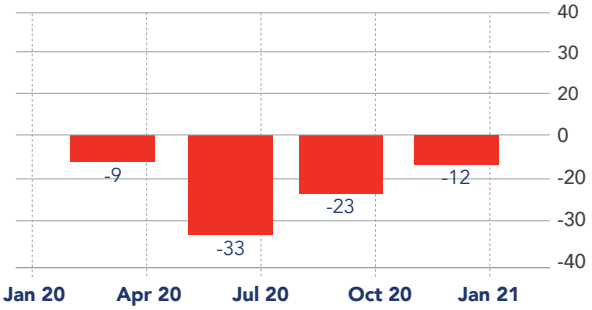
South Africa GDP growth rate



Source: Tradingeconomics.com
Statistics South Africa

- South Africa's Consumer Confidence Index has declined sharply over the past two years from its high of 26 in the first quarter of 2018, following President Cyril Ramaphosa's election. 2020 marked a further decline in Q2 to -33 as lockdown restrictions were imposed. Consumer confidence in South Africa rebounded to -12 in Q4 with the further relaxation of restrictions. Despite the improvement, the -12 score was the lowest reading in Q4 since 2015 and the year was the lowest recorded since 1994.
- Consumer spending was under continued pressure during 2020, impacted by the COVID-19 pandemic and resulting lockdown restrictions.

South Africa consumer confidence



Source: Tradingeconomics.com
Bureau for Economic Research (BER)

IMPACT

- Despite the challenging South African economic environment, the Group saw retail sales improve from 2019 benefiting from increased in-house consumption as a result of the lockdowns. Domestic retail revenue from the South African Fishing segment was 36% ahead of 2019.

OUR RESPONSE

- NPD and R&D within Sea Harvest focused on the shift to retail products. These included the re-engineering of a number of products to ensure availability on shelf.
- The Group also directed more product offshore, where economies were shielded through extensive government stimulus packages. As a result, export revenue increased to 46% (2019: 44%) of total Group revenue.

8 VOLATILE RAND

- The rand remained extremely volatile during 2020, starting the year at a rate of R15.72 and ending 14% weaker at R17.91 against the euro. However, through the course of the year the rate varied widely from its strongest position of R15.72 on 1 January 2020 to its weakest position of R20.87 to the euro on 8 August 2020.

EUR ZAR historical chart for year 2020



2021 © Exchangerates.org.uk

IMPACT

- In 2020, exports made up 54% (2019: 53%) of Sea Harvest's South African Fishing revenue and 72% (2019: 57%) of Sea Harvest Aquaculture's revenue, which meant (i) the volatility of the rand exchange rate had a significant and direct influence on our reported revenue; and (ii) the Group continued to benefit from a weaker currency.
- During 2020, the average movement of the rand compared to 2019 had a positive 7% impact on Sea Harvest Group's reported export revenue.

OUR RESPONSE

- To mitigate the impact on the Group's results because of a fluctuating rand, Sea Harvest has an established Hedging Policy which is reviewed annually and approved by the Investment and Hedging Committee and the Board.
- In accordance with the approved Hedging Policy, Sea Harvest hedges 50% of its export sales as a matter of course, and up to 75% with the specific approval of the Investment and Hedging Committee.
- Sea Harvest covered 72% of its expected 2020 foreign currency exposure using forward exchange contracts, and recorded a foreign exchange loss of R52 million, due to the sharp depreciation of the rand.

9 FUEL PRICE TRENDING UPWARDS

- The price of Brent Crude was also volatile during 2020, beginning the year at US$66 per barrel, decreasing initially to US$18 per barrel in April 2020 then increasing again to end the year at US$52 per barrel.
- The rand opened the year at R14.01 and ended the year at R14.66 against the US dollar. However, as against other currencies, the rand remained volatile against the US dollar, tracking between its weakest position of R19.29 against the US dollar in April 2020 from its strongest position of R14.01 on 1 January 2020.
- As a result of the above two factors, the rand cost of fuel decreased by 18% during the course of 2020, from R930 per barrel at the start of the year to R759 per barrel at the end of the year.

Brent crude oil historical chart for year 2020



2020 © Exchangerates.org.uk

USD ZAR historical chart for year 2020



2021 © Exchangerates.org.uk

IMPACT

- The Sea Harvest fleet consumed c.33 million litres of diesel fuel in 2020, and as a result the movement in the price of Brent Crude and the rand and Australian dollar exchange rates relative to the US dollar had a significant impact on the cost of fuel, which comprised c.11% of our total cost of sales.

OUR RESPONSE

- To mitigate the volatility of prices over the course of 2020, Sea Harvest hedged 67% of its diesel exposure for the year under review.
- During 2020, Sea Harvest recorded a fuel hedge loss of R16 million.

10 TECHNOLOGICAL ADVANCEMENT AND DISRUPTION

On the technology front, constant technological developments and digital advances, coupled with protracted lockdowns in countries around the world due to COVID-19, meant that Sea Harvest faced ongoing disruption not only in the way it operated but also how it engaged with its stakeholders. This was compounded by an increase in threats originating from external sources.

IMPACT

1. Although Sea Harvest was categorised as an essential services provider, there was still a need to reduce the risk posed by COVID-19 to the business and its employees. This meant that planned activities and the ways of working had to change. This required rapid changes in the digital and technological workspace.
2. There was a vast increase in criminal activity and external threats to the business, especially with the added challenges of a mobile workforce.
3. Integration and financial reporting enhancements were required.
4. There was a need for alignment of systems and processes in the Group.
5. COVID-19 accelerated the need for innovative customer retail solutions.
6. Customer visits and trade shows could not take place due to meeting and travel restrictions.

OUR RESPONSE

1. Sea Harvest was able to allow staff to work from home and when the first lockdown was announced, as the Group had made the shift to cloud hosting and cloud services early in 2019. The adoption of video conferencing escalated during the early period of the pandemic and became embedded into the culture, adding to productivity by decreasing travel time and minimising risk.
2. The restrictions on instore marketing, due to COVID-19 resulted in the marketing department utilising social media and other online platforms more extensively. The team was quick to develop and drive creative strategies via Instagram, Facebook and YouTube resulting in a dramatic increase in Sea Harvest's online presence.
3. A new point-of-sale (POS) system was rolled out for the Cape Harvest Foods retail division. This was fully integrated into the enterprise resource planning system, allowing for enhanced reporting, better stock control and centralised management. All sites were successfully completed by December 2020.
4. As part of Sea Harvest's technology roadmap, the need for improvements within the human resource and payroll management systems were identified. In addition, the standardisation of processes across the Group was required. A project team was established and a technology partner will be selected in Q1 2021 to implement a suitable solution.
5. Online shopping was required due to the government-imposed travel restrictions. The newly implemented POS system allows for an e-commerce, as well as a customer loyalty solution to be implemented in the future.
6. The business transitioned to meeting stakeholders online, either through MS Teams or stakeholder-specific electronic communication platforms.

OUR KEY STAKEHOLDERS

INTRODUCTION

Our key stakeholders are those who are directly or indirectly affected by our business activities. As one of our material cardinal points, managing our relationships with our key stakeholders is prioritised throughout the year. We are always mindful of their expectations and how we can best respond for a mutually beneficial outcome.

EMPLOYEES AND LABOUR UNIONS



WHY THEY MATTER	THEIR EXPECTATIONS	MATTERS RAISED	HOW WE ENGAGED
Our employees provide the experience, skills and the qualifications that we need to create value. Various labour unions represent the interests of the majority of our employees and actively engage management for a range of employee matters such as improved wages and benefits, and conditions of employment. As the Company's most important asset, it was paramount that the health and safety of the employees was a key focus area during the COVID-19 pandemic.	Our employees and labour unions expect fair remuneration and other financial and non-financial benefits to reward performance; safe and stimulating working environments; relevant and timely information about our business; opportunities for career and skills development; and job security. Employees sought assurance for their safety and well-being in the workplace during the turbulent time of the pandemic. Employees also expected the Group to support them during this trying time.	Employees raised their concerns about the security of their jobs as well as their safety at the workplace during the pandemic. Due to the requirement for all employees to wear face masks, the financial impact on employees to purchase their own masks throughout the duration of the pandemic was raised. Employees and labour unions appealed to the Company to provide regular communication to employees regarding protocols and other relevant COVID-related updates.	An enhanced focus was placed on the health and safety of our employees during the COVID-19 pandemic. The CEO set up a steering committee (SteerCo) to guide the Group in its COVID-19 response and established COVID-19 task teams at each site. A dedicated call centre was established to provide daily assistance to all employees infected and affected by the pandemic. Communication was directed via online channels, SMS and large-format notices published on supersized noticeboards.

SHAREHOLDERS



WHY THEY MATTER	THEIR EXPECTATIONS	MATTERS RAISED	HOW WE ENGAGED
Our shareholders carry the most risk, because their investment provides the financial capital needed to grow our business.	Our shareholders expect to receive an appropriate return on their investment through a combination of an increase in share price and dividends; that wealth is not only created, but also shared; and transparent information is provided about our business that demonstrates the Group's adherence to good corporate governance.	Our shareholders wanted to better understand how the Group supports and engages its staff and the communities in which the Group operates.	We had regular face-to-face engagements with shareholders through events and meetings, while information was also shared electronically, online, and through the media by way of announcements through, among others, the Stock Exchange News Service (SENS), advertorials, press releases, and our IR, AGM and results presentations.



Achieved ✪ Increased ▲ Decreased ▼

HOW WE RESPONDED	VALUE CREATED
We remunerated our employees on a competitive basis and in many cases salaries and wages were above the market-related average. We also provided decent increases amounting to a minimum of CPI plus 2/3%. Our employees were able to share in the Group's wealth through capital growth and dividends via the employee share trust (EST). Where possible, the Company implemented online training to ensure that employees still benefited from various learning and development opportunities as well as health and safety and environmental programmes. As the pandemic affected our people, the Group, through an executive-led COVID SteerCo, ensured that strict COVID protocols were adhered to in order to mitigate/reduce the impact of the pandemic by providing dedicated onsite medical assistance, PPE, screenings, testing, food and care parcels, as well as assistance with Temporary Employment Relief Scheme (TERS) relief payment applications. Dedicated subsidised transport was provided for employees to avoid the use of public transport, thus reducing the risk of exposure to the virus.	✪ Sustained 4 210 jobs across the Group with no job losses and thereby protecting livelihoods ▲ R998 million paid in salaries and wages ✪ Ensured that our staff shared in the wealth created by the Group through the EST, through which employees received c.R4.2 million in dividends ✪ R38 million spent on providing training and skills development opportunities ✪ R39 million spent on COVID-19 related expenses

HOW WE RESPONDED	VALUE CREATED
We continued to deliver on our organic and acquisitive growth strategies with benefits flowing from various efficiency projects and acquisitions. We took into account recommendations and comments received from stakeholders over the year and implemented these where relevant. We expounded on the work of the Sea Harvest Foundation and the South African Fisheries Development Fund, demonstrating the Group's commitment to socio-economic development.	▲ Revenue growth of 10% to R4.38 billion (2019: R3.97 billion) ▲ Operating profit growth of 5% to R629 million (2019: R600 million) with the operating profit margin largely maintained at 14% (2019: 15%) ▲ HEPS growth of 2% to 151 cents (2019: 149 cents) ▲ Net debt to EBITDA decreased to 1.4 times (2019: 1.6 times) ▲ Cash flow conversion increased from 58% in 2019 to 79% in 2020 ✪ ROCE was steady at 17% (2019: 17%) ▼ Share price down 2% to R14.26 (2019: R14.55) ✪ An ordinary dividend of 45 cents per share was declared in respect of the 2020 financial year, in line with 2019 ✪ The Group adhered to continuous disclosure requirements to keep shareholders fully informed ✪ Ongoing communication, including meetings with executives and results presentations were hosted to ensure adequate access to information

OUR KEY STAKEHOLDERS CONTINUED

FUNDERS

WHY THEY MATTER	THEIR EXPECTATIONS	MATTERS RAISED	HOW WE ENGAGED
Our funders provide the financial capital we need to grow the business.	Our funders expect repayment of their loan capital and interest according to the agreed terms; that we operate within agreed covenants; and that we communicate timeously regarding the performance of the business and risks faced.	Our funders wanted to understand the potential impact of COVID-19 on the Group.	The Group engages on a regular basis with our funders through a combination of face-to-face meetings and electronic communication. Our funders attend results presentations and the AGM, and have access to budgets and transparent financial information relating to the operations of the Group.

GOVERNMENT AND REGULATORS

WHY THEY MATTER	THEIR EXPECTATIONS	MATTERS RAISED	HOW WE ENGAGED
Government and other regulators provide us with the licences, services and infrastructure we need to operate our business.	Government and other regulators expect us to adhere to legislative and regulatory requirements. They also expect us to support various objectives to ensure the overall well-being of citizens, individually and as a collective, and to provide accurate and timely information.	A key issue was securing operational support from governments in South Africa and Australia during the COVID-19 lockdown periods to limit the impact of the pandemic on the Group's business and its ability to continue contributing to food security. An important objective was to deem the fishing and dairy manufacturing sectors essential services, both in South Africa and Australia. In South Africa, we worked with government to facilitate the TERS relief payments for staff who lost work hours as a result of either being infected with the virus or having to isolate. In Australia, we partnered with the government on its Job Keeper programme. The plight of vulnerable households in communities in and around which we operate was also raised. Besides matters pertaining to COVID-19, there was ongoing engagement about efforts to protect the health of the marine resource in South Africa and Australia, and also to support previously disadvantaged business owners in South Africa to develop viable enterprises.	We have engaged with government and regulators, including the DEFF in South Africa and the Department of Primary Industries and Regional Development (DPIRD) in Australia, through active participation in various industry bodies and directly. In South Africa we hold the chair of the SADSTIA and the chair of SADSTIA's scientific committee. We regularly engage through face-to-face meetings and e-mail correspondence with other key regulators, including NRCS, South African Maritime Safety Authority (SAMSA) and the Department of Labour, as well as the DPIRD in Australia.

Achieved ✪ Increased ▲ Decreased ▼

HOW WE RESPONDED	VALUE CREATED
We honoured our commitment to the agreed loan terms and provided our funders with accurate information on a regular basis. We met our loan covenants during the year.	✪ The Group repaid a net R204 million of borrowings (2019: R214 million) ✪ R72 million was paid in net interest (2019: R101 million) ✪ Through active management of the debt facility the Group is reducing interest leakage ✪ All covenant requirements were met during the period ✪ The Group restructed its South African debt facilities during the year, aligning it with our corporate objectives and to support our growth ambitions

HOW WE RESPONDED	VALUE CREATED
Although the Group was able to continue operating as an essential service during the lockdown periods, there were many challenges that had to be overcome. However, we were able to protect all jobs, ensuring that no jobs were lost and livelihoods were sustained. The Group complied with all regulations, including additional safety protocols, and provided PPE to protect all staff on land and at sea against COVID-19. c.10 650 food parcels were distributed to rural communities in the Western, Northern and Eastern Cape, and c.10 000 face masks were distributed to healthcare workers and community members. In South Africa, we worked with SADSTIA to ensure the recertification of the hake industry for a further five years from 2021 and, in Australia, the closure period of the prawn fishery was extended and effort limitations were put in place in the fishery to aide in the resource recovery. The Group focused on managing costs, capital expenditure, working capital and cash conversion thereby protecting the business and retaining jobs and livelihoods. Through the Group's procurement policies, it was able to continue supporting majority black-owned suppliers.	▲ Retained a Level 1 on the B-BBEE scorecard with a score of 104.49 (2019: 104.44) ✪ Maintained black shareholding at >80% ▲ The Group harvested its quota fully and as a result maximised the jobs created within its South African Fishing operation ▲ The Group invested R286 million (2019: R264 million) on its fleet and factories to improve efficiencies and increase production capacity ✪ The Group focused on creating and protecting jobs within local communities providing c.4 210 jobs across the Group, saving livelihoods ▲ Paid R998 million in salaries and wages ✪ Spent R463 million supporting 642 SMMEs ▲ Paid taxes and levies in excess of R398 million and generated R1.9 billion in foreign currency revenue ▲ Actively supported SMMEs involved in small-scale fishing and allied sectors through the South African Fisheries Development Fund, which Sea Harvest co-founded ✪ The Group complied with all regulations affecting its operations; no fines or penalties were incurred during the year under review, and all licences and permits were retained ▲ The Australian prawn fishery has seen a recovery and an increase in catches and size of the resource

OUR KEY STAKEHOLDERS CONTINUED

FISHING INDUSTRY PARTNERS

WHY THEY MATTER	THEIR EXPECTATIONS	MATTERS RAISED	HOW WE ENGAGED
In many instances, we rely on our partnership with various industry bodies to meet the expectations of government and other stakeholders.	Our industry partners expect honest and open communication, as well as the timely execution of agreed actions in line with our shared objectives.	Ensuring that in South Africa and Australia the Cape hake and the Shark Bay prawn fisheries maintained their MSC certification for a further five years respectively. Furthermore, fishing industry partners and the Group were faced with challenges related to marine spatial use with competing industries.	Our engagement with industry partners was mostly in the form of face-to-face dialogue, while information was also made available online and through the media. Where required, the industry partners engaged with other marine stakeholders in order to create dialogue for a sustained relationship moving forward.

CUSTOMERS AND CONSUMERS

WHY THEY MATTER	THEIR EXPECTATIONS	MATTERS RAISED	HOW WE ENGAGED
Our customers and consumers are essential; they are who we produce for and whose expectations we aim to exceed. Our consumers are families, communities and people who care about eating healthy, nutritious and great tasting food. They care about quality and value, but most of all they care about one another and our shared future.	They expect premium quality brands, competitive pricing, adherence to food safety standards, sustainable and ethical business practices, as well as product traceability. That means entering into competitive trade agreements and providing a continuous supply of products to meet their demands.	Delivery of product to customers. Ability to share product information with customers and consumers. Providing assurance that our products were not susceptible to the virus.	It is our responsibility to manage our customers' and consumers' expectations in terms of their demand for our products, a growing population, and limited natural resources. Marketing activities launched in 2019 were reinforced in 2020 especially the Make it Hake, Fish and Tips and Fish Finger Mealtime Heroes campaigns. Due to COVID-19 restrictions, the way we engaged with our customers changed; in retail, in-store engagements with consumers were no longer possible and most efforts moved online with increased activity on social media platforms like Facebook and Instagram. International trade shows were cancelled and international travel was curtailed. The way we engaged with international customers changed to online formats.

Achieved | Increased | Decreased

HOW WE RESPONDED	VALUE CREATED
We continued to be an active member of SADSTIA, the Responsible Fisheries Alliance, the Global Whitefish Forum, the Australian Quarantine and Inspection Service, Western Australian Fishing Industry Council as well as other industry bodies.	In 2020, two of Sea Harvest Corporation's executive members held executive positions, including the role of Chairperson within SADSTIA, while Sea Harvest Corporation was also a member of the Responsible Fisheries Alliance. Sea Harvest Australia was a member of the Australian Quarantine and Inspection Service, the Western Australian Fishing Industries Council, other industry bodies and joint ventures R463 million spent on 642 SMMEs SMMEs in small-scale fishing and allied sectors benefited from training and other support funded by the South African Fisheries Development Fund, which Sea Harvest co-founded with its majority shareholder Brimstone During 2020 we continued to actively support two new black entrants into the South African fishing sector Sea Harvest Australia continued to participate in a share-fishing arrangement with the boat skippers who operate their 10 fishing vessels in Carnarvon and four fishing vessels in Darwin The Group implemented practices to retain the MSC certification of its Cape hake products in South Africa and Shark Bay prawn products in Australia

HOW WE RESPONDED	VALUE CREATED
In 2020, we continued to invest in building our brands and ensuring the quality of our products. Aligned with the UN SDGs, Sea Harvest promoted healthy living through its product offering. In addition, our commitment to these goals promoted sustainable consumption of healthy foods by our customers. Markets were heavily disrupted by COVID-19 and the way we sold products and related to our customers changed. We redirected our business by focusing more on our retail products. The supply chain was able to meet much of the demand as consumption shifted from foodservice into retail. We endeavoured to respond to the increased need for communication to manage the expectations of our customers and consumers through the increased use of social media platforms. As a result of COVID-19 restrictions, Sea Harvest's promotion tactics switched more towards social media to communicate information about its products with customers and consumers.	The Group was able to grow its diversified product range to c.340 products (2019 c.330) in 2020 that were distributed to a wide range of customers located in 35 countries (2019: 37) across the globe Better value products developed and launched in 2019 delivered market share benefits in 2020 Sea Harvest Fish Fingers received the South African Product of the Year award in the Quick Meals category Sea Harvest has established quality assurance protocols which customers and consumers may rely upon to ensure the safety of products produced Market share in the domestic retail market increased to 31% in 2020 (2019: 30%) The brand health study updated in 2020 showed improvements in the areas of brand recognition in terms of top-of-mind awareness and an increase in terms of preference of brands among consumers The increased focus on social media resulted in c.1.8 million views of Sea Harvest seafood product videos in 2020, while the Ladismith Cheese Facebook page saw a 3 000% increase in traffic for the period March to October 2020, compared to the same period in 2019

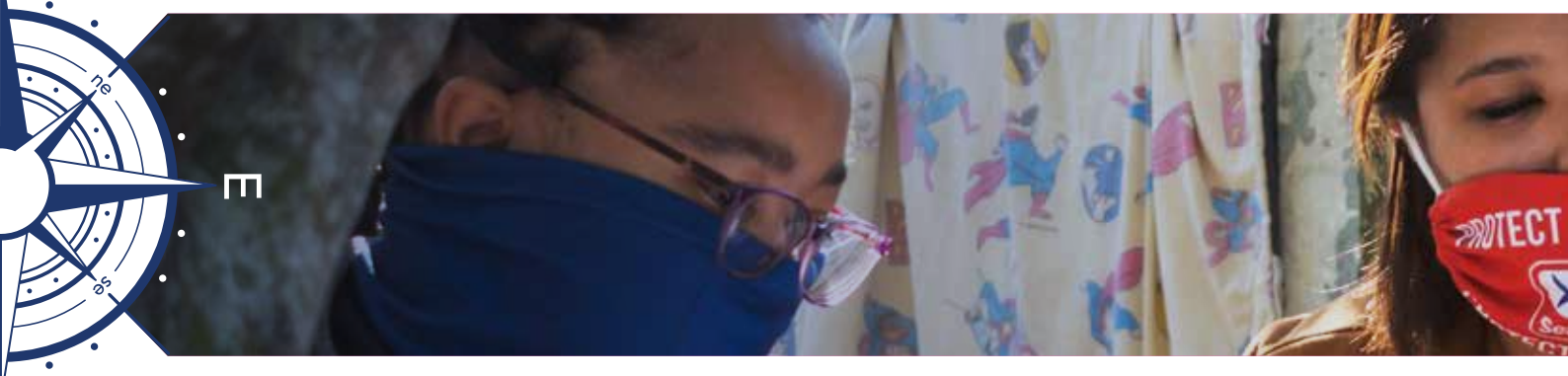
OUR KEY STAKEHOLDERS CONTINUED

SUPPLIERS AND SERVICE PROVIDERS

WHY THEY MATTER	THEIR EXPECTATIONS	MATTERS RAISED	HOW WE ENGAGED
We depend on our suppliers and service providers to provide and render quality products and services and operate according to their required industry standards as these impact on our ability to produce premium quality products and safeguard our own reputation.	Our suppliers and service providers expect adherence to ethical and fair business practices and timely payments as well as relevant and up-to-date information.	The COVID-19 pandemic put strain on the entire supply chain, with suppliers at risk of being unable to supply on time. Many suppliers, especially SMMEs, experienced cash flow challenges which threatened their business continuity.	Engagements with this stakeholder group were mostly in the form of telephonic, electronic communication and regular, structured face-to-face and/or online meetings. Performance reviews and site audits are done on key suppliers to ensure compliance with food safety standards and other performance requirements. Suppliers also had access to information published online and through the media.

COMMUNITIES AND NON-GOVERNMENTAL ORGANISATIONS (NGOs)

WHY THEY MATTER	THEIR EXPECTATIONS	MATTERS RAISED	HOW WE ENGAGED
The majority of our employees reside within the local communities in and around which we operate. As a result, we rely on the goodwill of these communities to ensure that our operations are not disrupted during any mass action.	Local communities and NGOs expect us to contribute towards their economic and social welfare, not only through job creation, but also by offering discounted pricing on our products, investing in various projects and community organisations as well as supporting individuals who demonstrate academic and athletic potential.	The main issue raised during 2020 was a request that Sea Harvest supports vulnerable households within local communities amid the devastation caused by the COVID-19 pandemic. In addition, the Saldanha Bay community voiced concern about the Group's adherence to the necessary safety protocols.	During 2020, we relied on electronic engagement with members of local communities and NGOs. Where it was necessary to engage face to face, especially when packing and distributing food parcels and other donations, Sea Harvest employees were careful to maintain the required social distance. We continued to utilise the Group's new website and the media to share information.



Achieved ✪ Increased ▲ Decreased ▼

	HOW WE RESPONDED	VALUE CREATED
	We increased our purchases of critical raw materials and consumables to ensure sufficient stock on site to sustain our business operations with additional storage facilities being rented. Sea Harvest committed to pay all SMME suppliers within 30 days.	▲ The Group's procurement policies resulted in R1.1 billion (2019: R1.0 billion) being spent with 222 (2019: 223) majority black-owned suppliers ✪ R15.5 million was contributed towards supplier development ▲ R5.7 million (2019: R5 million) was contributed towards enterprise development ✪ R463 million was spent on 642 SMMEs

	HOW WE RESPONDED	VALUE CREATED
	During 2020, we continued to provide sustainable jobs (no jobs were shed), invest in communities and NGOs through the Sea Harvest Foundation, and support the small-scale fishing sector through the South African Fisheries Development Fund. Food parcels and care kits were distributed to communities in the Western, Eastern and Northern Cape. Sea Harvest also provided ongoing assurances of its commitment to protect its business and people in response to misleading information about its safety protocols.	▲ Through the Sea Harvest Foundation, the Group invested R4.9 million (2019: R4.5 million) on community-based projects, which included the distribution of 10 650 food parcels, care packs, 10 000 face masks and other hygiene items, in addition to the Foundation's annual bursary programme and other initiatives to promote healthcare, early childhood development (ECD) and community development ▲ A call centre was established to regularly check in and provide support to employees who tested positive with the COVID-19 virus ▲ Supported small-scale fishing sector by providing training and coaching, and developing a specialist insurance policy providing fishermen in this sector with death and disability cover through the Fund ▲ Sea Harvest Australia supported various projects in Carnarvon and the Gascoyne region, including community organisations



OUR **CAPITALS** AND HOW WE MANAGE THEM

FINANCIAL CAPITAL

INTRODUCTION

The Group's financial capital is comprised of equity, debt and internally generated capital to fund and sustain our organic and acquisitive growth targets.

RELATED MATERIAL CARDINAL POINTS

OPERATING EFFICIENTLY
- Opportunities to improve efficiency and reduce cost, improve margins and profitability.

DRIVING TRANSFORMATION
- Supporting majority black-owned businesses, employment equity and skills development of previously disadvantaged employees drives transformation which is crucial to the long-term viability of the Group.

PROTECTING OUR BRANDS
- Profitability and adequate returns to funders of capital protects our brand.

MANAGING RELATIONSHIPS
- Our stakeholders provide the financial capital to grow the business and the workforce, skill, licence and infrastructure to operate the business.

ACTING RESPONSIBLY
- The prudent deployment of financial capital is the core of our business and crucial to the long-term viability of the Group.

OPTIMISING FINANCIAL CAPITAL
- Ensures long-term sustainable profitability and meets our shareholders and debt funders' return expectations.

INPUTS

- Equity funding: R2.8 billion of stated capital and reserves, with 294 million shares in issue.
- Debt funding: R1.4 billion long-term and short-term borrowings, with net debt of R1.2 billion.
- Internally generated capital: R995 million internally generated cash from operations.

ACTIVITIES TO ENHANCE OUTCOMES

- Following our JSE listing in 2017, we accessed equity capital and settled our existing South African debt, and built a platform to execute our organic and acquisitive growth strategy.
- In 2020, we restructured our debt to further support our growth ambitions.
- Over the past two years, the Group has utilised its externally sourced and internally generated financial capital and has largely executed upon its organic and acquisitive growth strategy, thereby delivering significant growth across all financial performance measures.
- Spent R213 million on maintenance capex (2019: R174 million) and R73 million on expansion capex (2019: R91 million) in 2020.

COVID-19

- The Group spent R39 million on COVID-19 costs to ensure the health and safety of employees, protect jobs and support our employees and communities.
- Market disruption, supply interruptions and COVID-19 costs resulted in pressure on operating margins.
- Difficult trading conditions in the Aquaculture segment resulted in a significant loss.
- The Group focused on managing costs, capital expenditure, working capital and cash flow generation and the distribution strategy was significantly tweaked to optimise revenue, profit and cash flow.

OUTCOMES

- Revenue increased by 10% to R4.38 billion (2019: R3.97 billion).
- Profit after tax attributable to shareholders of the Group increased by 5% to R431 million (2019: R412 million).
- HEPS increased 2% to 151 cents per share (2019: 149 cents).
- Ordinary dividends per share of 45 cents, in line with 2019.
- Repaid net borrowings of R204 million during the year.
- ROCE of 17%, in line with 2019.
- Net working capital as a percentage of revenue improved to 16% (2019: 19%).
- Net debt to EBITDA improved to 1.4 times EBITDA (2019: 1.6 times).
- Generated R995 million cash from operations.

IMPACTS ON AND TRADE-OFFS BETWEEN CAPITALS	POSITIVE	NEGATIVE
Investment in manufactured capital will deplete financial capital in the short term.	MC	FC
Retaining a Level 1 B-BBEE rating requires significant investments in skills development, supplier and enterprise development, and social development, which depletes financial capital, but enhances human capital and natural capital (through the protection of fishing rights) and social and relationship capital.	NC HC SC	FC
Paying a dividend meets the expectations of our shareholders, positively impacting social and relationship capital, but depleting financial capital available for investments.	SC	FC
Continued selling during COVID-19 ensuring sound working capital management and cash conversion, and allowed the Group to retain jobs and livelihoods, albeit at lower profitability.	HC SC	FC

GOALS

- [S] To keep selling during one of the largest pandemics facing the world in recent times, to ensure cash conversion and sound working capital management.
- [S] [M] [L] Manage capital expenditure, working capital and maintain good cost control.
- [S] [M] Deleverage, thereby reducing the net bank borrowings to EBITDA ratio to less than 1 times.
- [S] [M] Achieve a target ROCE 3% above the Group's weighted average cost of capital (WACC).
- [S] [M] [L] Invest in organic projects and acquisitions that deliver an appropriate margin above the Group's WACC.
- [S] [M] [L] If no investment opportunities exist that deliver an appropriate margin above the Group's WACC, then pay down debt and return capital to shareholders.

Short term [S] Medium term [M] Long term [L]



OUR **CAPITALS** AND HOW WE MANAGE THEM
CONTINUED

MANUFACTURED CAPITAL

INTRODUCTION

Vessels, processing plants, cold stores, distribution facilities, IT, aquaculture farms and factory shops

RELATED MATERIAL CARDINAL POINTS

OPERATING EFFICIENTLY
- Investing in sophisticated and technologically advanced fishing vessels, processing equipment and aquaculture farms and maintaining these at world-class standards will ensure efficient operations and international competitiveness.

DRIVING TRANSFORMATION
- Upskilling to develop, for example. engineers and specialists, with knowledge of the sophisticated manufactured capital.

PROTECTING OUR BRANDS
- Optimising the effective use of our assets supports the production of high-quality products to meet customer expectations, thereby enhancing and protecting our brands.

MANAGING RELATIONSHIPS
- Maintaining mutually beneficial relationships with suppliers to secure raw materials, consumables and services, together with healthy staff relations and satisfied customers are pivotal in optimising asset utilisation throughout the supply chain.

ACTING RESPONSIBLY
- By adhering to health and safety regulations in utilising our assets, we ensure the safety of our staff and contractors on site.

OPTIMISING FINANCIAL CAPITAL
- Economical and effective maintenance and safe operation of our assets ensure business continuity and maintain asset values.

INPUTS

- Number of vessels: 51 (2019: 46).
- Number of fish processing facilities on land: 6 (2019: 6).
- Number of dairy processing facilities: 1 (2019: 1).
- Number of cold store facilities: 13 (2019: 13).
- Number of aquaculture facilities: 9 (2019: 11).
- The Group spent R321 million (2019: R291 million) on maintaining its asset base, using a combination of in-house engineering capability and specialist outside contractors.

ACTIVITIES TO ENHANCE OUTCOMES

- The Group operates a best-in-class asset care programme to optimise the effectiveness, efficiency and reliability of its vessels, fish and dairy processing facilities and its aquaculture farms.
- The Group spent R213 million on maintenance capex (2019: R174 million) and R73 million on expansion capex (2019: R91 million).
- Management monitors the effectiveness of key production assets, using industry-standard monitoring information.
- Installed and upgraded IT infrastructure to facilitate effective "working from home" functionalities across the Group.
- Additional tanks were installed at Viking Aquaculture.
- Sea Harvest Australia acquired three Spanish mackerel vessels.

COVID-19

- Strict COVID protocols and measures were implemented on all fishing vessels and in all manufacturing facilities ensuring the health and safety of our staff, minimising operational disruptions and optimising production output.
- Measures to facilitate and enforce proper social distancing, the supply of protective clothing and equipment, hand washing and sanitising facilities, as well as strict site and equipment cleaning protocols and arranging additional private transport for staff were some of the key initiatives implemented.

OUTCOMES

- Number of days at sea increased to 8 781 days (2019: 8 665 days).
- Land-based production output increased by 7% to 40 298 tonnes (2019: 37 610 tonnes):
  - Fish and shellfish: 21 340 tonnes (2019: 18 039 tonnes); and
  - Dairy: 18 958 tonnes (2019: 19 571 tonnes).
- c.340 fish, shellfish and dairy product lines produced across the Group (2019: c.330).

IMPACTS ON AND TRADE-OFFS BETWEEN CAPITALS	POSITIVE	NEGATIVE
Investment in the Group's manufactured capital depletes the Group's financial capital in the short term. This investment should have a positive impact on financial capital over the long term through additional capacity, improved reliability and efficiencies.	MC, FC	FC
Investing in technology upgrades in factories improves production efficiencies that could result in job losses.	IC, FC	HC
Reducing spend on preventative asset maintenance for short-term financial gain, at the expense of poorer efficiency and reliability in the longer term.	FC	MC, FC
Increasing water self-generation will reduce the local municipal revenue generation, impacting social capital.	NC, FC	SC

GOALS

- [S] Optimise our fleet reliability and utilisation.
- [S] Production facilities operating at design capacity.
- [S] Upgrade and integrate management and payroll systems across the fishing business.
- [S] [M] Improve on processing yields.
- [L] Develop alternative power generation capability to reduce dependency on national electricity grid.

Short term [S] Medium term [M] Long term [L]



NATURAL CAPITAL

INTRODUCTION

At Sea Harvest, we catch and farm the following species: Cape hake, horse mackerel, small pelagics (anchovies and pilchards), large pelagics (tuna), prawn, scallops, crabs, Spanish mackerel, abalone, oysters, mussels and trout. We also process milk into a variety of dairy products such as cheese, butter and powdered milk through our subsidiary, Ladismith Cheese.

RELATED MATERIAL CARDINAL POINTS

OPERATING EFFICIENTLY

- Ensuring that we continue to preserve our fishing stocks and ecosystems allows us to operate efficiently.
- By supporting all initiatives that assist in growing the biomass, we protect our ability to catch and process fish without significant delays in fishing operations at sea.

PROTECTING OUR BRANDS

- Our commitment to sustainable and responsible business practices ensures that we protect the image of our brands.

MANAGING RELATIONSHIPS

- During 2020, we maintained and further developed our relationships, in particular with stakeholders in the MSC certification process.
- Both our South African Cape hake and Australian Shark Bay prawn products have been recertified by the MSC for a further five years.

ACTING RESPONSIBLY

- At our core, we are a resource-based business and we will continue to preserve the ecosystem to allow it to continue yielding for us.

OPTIMISING FINANCIAL CAPITAL

- Our water and energy-saving plans continue to yield results at our largest site and user in the Group, Saldanha. We will continue working to find methods to reduce our electrical energy at the site, while promulgating the saving plans to other sites as well.

INPUTS

- TAC held for hake: c.31.2%.
- TAC held for horse mackerel: c.5.9%.
- TAC held for small pelagics: c.0.29%.
- Permits held for large pelagics: 1.
- Permits held for prawn: 2.
- Licences held for Shark Bay prawn: 10.
- Licences held for Spanish mackerel: 19 (2019: 13).
- Biological stock of abalone, oysters, mussels and trout.
- 492 million litres of water was used by the Group during 2020 (2019: 508 million) resulting in a 3% reduction in water usage.
- 1 454 tonnes (2019: 1 202 tonnes) of natural feed used in our aquaculture farms per annum.
- 33.2 million litres (2019: 32 million litres) of diesel fuel used in our operations per year.

ACTIVITIES TO ENHANCE OUTCOMES

- Although Sea Harvest has achieved greater levels of efficiency in our use of natural capital, we recognise that our activities result in a reduction in the balance of natural capital available. We fish, farm and utilise natural resources sustainably and continue to strive to reduce and mitigate our impact on the environment through:
  - actively encouraging an ecosystem approach to manage fish resources and working with stakeholders to promote the health of the marine environment. In addition to managing our target marine resources to achieve MSY in South Africa and maximum economic yield (MEY) in Australia, we also undertake an extensive bycatch management progamme to reduce and manage our incidental catch and implement a "ring fence initiative" where, through a voluntary undertaking with our industry colleagues, we only trawl on currently used grounds to prevent damage to lightly trawled areas in order to preserve natural habitats for marine species;
  - waste management to prevent pollution finding its way to the ocean;
  - alternative energy measures at one of our aquaculture sites to reduce our fossil fuel consumption;
  - water conservation and reduced dependency on municipalities; and
  - educating our stakeholders and the communities in which we operate about sustainability and environmental stewardship.
- We comply with international and local legislative requirements as well as voluntary frameworks including the UN SDGs.
- South African Cape hake products and Australian Shark Bay prawn are MSC-certified.
- Sea Harvest Australia acquired six additional Spanish mackerel licences.
- As part of the effort to standardise all the Group's sustainability and environmental management procedures, a new environmental control system was implemented at Ladismith Cheese and wind turbines were installed at Buffeljags Abalone Farm.

COVID-19

The impact of the pandemic on our ability to continue preserving the environment was not materially hampered in any way. The sustainable practices instilled throughout the Group remained in place during 2020. However, one minor impact of the pandemic was the inability to fulfil our commitment to work with stakeholders who share the same passion as ours in preserving and protecting the environment through joint projects and support. We look forward to resuming these shared partnerships in the future.

OUTCOMES

- Cape hake evaluated at MSY and, in order to remain sustainable, the hake TAC remained constant in 2020, resulting in a stable catch of hake during 2020.
- Shark Bay prawn catches increased by 6% to 637 tonnes (2019: 599 tonnes).
- Both our South African Cape hake and Australian Shark Bay prawn products have been recertified by the MSC for a further five years.
- Adhered to all harvesting restrictions and requirements, environmental management and subsequent authorisations.
- Litter traps installed on municipal stormwater drains diverted more than 12 tonnes of plastic from entering the ocean over a two-year period.
- Renewable wind energy with a 1.3MW power capacity contributed to an overall reduction in electricity usage by 23 million kWh. This reduced the Group's electricity usage by 4.7%.
- Carbon emissions (Scope 1): 89 170 tCO_2e (2019: 106 719 tCO_2e).
- Saldanha Reverse Osmosis (RO) desalination plant provided a 3% saving on water usage.

IMPACTS ON AND TRADE-OFFS BETWEEN CAPITALS	POSITIVE	NEGATIVE
➢ By implementing our intellectual capital to find alternative materials and operational practices, we can limit the impact on our natural resources. This also has a positive impact on our social and relationship and human capitals. However, this impacts negatively on our financial capital based on the capital outlay requirements, but in the long term the sustainable use of the resources will yield a positive impact on financial capital.	NC, HC, IC, SC, FC	FC
➢ Reduction in TAC will result in short-term reductions in landings and, as a result, revenue and earnings. However, over the longer term the reduction in TAC will result in the improved health of the resource biomass, which will in turn drive efficiency gains and improved margins.	NC, FC	FC

GOALS

- S M L Engage with our stakeholders to ensure a collaborative approach to environmental management and conservation.
- S M L Continue to support industry initiatives to work with regulators to ensure effective management of fish resources.
- S M L Maintain our MSC certification for the Cape hake and Shark Bay prawn fishery.
- M All biomass of species we harvest to reach, and be maintained at, MSY in South Africa or MEY in Australia.
- M Implement a Group environmental sustainability strategy.

Short term S Medium term M Long term L



HUMAN CAPITAL

INTRODUCTION

Our employees' collective skills, knowledge and abilities create economic value for the Group, for our stakeholders and for the communities in which we operate. Our human capital is comprised of our permanent and casual workers, excluding contractors and service providers.

During the COVID-19 pandemic, the Sea Harvest Group placed an enhanced focus on the health and safety of our employees. The Group collaborated with the local Department of Health to ensure that effective health and safety protocols were implemented, communicated and observed on all sites and vessels. This partnership allowed our employees and their families who were infected and affected by the pandemic to be moved to isolation facilities where needed. The Group further assisted the employees by providing food and care parcels, set up a dedicated call centre to provide support, and contacted recovering employees on a daily basis. Assistance was also provided to employees who needed to apply for TERS benefits.

RELATED MATERIAL CARDINAL POINTS

OPERATING EFFICIENTLY

- The incorporation of online learning ensured the completion of our learning programmes with smaller groups in a classroom during the second half of the year. This adjusted methodology allowed us to realise our learning and development goals.

DRIVING TRANSFORMATION

- In a quest to improve the provincial and national economically active population targets, the Company continued to develop and equip previously disadvantaged individuals through its talent management and succession planning programmes.

PROTECTING OUR BRANDS

- By adopting responsible and fair labour practices, we are able to protect the image of our brands.

MANAGING RELATIONSHIPS

- During 2020 our engagement with all our employees was conducted in a multi-faceted approach using small group face-to-face sessions (adhering to COVID-19 protocol), complemented by print and electronic media to allow for effective and consistent communication.
- The Company appointed union members to be part of the COVID-19 task teams, thereby ensuring that the union was kept abreast of the Company's response to the pandemic.
- The regular quarterly and monthly stakeholder meetings continued via online mediums to ensure that management, union and employees remained abreast of all relevant information.

ACTING RESPONSIBLY

- The COVID-19 pandemic demonstrated the Company's adaptability and agility in the way it responded to and collaborated in the face of adversity to ensure that the business complies with the constantly changing COVID-19 regulations. This effective response to reassure staff and gain their trust in our ability to create a safe and healthy work environment amid the COVID-19 pandemic was a key factor in ensuring a harmonious working relationship and minimal disruption to operations.

INPUTS

HUMAN CAPITAL

- The Group employed a total of 4 210 permanent and temporary employees as at 31 December 2020; 94% of South African employees are ACI.

HUMAN CAPITAL INVESTMENT

- 239 learnerships, 34 apprenticeships, 11 cadetships, 36 graduate placements and internships, seven management development programmes as well as 21 mentorship programmes during 2020.
- The Group spent R38 million on skills development.
- Additional financial benefits included medical aid, retirement benefits, death and disability benefits, long service awards, bursaries and study assistance funding.

ACTIVITIES TO ENHANCE OUTCOMES

- The Group's investment in apprenticeships, cadetships and learnerships met the skills development objectives set out in our employment equity plans.
- We have complied with all legislation related to human capital management.
- An onsite clinic in Saldanha Bay provided a collection facility for chronic medication, and also adapted to the COVID-19 pandemic by providing onsite screening for all employees.
- In conjunction with management, a COVID-19 SteerCo was established to ensure compliance with the changes in health regulations.
- A number of employees were trained as peer educators and tasked with educating fellow employees and community members on the Group's vision regarding various social aspects affecting the workplace.
- We have increased the skills levels and workplace experience of the unemployed youth in the communities in which we operate, while developing and improving the skills levels of employees with a focus on the previously disadvantaged.
- Sea Harvest employed the Department of Labour's guidelines on the economically active population for the Western Cape and subscribes to the National Skills Development Plan.

COVID-19

- At the onset of the COVID-19 pandemic and subsequent lockdown regulations, management appointed a COVID-19 SteerCo responsible for formulating and regulating Group protocols for the effective management of the pandemic. The onsite clinics were adapted to provide and conduct onsite screening for all employees.
- COVID-19 task teams were established on all sites to monitor the various operational sites, and with the assistance of the communications team kept in constant contact with employees. A rapid response protocol was established in response to those employees who tested positive or displayed related symptoms. A call centre was established to ensure constant communication with employees who were infected/in isolation, and the Company furthermore assisted employees with TERS applications.
- Through the Sea Harvest Foundation, food parcels and care packages were made up and provided to employees to aide in sustaining a healthy lifestyle within the immediate communities in which our employees reside.
- Further measures adopted to keep our people safe included, *inter alia*, the distribution of additional PPE, masks and hand sanitiser in refillable spray bottles as well as face visors when necessary; the installation of protective screens at office desks and canteen tables and on processing lines; additional private transport to ensure proper social distancing as well as barriers and foot markings in high traffic areas; and regularly decontaminating surface areas.

OUTCOMES

- R998 million paid in salaries and wages.
- R4.2 million paid in dividends to participants of employee share trusts.
- ACI employees: 94% (2019: 94%) of South African employees.
- ACI employees in senior management: 60% of South African employees.
- More than 200 employees received long service awards for service to the Group ranging from five to 40 years.
- 925 (22%) Group employees were upskilled in 2020, despite the challenges experienced as a result of COVID-19. The Company has included accredited online training programmes as part of its training methods.
- Livelihoods protected and no jobs were lost due to the COVID-19 pandemic.

IMPACTS ON AND TRADE-OFFS BETWEEN CAPITALS	POSITIVE	NEGATIVE
Challenge to find scarce skills and experience to fill critical positions, particularly in remote locations, impacted mandate to appoint from ACI groups.		HC
Challenges to increase the number of African employees in senior corporate positions.		HC IC
Investment in leadership development programmes to assist with succession planning and availability of scarce skills.	HC IC FC	FC

GOALS

- S M L Maintain our collaborative relationship with relevant trade unions.
- S M L Continue expanding our existing talent pool through focused recruitment and targeting candidates from previously disadvantaged groups.
- M L Use the current development programmes as a feeder into this talent pool.
- M L Identify a new group of high-potential employees to increase our talent pool.
- S M L Be an employer of choice, attracting and retaining talented employees, particularly from previously disadvantaged groups.
- M L Successfully fill key critical roles within the Group from the talent pool.
- S M L Retain our Level 1 B-BBEE score.

Short term S Medium term M Long term L



INTELLECTUAL CAPITAL

INTRODUCTION

Our intellectual capital refers to the expertise and knowledge inherent in our organisation. It includes our know-how, systems, processes and brands, all of which are critical to our success when operating at a global level in a highly competitive and regulated industry.

RELATED MATERIAL CARDINAL POINTS

OPERATING EFFICIENTLY
- Industry knowledge inherent within the management team allows for the best operational decisions considering all known variables.

DRIVING TRANSFORMATION
- Skills recruitment, development and retention are in line with our employment equity strategy to drive transformation within the Group.

PROTECTING OUR BRANDS
- Through benchmarking, NPD and packaging reviews, we invest to protect and grow our household brand names.

MANAGING RELATIONSHIPS
- We actively manage our relationships with customers and suppliers to ensure we are viewed as a preferred partner.

ACTING RESPONSIBLY
- Industry and regulatory knowledge of our experienced management team ensures we act responsibly, by considering all stakeholders.

INPUTS

- Extensive specialist know-how with respect to catching and processing of fish; farming of shellfish and fin-fish; processing of cheese, butter and milk powders; and the marketing of our range of c.340 premium products globally to 35 countries.
- A number of market-leading FMCG brands that are household names in their respective frozen fish and value-added dairy categories.
- Strong reputation as a credible supplier with long-established customers across 35 countries.
- Longstanding and established relationships with suppliers who go above and beyond during times of business disruption due to external factors, for example, COVID-19.
- The Group invests significantly into NPD ensuring we are able to meet our customers' changing demands as well as explore new markets.
- Skills development initiatives and programmes, including our management leadership development programmes, mentorships, apprenticeships, cadet programmes and skills-specific learnerships.
- The Group spent R38 million on skills development initiatives in 2020.
- Enhanced online presence with increased social media activity.
- Sales team utilised intellectual capital to alter sales and marketing strategy during 2020.
- New sales team appointed at Viking Aquaculture.

COVID-19

- The pandemic highlighted the role of the digital economy in facilitating preparedness and response strategies.
- Virtual knowledge sharing between the various sites provided learnings across the Group and a sharing of expertise to best manage the pandemic.
- A centralised COVID-19 data management and analysis team was established to ensure all sites were kept informed of best practice and changes in legislation. In addition, internal and external case management was analysed to advise management on the most appropriate course of action.

ACTIVITIES TO ENHANCE OUTCOMES

- The Group recruits, develops and retains highly qualified and experienced people and has a comprehensive succession plan in place in respect of critical skills.
- A graduate programme ensuring the best talent is sourced from leading institutions to be developed and grown within the business.
- Actively manage relationships with both suppliers and customers.
- Continued integration of newly acquired business brands into the Group structure.

OUTCOMES

- Longstanding relationships with both suppliers and customers allowed the business to withstand turbulent headwinds in 2020, most significantly continued sales and operations during the COVID-19 pandemic.
- NPD as well as R&D within Sea Harvest were focused towards the drastic change in consumer behaviour due to COVID-19. These included re-engineering a number of products to ensure availability on shelf. Further, fully recyclable packaging was launched in Europe together with other product innovations for the discerning customer.
- Effective roll out of several new products at Ladismith Cheese.
- Aquaculture diversified its abalone offering, including dried, frozen and canned. This provided a mitigation against the drop in demand in Asia and also allowed the business to pursue new markets.
- Sea Harvest Australia launched new products in 2020 across several species, including mussels, octopus, gurnards, sole and kingklip.
- Through benchmarking exercises, taste panels and increased interaction with customers through social media platforms, we obtained a better understanding of our customers' perceptions of our brand and products.
- Sea Harvest website refreshed and branding update for Sea Harvest Australia.
- Development and retention of highly talented and skilled people within the Group.
- Achieved enhanced online presence with increased social media activity due to COVID-19 restrictions.

IMPACTS ON AND TRADE-OFFS BETWEEN CAPITALS	POSITIVE	NEGATIVE
➢ Investment in NPD and research and development to ensure we are able to meet customer demands as well as pursue new markets.	IC FC	FC
➢ Skills development, training, learnerships and other programmes require significant investment.	HC IC	FC
➢ Members of our senior and top management serve on external industry bodies to the benefit of stakeholder relationships at a financial cost.	SC	FC

GOALS

- S M L Initiate, develop and launch new products to the market, including continued renewal of products, packaging and brand development.
- S M L Maintain a brand leadership position and a strong reputation as a credible supplier across the global markets with which we trade.
- S M L Align systems and processes across the Group where appropriate, without negatively impacting agility and the focus on costs.
- S M L Identify and address skills shortages through skills development initiatives, supplemented by targeted recruitment activities.

Short term S Medium term M Long term L



SOCIAL AND RELATIONSHIP CAPITAL

INTRODUCTION

Sea Harvest invests in its social and relationship capital by way of its social transformation and empowerment initiatives as well as its community upliftment programmes.

RELATED MATERIAL CARDINAL POINTS

OPERATING EFFICIENTLY
- By managing relationships with key internal and external stakeholders, Sea Harvest is able to ensure that its operations run smoothly and efficiently.

DRIVING TRANSFORMATION
- Empowering its staff, implementing policies to promote black business and supporting local communities are some of the ways in which Sea Harvest drives transformation.

PROTECTING OUR BRANDS
- Investing in relationships with, *inter alia*, customers and consumers, suppliers and service providers, and ensuring that employees adhere to the Group's policies and procedures contribute towards growing the value of Sea Harvest's corporate and product brands.

MANAGING RELATIONSHIPS
- Protecting and growing the Group's social and relationship capital would not be possible without managing relationships.

ACTING RESPONSIBLY
- Sea Harvest's social and relationship capital would be destroyed if the Group failed to meet its stakeholders' expectations with regard to acting responsibly.

INPUTS

- Support extended to SMME businesses operating in small-scale fishing and allied sectors through the South African Fisheries Development Fund that Sea Harvest co-founded.
- R463 million spent with 642 SMMEs.
- R4.9 million investment in local communities, while Sea Harvest Australia's management identified and supported community initiatives in Western Australia.
- Study assistance provided to 42 registered tertiary students and high school learners.
- As a result of procurement policies, we spent R1.1 billion to support majority black-owned suppliers.

ACTIVITIES TO ENHANCE OUTCOMES

- Active engagement with key stakeholder groups via electronic communications to better understand their expectations and provide much needed support amid the COVID-19 pandemic.
- Donations of various kinds channelled via the Sea Harvest Foundation to support organisations and households struggling to survive as a result of the pandemic.
- A number of initiatives supported by the Sea Harvest Foundation were consolidated to create a more meaningful impact.
- Adjusted the Sea Harvest Foundation's funding strategy to accommodate and assist communities with food parcels.

COVID-19

Sea Harvest, through its Foundation, the South Africa Fisheries Development Fund and other business partners and associates, distributed food parcels, masks and hygiene kits to various stakeholders in response to the unforeseen and challenging circumstances created by the pandemic.

OUTCOMES

- Retained a Level 1 B-BBEE contributor status and achieved a score of 104.49 (2019: 104.44).
- Maintained the Group's black ownership at >80%.
- A total of 10 560 food parcels and c.10 000 medical face masks were packed and distributed during South Africa's nationwide lockdown.
- The Group enjoyed the goodwill of its stakeholders and evidence of this is the fact that there was no industrial action, fines or penalties imposed on the Group or its subsidiaries.
- Provided continued support to two new black entrants in the fishing sector, established as part of the Viking acquisition.
- Development of an insurance policy to protect, and the provision of training and coaching to small-scale fishing sector operators through the South African Fisheries Development Fund, which was co-founded by Sea Harvest.
- The Group spent c.R1.1 billion on procuring goods and services from majority black-owned businesses.
- The Group spent R463 million on procuring goods and services from 642 SMMEs, mainly in the rural communities in which we operate.

IMPACTS ON AND TRADE-OFFS BETWEEN CAPITALS	POSITIVE	NEGATIVE
➢ The highly regulated environment in which Sea Harvest operates means that the business is dependent on meeting the reasonable expectations of its stakeholders, including that of the fisheries branches of the South African and Australian governments, local communities, employees and customers in 35 countries.	SC	FC
➢ Meeting government and society's expectations on fishing regulations impacts on our financial resources.	FC SC	FC

GOALS

S M L Our commitment to growing our social and relationship capital is to always respond to the reasonable expectations of stakeholders and to engage with them in a timely and meaningful manner.

Short term S Medium term M Long term L



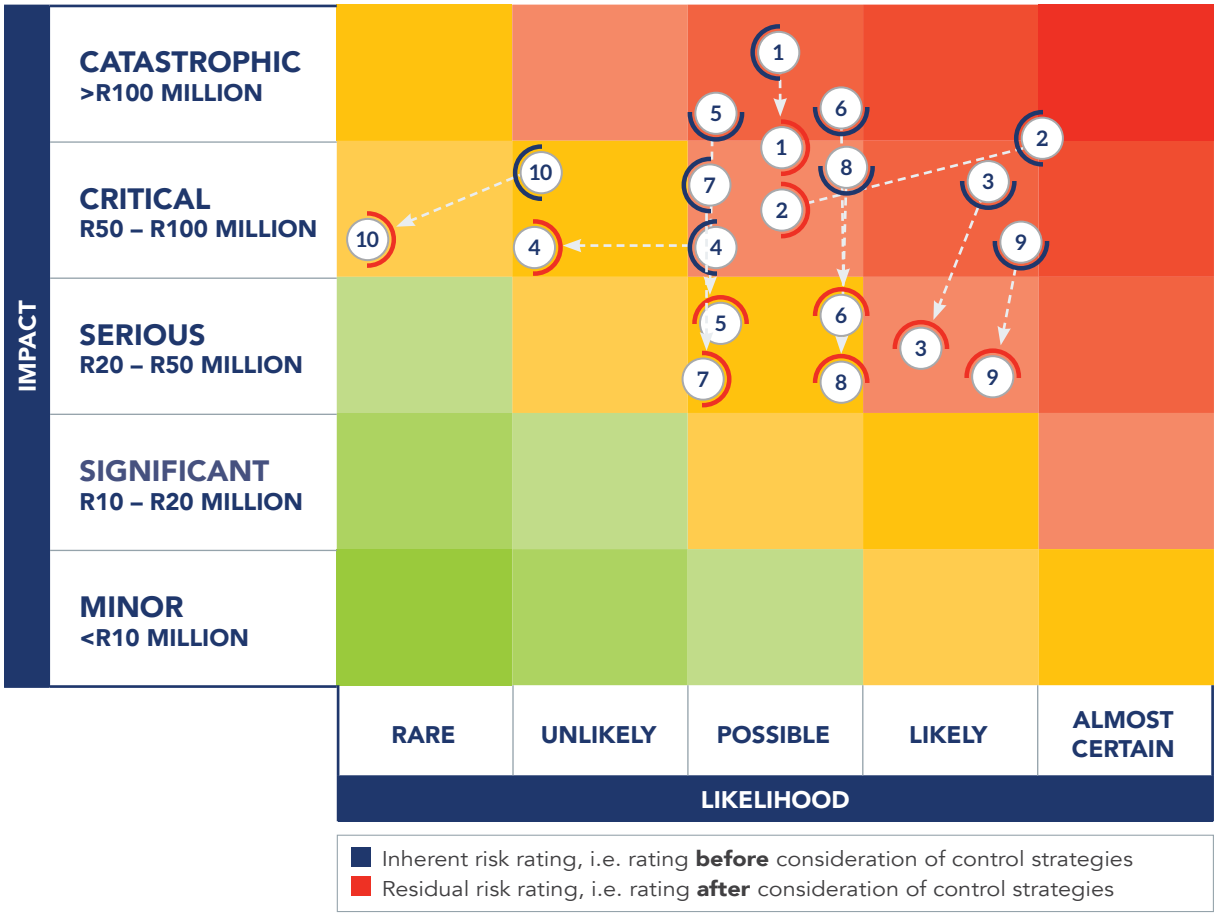

Ladismith Cheese
MOZZARELLA
MEDIUM FAT MILD FLAVOUR
SEMI-HARD CHEESE
400 g
KEEP REFRIGERATED

OUR **RISKS AND MITIGATIONS**

The Group has developed a comprehensive risk management framework which is approved by the Audit and Risk Committee, consistent with its board-delegated responsibilities. In terms of this framework, material risks are identified on a regular basis, with relevant mitigation plans monitored by the Audit and Risk Committee at each meeting.

Risk mitigation remains a management function and is robustly managed to be within the Group's risk tolerance and appetite. The risk rating position on the heat map below considers both the inherent and residual risk positions after considering the effectiveness of mitigation strategies and actions. We have ranked these risks in order of magnitude, although we recognise that these positions may change during the year. Associated controls and mitigations may include a forward-looking view of the risks and mitigations that may have an impact on the future performance of the Group.

1. Retention of fishing rights
2. COVID-19 pandemic
3. Macroeconomic factors
4. Sustainability of resources
5. Failure of food safety standards
6. Loss of major assets
7. Business interruption
8. Negative impact on reputation
9. Market concentration risks
10. Employee safety



OUR RISKS AND MITIGATIONS CONTINUED

RISK 1 RETENTION OF FISHING RIGHTS

INHERENT RISK CONSIDERATIONS

- Uncertainty with regard to the regulator's policy of allocating fishing rights
- New entrants into the fishing sector, with resultant fragmentation, may result in a reduction of fishing rights allocated to the Group
- Loss of long-term fishing rights if (i) the Group's black shareholding falls below the level it was when rights were issued or (ii) a change in control when rights are transferred, resulting in reduced black shareholding
- Reduction in Brimstone's black shareholding

IMPACT ON VALUE CREATION



RISK 2 COVID-19 PANDEMIC

INHERENT RISK CONSIDERATIONS

- Supply chain interruptions
- Labour availability due to outbreaks in facilities or on vessels
- Product demand reduction due to global lockdown on HORECA trade
- Distribution challenges due to inability to get the product to the right market as a result of flight restrictions and/or port challenges

IMPACT ON VALUE CREATION



RISK 3 MACROECONOMIC FACTORS

INHERENT RISK CONSIDERATIONS

- **Currency:** Changes to the political landscape and international sentiment towards South Africa, resulting in rand fluctuations
- **Fuel:** Increasing international fuel costs, resulting in cost of sales increases
- **Hedges:** Lower fuel prices and the weaker rand cause hedges to move into an out-of-the-money position, resulting in hedge losses being incurred
- **Global economic factors:** Global macroeconomic factors such as interest rate hikes, GDP growth rates in markets in which the Group trades, foreign governments' monetary policies, etc. can impact consumer confidence and demand for premium-priced products such as Cape hake

IMPACT ON VALUE CREATION



THREAT LEVELS

In relation to the heat map on **page 49**

LIKELIHOOD: Possible
IMPACT: Critical

CONTROL AND MITIGATION

- Active participation in industry standard-setting organisations – chair of SADSTIA; chair of SADSTIA scientific subcommittee
- Retention of Level 1 B-BBEE scorecard and strong ownership credentials greater than 80%
- Engaged with government stakeholders through a rigorous stakeholder management process to illustrate the commercial and socio-economic value created in the commercial fishing sectors in which Sea Harvest is involved
- Share register is carefully and regularly monitored
- Establishment and functioning of strategic team for the FRAP process
- In SA fishing, supported job creation and retention in economically depressed towns such as Saldanha Bay – 3 200 direct full-time quality jobs and 10 000 indirect jobs in fishing operations, with a 2020 wage bill of c.R868 million
- Maximum beneficiation in South Africa, thereby maximising jobs
- Globally competitive and profitable business model, adding value across the supply chain through vertical integration and thereby paying taxes and levies in excess of R245 million in South Africa
- Export revenue in excess of R1.6 billion, making the Group a large contributor of foreign exchange for the country
- Strategically located in semi-urban and rural towns being a significant socio-economic contributor, employing more than 30% of the town of Saldanha Bay
- South African Fishing operations supported 558 predominantly black SMMEs across the value chain, with a procurement spend of R368 million. These SMMEs are reliant on Sea Harvest's operations and would collapse if Sea Harvest had to close facilities due to the loss of quota
- Commissioned independent socio-economic impact studies, proving the hake deep-sea sector does not lend itself to further fragmentation without destroying jobs, closing factories and destroying long-term investment and hence growth in the sector

LIKELIHOOD: Possible
IMPACT: Critical

CONTROL AND MITIGATION

- COVID-19 SteerCo established with a project-based subsidiary-specific risk reduction approach, while maintaining oversight on a Group level with specific workstreams
- In-house pre-emptive compliance inspections in relation to most up-to-date Department of Labour regulations
- Strengthening of sales and marketing capacity within most affected subsidiaries and focused sourcing of transportation modes to ensure that most profitable products go to market as soon as possible

Refer to **pages 24 and 36 to 46** for further information about the Group's response to COVID-19

LIKELIHOOD: Likely
IMPACT: Serious

CONTROL AND MITIGATION

- The Group applies sound foreign currency and fuel hedging practices in line with approved polices and South African Reserve Bank criteria
- Pricing/market mix action to mitigate impact of rand volatility
- Cost reduction and efficiency plans to compensate for lost revenue to protect bottom-line earnings
- Deliver efficiency benefits from investments in fleet and factories

OUR RISKS AND MITIGATIONS CONTINUED

RISK 4 SUSTAINABILITY OF RESOURCES

INHERENT RISK CONSIDERATIONS

- Poor health of Cape hake and Shark Bay prawn biomass could negatively impact catch rates and size mix, and drive up catch costs
- Poor management of resource by government, by not following scientific advice for TAC levels, could impact resource viability and marketability of catch
- Climate changes could affect availability and health of fish and prawn biomasses
- Climate changes could affect milk supply and availability

IMPACT ON VALUE CREATION



RISK 5 FAILURE OF FOOD SAFETY STANDARDS

INHERENT RISK CONSIDERATIONS

- Failure in food safety standards may result in product recall, thus negatively affecting the Group's brand, reputation, earnings and share price

IMPACT ON VALUE CREATION



RISK 6 LOSS OF MAJOR ASSETS

INHERENT RISK CONSIDERATIONS

- Loss of major assets due to vessel sinking or a fire within a production facility
- Loss of biological assets due to disease or events such as red tide

IMPACT ON VALUE CREATION



RISK 7 BUSINESS INTERRUPTION

INHERENT RISK CONSIDERATIONS

- Prolonged (>1 month) disruption of business operations due to lack of availability of key services, e.g. water and electricity
- Industrial action resulting in extended periods of lost productivity (>1 month)
- Business disruption as a result of cyber attack

IMPACT ON VALUE CREATION



THREAT LEVELS

In relation to the heat map on **page 49**

LIKELIHOOD: Unlikely
IMPACT: Critical

CONTROL AND MITIGATION

- Active participation in industry standard-setting organisations to champion sustainability agenda, e.g. chair of SADSTIA; chair of SADSTIA scientific subcommittee; representation on the board of MSC; alliance partner to the Responsible Fisheries Alliance; participation at Department of Primary Industries and Regional Development (Australia) and Western Australian Fishing Industry Council; and a member of Milk SA
- Continued support of an ecosystem approach to fisheries management underpinned by robust scientific research
- Industry support to ensure continued stock assessments occur
- Supporting government and industry to ensure effectiveness of research
- Diversification into aquaculture
- Endeavours to champion accreditation by MSC for South African Cape hake and Australian Shark Bay prawn

LIKELIHOOD: Possible
IMPACT: Serious

CONTROL AND MITIGATION

- Strict compliance with the highest food safety standards which are regulated and audited by various local and international regulatory bodies
- Specialised in-house quality assurance teams in place
- Comprehensive public liability insurance
- Constant social media intelligence monitoring and engagement of specialist public relations service provider

LIKELIHOOD: Possible
IMPACT: Serious

CONTROL AND MITIGATION

- Fit-for-purpose maintenance strategies and business continuity plans in place
- Fire defence, including fire teams and training with suitable fire-fighting equipment
- Comprehensive safety-at-sea programme
- Multiple operational sites in the event of a continuity incident
- Multiple aquaculture sites to manage biological risk or disease
- Comprehensive insurance in place

LIKELIHOOD: Possible
IMPACT: Serious

CONTROL AND MITIGATION

- Desalination plant installed at Saldanha Bay facility
- Back-up generator for Saldanha Bay cold store and Ladismith Cheese in place
- Wind turbines installed at Buffeljags Abalone Farm
- Focused disaster recovery plans in place within individual business units
- HR climate survey conducted and focused communication strategy implemented
- Operational diversification through the Viking acquisition, providing alternative operational sites in the event of continuity event
- IT disaster recovery plan in place
- Comprehensive cyber security strategy in place
- Business interruption insurance in place

OUR RISKS AND MITIGATIONS CONTINUED

RISK 8 NEGATIVE IMPACT ON REPUTATION

INHERENT RISK CONSIDERATIONS	IMPACT ON VALUE CREATION
➢ Negative social media comments/campaign ➢ Loss of MSC certification (SA Fishing and Australia)	FC, IC, SC

RISK 9 MARKET CONCENTRATION RISKS

INHERENT RISK CONSIDERATIONS	IMPACT ON VALUE CREATION
➢ Within Viking Aquaculture, currently the vast majority of abalone sales are made to Hong Kong. Political unrest and the outbreak of the coronavirus have had a significant impact on abalone sales, negatively affecting the profitability of Viking Aquaculture	FC, MC, NC

RISK 10 EMPLOYEE SAFETY

INHERENT RISK CONSIDERATIONS	IMPACT ON VALUE CREATION
➢ Failing to adhere to safety requirements through improper working conditions or deliberate circumvention of safety performance standards – inclusive of shore-based and sea-going environments ➢ Inconsistent application of safety rules and hazard identification, including non-compliance to critical controls ➢ Exposure to major safety-related issues: material handling, moving machinery, working at sea, etc.	FC, MC, HC, SC



THREAT LEVELS

In relation to the heat map on **page 49**

LIKELIHOOD: Possible
IMPACT: Serious

CONTROL AND MITIGATION

- Renewal of MSC certification for both South African Cape hake and Australian Shark Bay prawns
- Crisis communication framework developed
- Constant media intelligence monitoring and skilled in-house reputation management capability

LIKELIHOOD: Likely
IMPACT: Serious

CONTROL AND MITIGATION

- Appointment of key positions within Aquaculture business to optimise production and sales
- Leverage depth of skills to establish alternative agents and markets
- Development of new product formats other than "live", including canned, frozen and dried
- Growth of biological stock and future profitability
- Identified and started selling in new markets

LIKELIHOOD: Rare
IMPACT: Critical

CONTROL AND MITIGATION

- Compliance evaluations with Occupational Health and Safety Act and Compensation for Occupational Injuries and Diseases Act
- Occupational Health and Safety Committees appointed, and performance of regular risk assessments in all operating environments monitored
- Robust safety communication strategy
- Physical and staff-related insurances in place
- Independent audits by insurers, Department of Labour and assurance providers



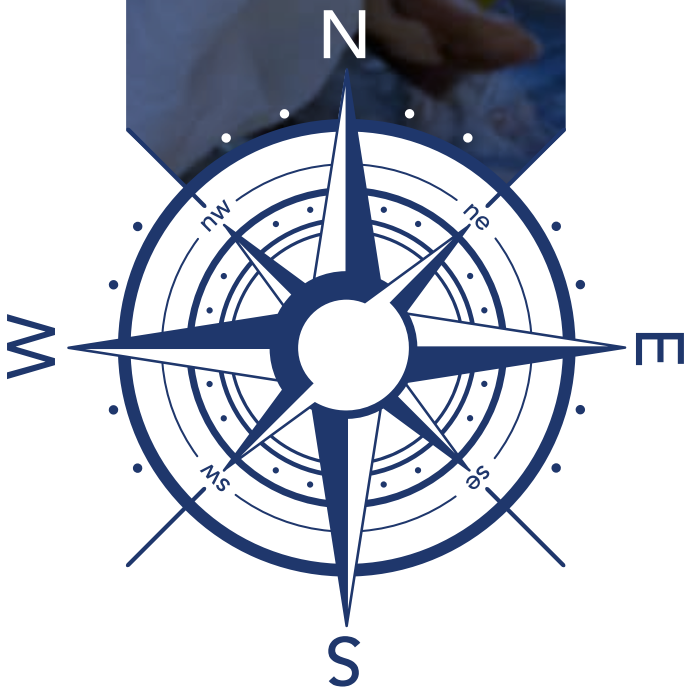
OUR WAY FORWARD



- Our CEO's report
- Our material cardinal points
- Our strategy
- Operational performance
- Our CFO's report



4



OUR CEO'S REPORT

It has been over 55 years since we threw our first nets into the icy depths of the Atlantic Ocean, off the pristine coast of the small West Coast town of Saldanha Bay, thus beginning a journey that delivers a healthy, nutritious protein, high in Omega 3 fatty acids, into millions of households in 35 different countries throughout the world. Through the decades, the business has navigated challenging times and has always adapted and continued on the path to success, leading through innovation and growth. However, the COVID-19 pandemic delivered the most testing challenge of all to our Group, and, through the "once-in-a-century" period, the Group showed its resilience and dexterity, particularly in its fishing and dairy businesses. Where 2020 threw the most audacious of challenges overall, the Group has managed to deliver a result that it can be satisfied with considering the operating environment that we are still currently involved in. Even though our Aquaculture business struggled as a result of the pandemic and its pervasive impacts on markets, the rest of the business continued to illustrate the strong and defensive nature of being a diversified food group during a worldwide crisis.



GROUP REVENUE

10% ▲

TO R4.38 BILLION
(2019: R3.97 BILLION)

OPERATING PROFIT

5% ▲

TO R629 MILLION
(2019: R600 MILLION)

HEADLINE EARNINGS

3% ▲

TO R421 MILLION
(2019: R410 MILLION)

DIVIDENDS PER SHARE

–

TO 45 CENTS PER SHARE
(2019: 45 CENTS PER SHARE)

> WHERE 2020 THREW THE MOST AUDACIOUS OF CHALLENGES **OVERALL, THE GROUP HAS MANAGED TO DELIVER A RESULT THAT IT CAN BE SATISFIED WITH CONSIDERING THE OPERATING ENVIRONMENT THAT WE ARE STILL CURRENTLY INVOLVED IN.**

Felix Ratheb

Our position of stability in a very uncertain world remains, predominantly due to our fishing business, in particular our hake operations in South Africa. The largest impact from the pandemic across the board in 2020 was on demand, where there were dramatic shifts in segments of our markets. In the retail sector, as the pandemic slowly entrenched itself throughout the world, we saw strong demand as consumers were forced to remain at home due to national lockdowns, in the European Union and Australia in particular. The strong retail demand trend also proliferated in South Africa through our branded products in major retailers and in our co-packing arrangements. However, the juxtaposition in our markets, from a fishing perspective, was the closure and the depressed demand in the foodservice sectors in many countries due to restaurant closures and corresponding curfews in many of our core markets. The rapid closure and shift in demand necessitated an aggressive pivot in the business: where previously balance was sought between the retail and foodservice sectors, the new circumstances required a dominant focus on a retail model in our fishing operations. The dexterity and swiftness shown by our teams in these businesses cannot be overstated and the fishing business's performance in 2020 owes a great deal to all of them. On the supply side of the business, critical for our organisation was ensuring that our employees remained safe as the first wave of COVID-19 infections gripped the nation in the winter of 2020. As a designated essential service, our imperative was safeguarding our employees through stringent COVID-19 medical screening procedures, hygiene, masking and social distancing protocols together with contact tracing, where required. As the community spread of the virus increased in the country, this invariably impacted our operations in Saldanha Bay; however, through our concerted efforts on discipline and compliance with all of the relevant protocols, we were able to confront the virus decisively and quickly in our operations.

Ladismith Cheese also experienced the buoyant nature of the local retail sector in 2020, achieving firm volumes and pricing largely driven by our cheese and butter, which were supported by the stable supply of milk during the year. However, the slight drag on the performance in our dairy business came from our milk powder segment, where sales were dampened by the pandemic due to foodservice closures. Notwithstanding the performance of the milk powder segment of the business, Ladismith Cheese delivered a pleasing set of results during 2020. The difficulties and challenges for our dairy business, which is 100% locally based, remain due to continued increases in costs and trading in a tough local economic environment.

AS A DESIGNATED ESSENTIAL SERVICE, **OUR IMPERATIVE WAS SAFEGUARDING OUR EMPLOYEES THROUGH STRINGENT COVID-19** MEDICAL SCREENING PROCEDURES, HYGIENE, MASKING AND SOCIAL DISTANCING PROTOCOLS, TOGETHER WITH CONTACT TRACING, WHERE REQUIRED.

As most of the world was experiencing the hardships due to COVID-19, Australia had managed to rein in the virus and continued operating with limited internal impact. This sense of stability and the growth of the local prawn resource in Western Australia lead to the best performance of Sea Harvest Australia since it became a partially and wholly owned subsidiary of the Group. The performance in the business was primarily driven by the 6% increase in catch, and the resulting better-size mix yielding larger tiger prawns, which deliver stronger pricing in the market. Even though Sea Harvest Australia's traditional markets of Japan and local foodservice outlets were impacted due to the pandemic, this was offset by the strong demand in the Australian retail and "take-away"sectors. The increase in revenue, coupled with our effective cost-management practices (started in 2019) in the business, held Sea Harvest Australia in good stead during 2020. Importantly, during 2020 we were also able to complete minor acquisitions in Australia with the purchasing of six additional Spanish mackerel licences and three additional vessels, thereby increasing our scale in the business. As previously articulated, we will continue to seek out opportunities in the Australian seafood sector and complete an acquisition of scale should synergies and valuations allow.

Even though three out of the four pillars in our Group performed well under the circumstances in the face of the pandemic, one portion of the Group struggled during 2020. The Aquaculture business was hampered on multiple fronts during 2020, in particular on its most valuable species, abalone. The closure of the primary abalone markets in Hong Kong, Taiwan and China dealt a severe blow to Sea Harvest Aquaculture's performance. Even though the year was punctuated with green offshoots from the reopening of primary markets of abalone, the severely restricted air-cargo operations out of South Africa hampered the opportunity to sell in those localities. Beyond the impact on the demand side and increased logistical costs, the farms have needed to continue growing the biomass, leading to space constraints. The abalone operations will continue to be hindered, for the time being, due to the unbalanced nature of limited sales coupled with strong supply, and will only equalise once the impact of the COVID-19 pandemic is reduced in those specific markets. In the interim, the abalone operations have been working to devise multiple product applications in order to have many more options once the demand rebounds in the traditional markets. The rest of the aquaculture basket, comprising mussels, oysters and trout, also had their fair share of challenges during 2020. Where the demand for the locally sold mussels and oysters remained very low, the challenges experienced in our trout operations were vastly different to the other species. In our trout operations, the effect of the weather caused damage to cages and fish stocks, and this severely blunted the ability to seize the minor opportunities in the trout market.

OUR **CEO'S REPORT** CONTINUED

2020 has highlighted the defensive nature of our diversified food business and its ability to service different types of markets and sectors while pivoting accordingly, where required. Crucial to the Group's overall performance in 2020 was the assistance and support from the fisheries departments, both in South Africa and Australia. In South Africa, the DEFF went further and granted temporary exemptions and designations, thereby allowing us to continue operating smoothly and providing food security to the nation and beyond. The public and private co-operation through this pandemic has resulted in our sector's ability to continue operating and protecting jobs, while contributing to the economy when the country needs it most. As we focus on 2021, we will continue to work tirelessly to keep our people safe from the coronavirus; however, this can ultimately only be achieved through a comprehensive vaccination programme, of which the Sea Harvest Group is willing and able to assist government in its endeavour. Furthermore, 2021 is a critical year as we embark on our biggest strategic project in the fishing rights allocation process, where we will be applying to government for access to quota for a further 15 years. We believe, as a Group, that we go into the process well prepared having delivered on government's call for social transformation and job creation.

> "2020 HAS HIGHLIGHTED **THE DEFENSIVE NATURE OF OUR FOOD BUSINESS** AND ITS ABILITY TO SERVICE DIFFERENT TYPES OF MARKETS AND SECTORS **WHILE PIVOTING ACCORDINGLY, WHERE REQUIRED.**

Finally, as we move forward into the new year, I would like to personally thank all our staff in the Group for their hard work and dedication in 2020. The year 2020 and its impacts will be felt for many years to come. It is at this time that I would like to convey my sincerest condolences to all who have lost loved ones, especially our staff members. As we enter 2021, the challenges seen throughout the world remain; however, the Group remains geared and focused on continuing to preserve our planet and resources, while delivering for our people, shareholders and all our other stakeholders.



Felix Ratheb
Chief Executive Officer





OUR MATERIAL CARDINAL POINTS

INTRODUCTION

At Sea Harvest, our material cardinal points provide the direction we need to navigate our way on our journey to achieving our vision, while fulfilling our true purpose. These material cardinal points dictate the course of action in every situation and for every decision made across the Group.

OPERATING EFFICIENTLY

WHY IT MATTERS

Sea Harvest operates in a global market where economies of scale and vertical integration determine competitiveness. We compete with large corporations from developed and developing economies. Operating efficiently is key to delivering sustainable operating margins and protecting the long-term future of the business for the benefit of all stakeholders.

CHALLENGES

- COVID-19 was disruptive across the Group, with increased absenteeism and reduced productivity, compounded by supply-chain and market disruptions. The Group focused on continuing to sell, with a shift in markets from foodservice to retail and with a strong focus on cost, working capital and capex management. This allowed the Group to manage working capital, generate cash, retain our people and continue to operate. However this came at a dilution in the Group's operating profit margin to 14% (2019: 15%).
- The Group expended c.R39 million in COVID-19 related costs during 2020 in order to keep its people safe and ensure that the Group could continue to operate, which negatively impacted margins.
- Breakdowns in the freezer fleet in Q1 2020 due to unseasonably poor weather had a negative impact on the performance of the fleet and on margins in the South African Fishing operation in H1 2020.
- The lockdown in Australia and the continuing trade disputes between Australia and China resulted in increased competitor products entering the local Australian market, putting pressure on prices and markets.
- Lower abalone, oyster and mussel sales, as a result of the partial closure of key markets, impacted the operating efficiencies and margins of the Aquaculture business.
- Lower abalone sales resulted in higher tank density which negatively impacted abalone growth rates in the year.

OPPORTUNITIES

- The roll out of the COVID-19 vaccines and a return to market normality are expected to result in a return in productivity and efficiency levels, normalising supply chains; the reopening of slower and disrupted markets; and a saving in COVID-19 related costs.
- With the rand weakening significantly against the euro and the Australian dollar during 2020, the Group directed 46% (2019: 44%) of revenue to export markets, benefiting from weakness in the rand.
- Synergies delivered through the acquisition of Viking Fishing resulted in improved operating margins.
- Prawn catches in Australia improved towards the long-term average of 800 tonnes per annum, also improving efficiencies and operating margins.
- The acquisition of the additional Spanish mackerel packages during the year has resulted in the Group now operating four fully utilised Spanish mackerel trawlers in Australia, with the expected efficiency benefits to be derived from this business.
- The opening of the Hong Kong, Chinese and other export markets following COVID-19 will increase sales rates of abalone, and better pricing levels and a freeing up of space in the tanks to allow for normal growth rates.
- The product diversification into dried, frozen and canned abalone and the diversification into new markets are expected to drive sales in the abalone business and assist the business to turn around the operating loss of 2020.
- The imminent availability of additional capacity at Ladismith Cheese is expected to deliver additional volume and increased profitability over the medium term.

ASSOCIATED RISKS	AFFECTED CAPITALS	SUPPORTED UN SDGs
1, 2, 3, 4, 5, 6, 7, 8, 9	FC MC NC HC IC SC	

OUR RESPONSE

- In the light of COVID-19, the Group implemented significant contingency measures in order to keep its people safe, retain livelihoods and continue to operate.
- The South African Fishing operation caught its full allocation of hake TAC in 2020.
- The acquisition and integration of the Viking Fishing Division enabled the delivery of operating synergies that enhanced the efficiency of the South African Fishing operation with an operating profit margin of 21% (2019: 21%).
- The South African Fishing operation directed 54% (2019: 53%) of revenue to export markets to take advantage of the weaker rand during the year.
- The Australian operations acquired six additional Spanish mackerel licences and three additional vessels to establish a business of scale in the Spanish mackerel fishery in Australia.
- The Aquaculture operation diversified into dried, frozen and canned abalone formats and diversified into new markets.
- The Ladismith Cheese operation invested in additional capacity.

OUR FUTURE GOALS

- S M L Sea Harvest Group Limited: Maintaining historical operating profit margins through the cycle
- S South African Fishing operation: Prepare for FRAP 2021/22
- S M Sea Harvest Australia: Prawn resource recovery towards long-term average
- S Spanish mackerel business reaches critical mass
- S M Cape Harvest Foods: Capacity expansion in Ladismith Cheese
- S M Sea Harvest Aquaculture: Strategic evaluation of Saldanha Bay trout aquaculture operation
- S Sea Harvest Aquaculture: Abalone market recovery and business turns to profit

Short term S Medium term M Long term L



OUR MATERIAL CARDINAL POINTS CONTINUED

DRIVING TRANSFORMATION

WHY IT MATTERS

Not only is transformation an imperative in the South African context, it is crucial to the long-term viability of the Group. Our transformation strategy drives the requisite human capital changes that are vital to our vision of being a diversified fishing and food business – a globally competitive group with an employee base that is representative of the various communities in which we operate. Our operating licence in the South African fishing sector is dependent on our commitment to driving transformation, which means the long-term gains far outweigh any short-term financial investment required.

CHALLENGES

- Driving transformation is a non-negotiable and vital aspect of our business. The acquisition of less transformed businesses than Sea Harvest has created the challenge of raising the standard of these businesses so as not to dilute the overall transformation credentials of the Group.

OPPORTUNITIES

- Strong transformation credentials could result in a favourable outcome in the upcoming FRAP.
- We are able to implement our transformation strategy through the skills development programmes offered to previously disadvantaged employees.
- Our skills programmes offer unemployed youth the opportunity to gain skills and workplace experience towards a trade or profession and gainful employment.
- Sea Harvest is committed to wealth-sharing through our Employee Share Trust.
- We continuously invest in our local communities through food security, social and health cohesion programmes.
- Supporting black SMMEs by securing their services across the value chain.

ASSOCIATED RISKS

1, 7, 8

AFFECTED CAPITALS



SUPPORTED UN SDGs



OUR RESPONSE

- Through a focused effort on driving transformation, Sea Harvest has retained a Level 1 B-BBEE contributor status with an improved score of 104.49 (2019: 104.44).
- During the year Sea Harvest spent R463 million procuring goods and services from 642 SMMEs.
- The Group spent R38 million on various skills development initiatives.
- Sea Harvest Foundation spent R4.9 million on community-based projects, including the provision of food parcels, bursaries, educational equipment and other donations.
- Over 40 employees enrolled in management and leadership programmes at various universities and other higher education and training institutions.
- Through the South African Fisheries Development Fund (Fisheries Fund), in association with our majority shareholder, Brimstone, we were able to continue supporting cooperatives and small-scale fishers during 2020.
- Our skills programmes include apprenticeships, learnerships, internships and cadet programmes.
- As an extension to management and leadership development, we continued a mentorship programme for our junior employees.
- During 2020 we continued to actively support two new black entrants into the South African fishing sector.

OUR FUTURE GOALS

- [S] Retain Level 1 B-BBEE contributor status
- [S] Maintain black shareholding above 80%
- [S] [M] [L] Continue building Sea Harvest's reputation as a key contributor to empowering the communities in which we operate by providing financial and social development support to vulnerable households, local crèches, homes for the aged, and other care-giving institutions, more so amid the COVID-19 pandemic
- [S] [M] Skills development programmes that support national initiatives
- [S] [M] Submit quarterly employment equity progress reports to the Department of Labour
- [S] [M] [L] Retain key talent through recruitment, performance management, and learning and development programmes
- [S] [M] [L] SMME development by supporting both new and established local majority black-owned businesses
- [S] Entrench employment equity in the Group's recruitment, learning and development, and talent management processes as platforms to promote transformation
- [S] Identify candidates to succeed our leadership to ensure continuity and competitive organisational performance through succession planning
- [M] Adhere to the requirements of the Employment Equity Act by developing five-year plans for each division and in consultation with the relevant trade unions
- [M] Focus on securing specialised skills that are required throughout the Group and its subsidiaries, and which are not readily available in the previously disadvantaged communities, through development and retention programmes

Short term [S] Medium term [M] Long term [L]

PROTECTING OUR BRANDS

Refer to **pages 10, 25, 32, 36, 38, 40, 42, 43, 44 and 46** for further information

WHY IT MATTERS

The Sea Harvest brand cannot be separated from our corporate identity, and our identity is one of authenticity, trustworthiness and value. It is these qualities that our consumers relate to when they interact with us and with our products, which makes it critical that we protect the Sea Harvest brand.

CHALLENGES

- Balancing the allocation of a static fish supply between the local market to support the Sea Harvest brand and export markets which offer higher returns.
- The UN SDGs promote sustainable consumption and production patterns. This is a challenge to ensure we are able to meet growing customers demands while not producing in an unsustainable manner.
- Locally, balancing the achievement of acceptable returns with protecting the brand market share through pricing action and promotions.
- Aligning acquisitions with the existing customer and consumer brand expectation.

OPPORTUNITIES

- In the South African market, we had the opportunity to do a benchmarking exercise to determine how our customers perceive our brand and what emotive connotations they have with it.
- We promote our products as a healthy alternative to ensure the well-being of our customers, aligned to the UN SDGs of healthy living and eating.
- We invested in expanding our range of factory shops from 11 to 14, based on what we have learnt works best in which location, and in doing so we were able to formulate a blueprint for those shops, a valuable touchpoint with our customers.

ASSOCIATED RISKS

1, 2, 5, 6, 7, 8, 9, 10

AFFECTED CAPITALS

FC MC NC HC IC SC

SUPPORTED UN SDGs

OUR RESPONSE

- Protecting our brands is a continuing journey, which is why we continued to invest in our brand equity, especially in the domestic retail market in 2020. Due to COVID-19 restrictions, consumer habits changed and the way we engaged with our consumers changed with greater emphasis on social media platforms, such as Facebook and Instagram.
- New product development efforts were focused on innovation and value, but product launches were delayed in 2020 to focus on maintaining high service levels due to increased retail demand. The development work undertaken in 2020 will provide a base for launches in 2021.
- The Sea Harvest and Ladismith consumer websites were updated, Ladismith Facebook and Instagram platforms were launched and branding updated for Sea Harvest Australia.
- The new and improved Sea Harvest Fish Fingers was voted South African Product of the Year in the Quick Meals category in 2020.

OUR FUTURE GOALS

- [S] [M] [L] Continue delivering on our customers' expectations
- [S] Continue to focus on online consumer engagement and advertising within our marketing mix
- [S] Improve stakeholder engagement on our value offering
- [S] Engage with our new consumer landscape through new sales platforms
- [M] Align customer and consumer brand expectation with respect to new acquisitions
- [M] As we increase our global footprint, we plan on taking part in more trade shows once international travel allows
- [S] Give our global customers a better idea of our sustainable approach to our quality-driven value offering

Short term [S] Medium term [M] Long term [L]



OUR MATERIAL CARDINAL POINTS CONTINUED

MANAGING RELATIONSHIPS

WHY IT MATTERS

As a Group, our successes are built on and inextricably linked to our relationships with our stakeholders. As a global corporate citizen, Sea Harvest is dependent on mutually beneficial relationships with our stakeholders in order to achieve our mutual targets and to ensure an economically viable and sustainable future.

CHALLENGES

- The amount of time spent managing each stakeholder relationship is based on the individual nature and requirements of our stakeholders.
- Due to time being a limiting factor and the impact of the COVID-19 pandemic on our ability to engage with all of our stakeholders, we were restricted in our opportunities to personally manage relationships.

OPPORTUNITIES

- Understanding the needs of our stakeholders.
- Conveying the Group's needs to our stakeholders.
- Communicating our strategic direction to our stakeholders.
- Determining how the Group can foster and develop mutually beneficial relationships with our stakeholders.

ASSOCIATED RISKS

1, 2, 4, 5, 7, 8, 9, 10

AFFECTED CAPITALS

FC MC NC HC IC SC

SUPPORTED UN SDGs

Our stakeholders expect action in some way or form with regard to the related goals and the Group delivers on these expectations in the way it conducts its business as well as its investments in local communities.

OUR RESPONSE

- During the year we regularly engaged with our various stakeholder groups, keeping them up to date on the Group's strategy and adherence to plans for the year as well as our response to the impact of the COVID-19 pandemic on the business. Our focus was on keeping our stakeholders informed, providing them with the necessary assurances in response to their concerns about the impact of the pandemic on Sea Harvest's performance and/or responding to their requests for support amid financial challenges caused by the nationwide lockdown in South Africa.

Refer to our key stakeholders section for details on how we interacted on **pages 28 to 35**

OUR FUTURE GOALS

- [S] [M] Maintain our stakeholder management framework to ensure that all stakeholders are apprised of the Group's plans and objectives moving forward
- [S] [M] Frequent reassessment of the state of our stakeholder interactions to improve and build on our relationships
- [S] [M] [L] Actively build and maintain long-term, constructive and transparent relationships with our stakeholders

Short term [S] Medium term [M] Long term [L]



ACTING RESPONSIBLY

Refer to **pages 10 and 11** for our offerings and **pages 28 to 35** for our key stakeholders information

WHY IT MATTERS

As a Group, this mandate speaks to the core of our business, namely our reliance on natural resources. However, acting responsibly also extends to our responsibilities as a corporate citizen, the way we treat our employees and our stakeholders as well as our corporate governance.

CHALLENGES

- The nature of our wild-capture fishing operations results in incidental bycatch of non-targeted species and impacts on the seabed. However, we continue to manage those species in a precautionary manner through limiting our catches and only trawling in previously trawled areas.
- Within our dairy business, we work with the farmers to balance the supply of milk by paying competitive prices.
- Within aquaculture, our sea trout cages are located in Saldanha Bay and we are focused on minimising the ecological impact of the facility on the local environment.

OPPORTUNITIES

- We remain committed to our stakeholders and to working with them to mitigate and manage any risks the Group may face.
- The COVID-19 pandemic provided us with an opportunity to demonstrate our commitment to caring for communities by distributing care packs, food parcels, face masks and other hygiene items.

ASSOCIATED RISKS

1, 2, 4, 5, 10

AFFECTED CAPITALS

FC MC NC HC IC SC

SUPPORTED UN SDGs

Our global operations, coupled with our efforts directed through the Sea Harvest Foundation, South African Fisheries Development Fund and other partnerships (Responsible Fisheries Alliance etc.), create sustainable jobs and commit to fair and equitable business practices that promote gender equality and the well-being of people of all ages, the development of local communities, the sustainable use of natural resources, and sustainable consumption and production patterns.

OUR RESPONSE

- We continuously engaged with our stakeholders to maintain stability and confidence in the Group and to respond to their requests for support amid the COVID-19 pandemic.

OUR FUTURE GOALS

- [S] [M] [L] Keep our stakeholders informed of our responsible actions regarding resource use and management
- [S] Embed responsible business practices throughout all of the Group's subsidiaries
- [S] [M] [L] Proactively respond to stakeholder expectations and ensure ongoing compliance with the conditions of the Group's MSC certification
- [S] Protect existing quota in the upcoming FRAP process
- [S] [M] All biomass of species we harvest to reach and be maintained at MSY in South Africa or MEY in Australia

Short term [S] Medium term [M] Long term [L]



OUR MATERIAL CARDINAL POINTS CONTINUED

OPTIMISING FINANCIAL CAPITAL

WHY IT MATTERS

Financial capital is a scarce resource that must be used to optimise the value we create for our shareholders and other stakeholders. Organic and acquisitive investment decisions are evaluated to meet the required cost of capital hurdle rates to deliver an appropriate, risk-adjusted return above our cost of capital. Optimising our financial capital not only ensures long-term sustainable profitability, but also meets our shareholders' return expectations while protecting existing jobs and creating new jobs.

CHALLENGES

- Financial capital must be rationed between organic and acquisitive investment opportunities so as to optimise returns.
- Capital allocation decisions are often based on projected performance which may not materialise, resulting in the expected returns not being achieved.
- Although on an improving trend, lower than expected prawn catches in Australia have negatively impacted margins and returns on the capital deployed to this segment.
- Market issues in Hong Kong and China due to COVID-19 in 2020 have affected abalone sales volumes, negatively impacting returns on capital deployed to this segment.
- Balancing between paying a dividend, internally funding future growth, and repaying debt.

OPPORTUNITIES

- Effective capital management enables investments in internal projects to drive operating efficiencies and earnings accretive acquisitions.
- Margin enhancement and earnings per share growth enable growth in total shareholder return (TSR), supporting access to further equity capital.
- Improved financial performance provides access to further debt funding for future growth investments.
- Recovery of operations and markets from COVID-19 will drive margin enhancement and improve the returns on capital deployed across the Group.
- Recovery of prawn stocks in Australia will drive margin enhancement and improve the returns on capital deployed within this segment.
- Recovery of Hong Kong and Chinese markets following COVID-19 will enable the business to meet its sales forecasts and deliver the expected returns on capital deployed in this segment.
- A higher dividend ratio if the Group generates excess cash.

ASSOCIATED RISKS

1, 2, 3, 4, 5, 6, 7, 8, 9, 10

AFFECTED CAPITALS



SUPPORTED UN SDGs



OUR RESPONSE

- The Viking and Ladismith acquisitions continue to exceed the required earnings targets used in the acquisition valuation.
- The Group met all debt obligations and covenants during the year.
- Dividend cover of 3 times, within range of dividend policy of between 2.5 and 3 times.
- The ROCE was 17% in 2020 (2019: 17%).
- We achieved a cash flow conversion of 79% (2019: 58%).
- Net working capital as a percentage of revenue improved to 16% (2019: 19%).

OUR FUTURE GOALS

- [S] [M] [L] Invest in organic projects and acquisitions that deliver an appropriate margin above the Group's cost of capital
- [S] [M] [L] Surplus cash will be used to pay down long-term debt and then returned to shareholders
- [M] [L] Deleverage the balance sheet to reduce the net interest-bearing bank debt to EBITDA ratio to less than 1 times
- [S] [M] [L] Achieve a targeted ROCE of 3% above the Group's WACC
- [S] [M] [L] Maintain dividend cover of between 2.5 and 3 times

Short term [S] Medium term [M] Long term [L]


ONGESOUTE BOTTER
500 g
Ladismith
UNSALTED BUTTER
RICH, SMOOTH AND CREAMY

OUR STRATEGY

INTRODUCTION

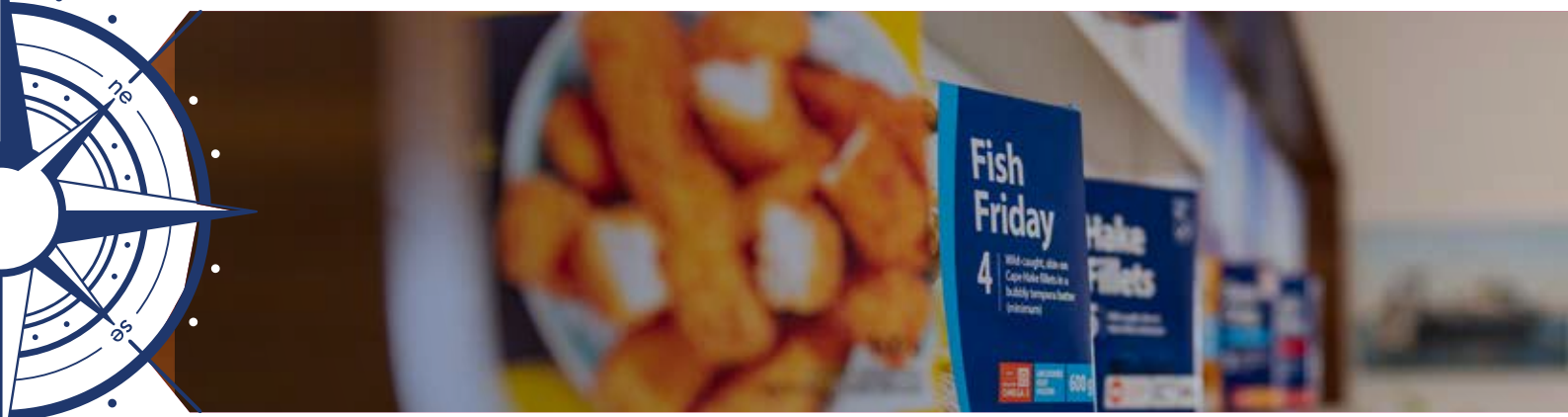
Our strategy remained unchanged in 2020 with our focus remaining on securing organic and acquisitive growth in the four operating segments of the Group. Our strategy is based on our foundation of strong brands, access to 35 markets globally, exceptional transformation and sustainability credentials, solid financial performance, a strong balance sheet and a strong management team.

Overview

Sea Harvest's strategy has been established around six pillars, split between organic growth and acquisitive growth.

Organic growth focuses on volume growth and margin enhancement, while acquisitive growth targets South African seafood, South African aquaculture, international seafood and the broader South African food market.

SEGMENT	ORGANIC GROWTH		ACQUISITIVE GROWTH
	VOLUME GROWTH	MARGIN ENHANCEMENT	
SOUTH AFRICAN SEAFOOD LONG-TERM TARGET: 60% OF GROUP EBIT	➢ **Fish stocks:** By supporting regulators and the use of scientific guidelines in fisheries management, Sea Harvest is able to contribute to the sustainability of the biomass. ➢ **Co-packing and substitution:** Sea Harvest leverages its strategic relationships with global partners to pack the Sea Harvest brand for the South African market (primarily in hake) and to supply whitefish to produce additional value-added products utilising Sea Harvest's available manufacturing capacity. ➢ **Protecting existing** quota in the upcoming FRAP process.	➢ **Fleet efficiencies:** Sea Harvest maximises fillet factory vessel production at sea and, with these capabilities, pursues higher margin export products. ➢ **Processing efficiencies:** Continuous improvement within our production facilities to drive margin enhancement. ➢ **Market opportunities:** Current low penetration in the South African frozen fish sector; new export markets; further development of the wholesale model; expansion of footprint of factory shops.	➢ Strong B-BBEE credentials and balance sheet enables acquisition opportunities. ➢ Post FRAP opportunities. ➢ Species diversification through other wild-caught seafood species.



Our strategic goals

1.	Prepare the South African Fishing operations for FRAP 2021.
2.	Enhance the margins within operations following our investments in EBIT-enhancing projects over the last few years.
3.	Continue to maximise synergies from acquisitions.
4.	Sea Harvest International to identify and execute vertically integrated fishing acquisitions of scale in stable jurisdictions.
5.	Sea Harvest International's focus for bolt-on acquisitions to further strengthen the operations in Australia, while in the longer term identifying and executing an acquisition of scale.
6.	Identify and execute value-enhancing acquisitions in the South African food segment.

Our long-term focus:

Sea Harvest's long-term strategic goal is to become a leading black, vertically integrated FMCG business focused on high-value protein sectors like seafood and dairy.

Our aim is to be geographically diversified with >50% of earnings generated in hard currency outside of South Africa.

In the long term, maintain a 15% operating profit margin.

OUR KPIs

- Integrate the Viking Fishing business acquired in 2018 and extract further synergies.
- Increase the percentage of local sales that are derived from imported/traded species, allowing for a greater export mix while maintaining optimal service levels with local customers.
- Cape hake biomass at MSY.

HOW WE PERFORMED AGAINST OUR KPIs

- The Viking Fishing division was successfully integrated into the Group in 2019. The Viking transition was seamless, and it is now a proud Sea Harvest brand. The Group continues to extract synergies from this acquisition.
- Sea Harvest continues to leverage its strategic relationships with global partners to pack the Sea Harvest brand for South African consumers.
- Sea Harvest's value-adding factory in Saldanha Bay benefited from internationally sourced raw material to produce crumbed and coated products for the domestic retail and foodservice markets.
- The new and improved Sea Harvest Fish Fingers was voted South African Product of the Year in the Quick Meals category in 2020.
- During 2020, we have further developed the wholesale channel with revenue increasing 25% to R185 million.
- Cape hake biomass at MSY resulting in the 2020 hake TAC remaining unchanged from 2019.

CHALLENGES AND OPPORTUNITIES

- South African consumers remain under significant economic pressure.
- Export revenue from the South African Fishing operation increased 15% to R1.62 billion in 2020.
- In 2020, throughput in the fresh fish processing facility in Saldanha was affected by COVID-19.
- A 5% decrease in the hake TAC was announced with effect from 1 January 2021.
- Slowdown in foodservice markets was quickly taken up by an increase in retail markets.
- FRAP 2020 was delayed and is expected to be completed by 31 December 2021.



OUR **STRATEGY** CONTINUED

LONG-TERM TARGET: 40% OF GROUP EBIT

SEGMENT	ORGANIC GROWTH		ACQUISITIVE GROWTH
	VOLUME GROWTH	MARGIN ENHANCEMENT	
INTERNATIONAL SEAFOOD	➢ **Fish stocks:** By supporting regulators and the use of scientific guidelines in fisheries management, Sea Harvest is able to contribute to the sustainability of the biomass. ➢ Lease additional quota to maximise asset utilisation.	➢ **Fleet efficiencies:** Continuous improvements to lower cost and increase margins. ➢ **Market opportunities:** Increasing the proportion of Shark Bay prawns being exported. ➢ Improve efficiencies in Spanish mackerel business.	➢ Leveraging our experience in operating vertically integrated fishing businesses will allow us to utilise our skills to acquire and operate high-value, high-margin, vertically integrated fishing businesses in stable jurisdictions where security of tenure is assured. ➢ Identify and execute bolt-on acquisitions in Australia to further leverage the fixed base, whilst pursing an acquisition of scale in the medium term.
SOUTH AFRICAN AQUACULTURE	➢ **Capacity expansion:** Once abalone markets recover, the Group has the ability to invest in increasing the capacity of its Aquaculture facilities, thereby securing additional volume growth in non-quota constrained segments. ➢ Achieve 1 000 tonnes abalone in the long term.	➢ **Processing efficiencies:** Continuous focus on improved feed conversion and other operational disciplines within our Aquaculture operations. ➢ **Market opportunities:** Identification of new markets. ➢ **Product diversification:** New product lines in the form of canned, frozen and dried abalone. ➢ **Optimise margins** and strategically review unprofitable businesses.	➢ Previous experience allied with a global marketing network offers opportunities in an attractive growth sector. ➢ Acquisition opportunities arising as a result of the COVID-19 pandemic.
SOUTH AFRICAN FOOD	➢ **Capacity expansion:** The Group will invest in increasing the capacity of its dairy facilities, thereby securing additional volume growth in non-quota constrained segments.	➢ **Processing efficiencies:** Continuous improvement within the dairy production facilities to drive margin enhancement. ➢ **Market opportunities:** Current low penetration in the South African dairy sectors and expansion of Sea Harvest's factory fish shops.	➢ Expand into related food sectors in South Africa where we can leverage our manufacturing, processing and operational expertise; our business networks; strong B-BBEE credentials; brand management and markets; and experienced management team. ➢ Leverage our strong B-BBEE credentials. ➢ Acquisition opportunities arising as a result of the COVID-19 pandemic

	OUR KPIs	HOW WE PERFORMED AGAINST OUR KPIs	CHALLENGES AND OPPORTUNITIES
	➢ Shark Bay prawn catches to return to long-term averages. ➢ Pursue bolt-on opportunities in Australia. ➢ Execute the Spanish mackerel business case. ➢ Pursue acquisitions of high-value, vertically integrated fishing businesses of scale in stable jurisdictions.	➢ Acquired three Spanish mackerel vessels and six additional licences in 2020, giving us access to 56% of the Western Australian Mackerel Fishery. ➢ Reviewed a number of acquisition targets during 2020. Unfortunately, these did not meet our investment criteria.	➢ The prawn catch of 2020 showed a 6% increase over the 2019 catch, still below the long-term average. ➢ Sea Harvest Australia is working closely with the regulators to ensure the continued sustainability of fishing along the West Coast of Australia. ➢ Valuation expectations of sellers in developed countries.
	➢ Product diversification. ➢ Market diversification. ➢ Optimise processing efficiencies.	➢ Various capex projects to alleviate overstocking in the Viking Aquaculture operations were successfully completed during the year. ➢ The business has reduced costs and started producing and selling abalone in canned, dried and frozen formats. ➢ Identified and started selling in new markets.	➢ Abalone sales were severely affected by the global COVID-19 lockdowns and the expansion projects are on hold until abalone markets recover. ➢ Likewise oysters and mussels which are sold in local foodservice came to a standstill. ➢ Space to increase abalone volumes to c.1 000 tonnes. ➢ Acquisition opportunities as a result of the COVID-19 pandemic.
	➢ Leverage our core competencies to achieve the organic and acquisitive growth potential of Ladismith Cheese. ➢ Expand our footprint of factory shops. ➢ Identify and execute value-enhancing acquisitions in the South African food segment.	➢ In 2020, the Group invested in the growth potential of Ladismith through organic expansion. ➢ In 2020, three new Sea Harvest branded factory shops were opened. ➢ Reviewed a number of acquisition targets during 2020. Unfortunately. these did not meet our investment criteria.	➢ A number of organic growth projects were initiated during 2019 with the aim of increasing capacity in our core cheese, butter and milk powder business. Completion of these projects was delayed in 2020 due to COVID-19, and is expected to be completed in quarter 2 of 2021. ➢ Acquisition opportunities arising as a result of the COVID-19 pandemic.

OUR OPERATIONAL PERFORMANCE WITHIN THE BUSINESS SEGMENTS

SOUTH AFRICAN FISHING

The Group's South African Fishing segment includes the operations of Sea Harvest and the Viking Fishing division, which was acquired on 2 July 2018. The combined South African Fishing segment operates 36 vessels. Operating from the Saldanha Bay harbour, the Group has 12 hake deep-sea vessels, comprising eight fresh fish vessels that feed the land-based fresh fish processing factory and four factory freezer vessels whose products are mainly targeted at the export markets. Operating from the Cape Town harbour, the Group has 15 vessels focused on deep-sea hake and horse mackerel. Six vessels operate out of Mossel Bay catching hake, East Coast sole, pilchards and anchovies. Another three vessels operate from the Durban harbour focused on prawn catches in South Africa and Mozambique.

The Group operates four fish processing factories. The flagship fresh fish processing factory in Saldanha Bay is predominantly focused on processing hake, including skin-on and skinless fillets, loins, steaks and portions for both the international and local markets. The Group's added value factory is also located in Saldanha Bay, producing a wide range of coated, battered, crumbed and sauced hake products for both the local and international markets. The Selecta Sea Products factory is situated in Cape Town and focuses on grading and processing hake and other bycatch species into a range of products including fillets and individually wrapped portions. The factory in Mossel Bay processes hake, pilchards and anchovies.

Operating performance

From an operations perspective, the COVID-19 virus hit the South African fishing operations hard during the months of May, June and July, with August seeing the region through the first wave. The outbreak of the virus resulted in significant disruption, increased absenteeism and lower throughput as employees and populations generally struggled to come to grips with, and adjust to living with the virus. Operations were fairly stable for the period September to November with the second wave hitting the business in December 2020.

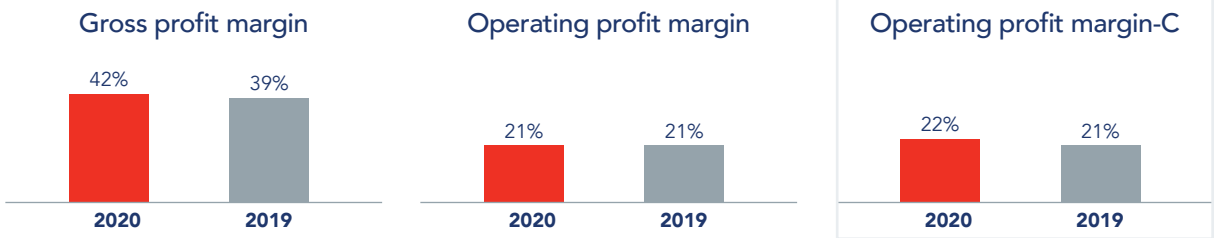
From a markets perspective, local and international retail markets benefited as a result of increased in-home consumption, while the HORECA/foodservice markets experienced a slowdown as a result of various levels of lockdown being implemented across the globe. This impacted the Sea Harvest product mix with the team directing efforts, where possible, to producing products that satisfied market demand, thereby controlling stock levels.

Despite the negative impact of COVID-19, the operations performed well during the year, benefiting from a shift in market mix, a focused effort on cost containment and lower fuel prices.

Financial performance

The South African Fishing operation delivered a solid set of results, despite the challenges posed by COVID-19 on both the market and supply-chain sides of the business.

REVENUE	GROSS PROFIT	OPERATING PROFIT
12% ▲	22% ▲	8% ▲
TO R2.76 BILLION (2019: R2.47 BILLION)	**TO R1.16 BILLION** (2019: R953 MILLION)	**TO R570 MILLION** (2019: R527 MILLION)

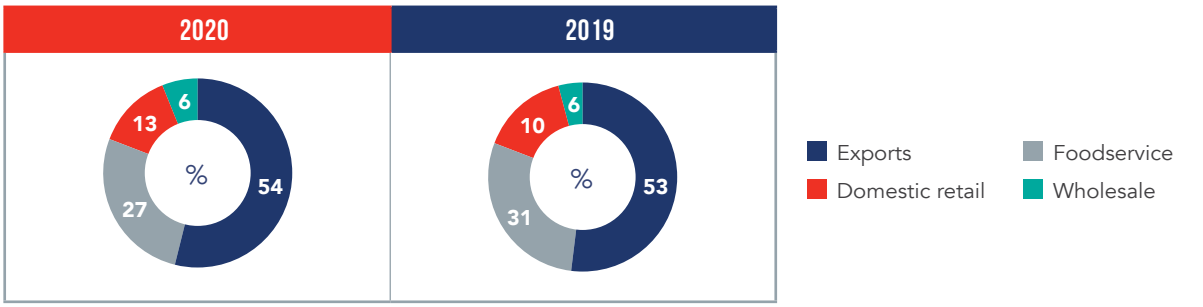


Revenue for the year ended 31 December 2020 increased 12% to R2.76 billion (2019: R2.47 billion), benefiting from a weaker exchange rate and increased in-home consumption in both local and international retail markets. These were offset by a lower-value product mix and a slowdown in both local and international foodservice markets as a result of various lockdown levels being implemented across the globe, compounded by populations not yet fully comfortable with dining out.

With stringent cost containment and a lower fuel price during the year, gross profit increased 22% to R1.16 billion (2019: R953 million), with the gross profit margin expanding to 42% (2019: 39%). After absorbing R61 million of hedging losses (2019: R45 million hedging gains) and R35 million of COVID-19-related expenses, operating profit for the South African Fishing segment increased 8% to R570 million (2019: R527 million), with the operating profit margin maintained at 21%. After normalising for COVID-19 costs, the operating profit-C margin increased to 22%.

EXPORTS	FOODSERVICE	DOMESTIC RETAIL	WHOLESALE
15% ▲	2% ▼	36% ▲	25% ▲
TO R1.62 BILLION (2019: R1.41 BILLION)	**TO R798 MILLION** (2019: R810 MILLION)	**TO R377 MILLION** (2019: R277 MILLION)	**TO R185 MILLION** (2019: R148 MILLION)

Exports remained the bedrock of the South African Fishing operation with export revenues increasing 15% to R1.62 billion (2019: R1.41 billion); benefiting from firm markets and a weaker rand, the export mix increased to 54% from 53% in 2019. Foodservice revenue decreased 2% to R798 million as a result of various levels of lockdown being implemented across the globe and now contributes 27% of the segment's revenue mix. Retail revenue increased by 36% to R377 million as a result of increased in-home consumption and reduced promotional activity and the channel now contributes 13% of the segment's revenue mix. Revenue from the wholesale channel was also firm, increasing 25% to R185 million and accounting for 6% of the segment's revenue.



Outlook

Through excellent co-operation between the DEFF and the University of Cape Town, and as a result of excellent resource management by government, the South African hake deep-sea industry successfully renewed its MSC certification for a further five years until February 2026, retaining its gold standard in sustainability.

In line with prudent scientific research, the hake TAC has been reduced by 5%, with effect 1 January 2021.

The FRAP 2020/21 guidelines have been gazetted, with the timelines indicating that the FRAP process would culminate in December 2021. As a Level 1 B-BBEE contributor with over 80% black ownership, the Group is well placed to renew its quota allocation for the next 15 years, and management has dedicated significant resources to ensure the future sustainability of the business.

The business expects to see continued global demand for high-value, wild-caught, MSC-certified Cape hake, which will continue to drive export growth and price inflation.

While markets are generally more settled since the first outbreaks in December 2019, and living with COVID-19 becomes the norm, it is difficult to estimate the impact of the pandemic on the supply chain and the markets. The situation is fluid as various markets re-establish different lockdowns on the back of third waves of COVID-19 outbreaks or indeed lift lockdowns on the back of recoveries. The efficacy of vaccines and the impact on markets, particularly foodservice markets, could take a while to filter through. Retail markets are expected to continue to be firm, while the ramp-up of foodservice markets is expected to occur over an extended period.

The Group will continue to focus on its COVID-19 protocols to ensure the safety and well-being of its employees.

OUR OPERATIONAL PERFORMANCE WITHIN THE BUSINESS SEGMENTS CONTINUED

CAPE HARVEST FOODS

The Cape Harvest Foods segment encompasses Ladismith Cheese and Sea Harvest's factory shops.

Ladismith Cheese's primary business is the production, distribution, marketing and sale of cheese, butter and milk powders in both retail and bulk formats, serving the South African retail, foodservice and food producer markets.

Ladismith Cheese has a factory based in Ladismith in the Western Cape where its fleet of tankers collect milk from a dedicated group of farmers located in the south of the country. This milk is processed into gouda, cheddar, mozzarella and edam cheese as well as various types of butters and spreads. The company has two powder factories. The company also has depots in Cape Town and Johannesburg.

From a factory shop perspective, the Group opened three new factory shops (taking the total to 14), now also selling Ladismith Cheese products.

Cape Harvest Foods' revenue increased 3% to R1.021 billion, a credible performance in a period when the business faced significant closures of two of its key markets (foodservice and food producer) during 2020 due to the national lockdowns. Management did well to divert foodservice and food producer products into retail, where demand has been robust.

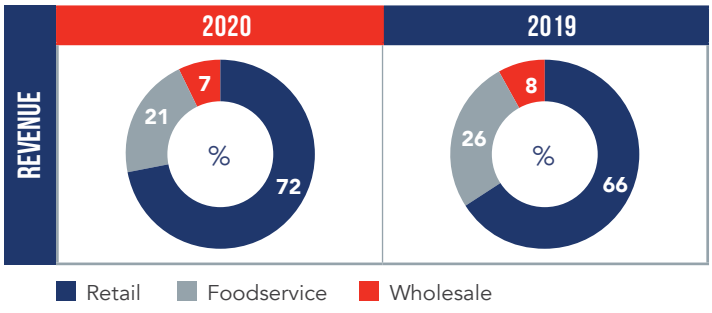
Financial performance

The Cape Harvest Foods segment fared well during the year, benefiting from increased in-home consumption, offset by a slowdown in foodservice markets.

REVENUE	GROSS PROFIT	OPERATING PROFIT	OPERATING PROFIT-C
3% ▲	3% ▲	2% ▼	–% ▲
TO R1.021 BILLION (2019: R990 MILLION)	**TO R199 MILLION** (2019: R193 MILLION)	**TO R94 MILLION** (2019: R96 MILLION)	**TO R96 MILLION** (2019: R96 MILLION)

Revenue for the segment increased 3% to R1.021 billion (2019: R990 million), benefiting from firm demand supporting pricing during the period, with operating profit decreasing 2% to R94 million (2019: R96 million) after accounting for R2 million of COVID-19-related expenses. The operating profit margin decreased to 9% from 10% in 2019, impacted by market mix, load shedding, production downtime and COVID-19 expenses.

RETAIL	FOODSERVICE	WHOLESALE
12% ▲	16% ▼	7% ▼
TO R731 MILLION (2019: R653 MILLION)	**TO R215 MILLION** (2019: R256 MILLION)	**TO R75 MILLION** (2019: R81 MILLION)



With retail markets benefiting from increased in-home consumption and the opening of three additional factory shops, retail revenue increased 12% to R731 million and contributes 72% of the segment's revenue mix. Foodservice revenue decreased 16% to R215 million as a result of various levels of lockdown being implemented, and contributes 21% of the segment's revenue mix. Wholesale revenue decreased 7% and contributes 7% of the segment's revenue mix.

Outlook

The business is expected to continue to perform well in the long term, on the back of a continued global consumer shift towards natural fats. A weaker exchange rate is also expected to support Ladismith Cheese due to reduced imports. Offsetting this is a weak local economic environment, and the difficulty in estimating the impact of COVID-19 on supply chain and markets.

SEA HARVEST AQUACULTURE

The acquisition of 51% of the shares of Viking Aquaculture has further diversified Sea Harvest's revenue base. The Group's Aquaculture operations comprise abalone, oysters, mussels and trout, employing 350 people across nine locations.

Abalone

The Group operates two abalone facilities: Buffeljags Abalone Farm outside Hermanus in the Western Cape, and Diamond Coast Aquaculture (DCA) in Kleinzee in the Northern Cape. The ability to farm abalone over multiple, geographically dispersed locations reduces the bio-security risk exposure to the Group.

The Group's current combined design capacity is 570 tonnes. As a result of the good performance of the farms in meeting the base case growth projections, biological stocks have grown by 24% from 458 tonnes at 31 December 2019 to 572 tonnes at 31 December 2020.

Buffeljags Abalone Farm

The Buffeljags Abalone Farm, situated outside Hermanus, is the Group's flagship aquaculture operation, with a design capacity of 390 tonnes. Due to its location, the farm is less susceptible to red tide. The farm is fully established, with all the various areas – from hatchery through to weaning and grow-out – performing to expectation. The necessary capital expenditure has been incurred to achieve the design capacity, and the pipeline of the product is in place.

The Group successfully completed the installation of 1.3MW of wind turbine production capacity on site in order to mitigate the effects of the electricity crisis gripping the country.

Diamond Coast Aquaculture

Located in Kleinzee in the Northern Cape, DCA has achieved its design capacity of 180 tonnes and production has settled down onto a sustainable growth path. The Company has activated its kelp harvesting right and is producing enough feed for the current farm size and the farm's expected expansion.

In 2019, the Group approved the expansion of the DCA farm and has included a 5MW wind farm as part of this project. Owing to the slowdown of local and international foodservice markets during the COVID-19 pandemic, and the uncertainty around the timing of recovery, the Viking Aquaculture board has suspended the approved 850 tonnes expansion of the DCA farm until such time as abalone markets recover. This decision excluded the limited expansion at the DCA farm in 2020 to prevent undue pressure on abalone stocking densities and growth.

Oysters and mussels

West Coast Aquaculture, West Coast Oyster Growers and Lüderitz Mariculture

Located in Saldanha Bay, West Coast Aquaculture and West Coast Oyster Growers cultivate oysters and mussels, largely for the South African foodservice market. Lüderitz Mariculture holds extensive water leases in the Lüderitz lagoon housing 400 rafts for the cultivation of oysters, destined largely for the South African foodservice market. Strategically, the Group's own oyster hatchery is located at Lüderitz, supplying oyster spat to the various Sea Harvest Aquaculture operations.

Trout

With a hatchery located in Fisantekraal, Molapong Aquaculture houses the trout operations of Sea Harvest Aquaculture supplying quality trout for grow-out in Saldanha Bay. During 2019, the Group secured a 15-year lease allowing it to ramp up volumes to 1 000 tonnes. However, due to the high levels of mortalities and slower growth rates, the focus for 2020 was on developing saltwater strains of trout for successful grow-out within Saldanha Bay, as well as obtaining input from an international salmon farmer/scientist before going into full production.

OUR OPERATIONAL PERFORMANCE WITHIN THE BUSINESS SEGMENTS CONTINUED

SEA HARVEST AQUACULTURE CONTINUED

Operating performance

Performance for the year has been severely impacted by COVID-19, with the Aquaculture business supplying abalone to the foodservice industry in Hong Kong, China and Taiwan. The lockdowns and the limitation on international flights had a devastating effect on the business. Oyster and mussel sales were also affected by the lockdown in South Africa as restaurants and hotels were closed. The business is significantly reliant on international air travel, which is only expected to pick up during 2021. The alternative product formats (canned, frozen and dried) were formulated and launched during 2020, together with a pursuit of diversified markets.

The Group harvested 153 tonnes of abalone (2019: 86 tonnes), 158 tonnes of mussels (2019: 266 tonnes), 924 000 oysters (2019: 1 903 000) and 22 tonnes of trout (2019: 78 tonnes) in the year to 31 December 2020. The farms had a combined 572 tonnes of abalone, 743 tonnes of mussels, 12.7 million oysters and 118 tonnes of trout on hand at 31 December 2020 (2019: 458 tonnes of abalone, 1 000 tonnes of mussels, 13.5 million oysters and 80 tonnes of trout).

Financial performance

REVENUE	FAIR VALUE GAINS	OPERATING LOSS	GROWTH IN BIOMASS
23% ▼	94% ▼	R43m ▲	15% ▲
TO R53 MILLION (2019: R69 MILLION)	TO R2.6 MILLION (2019: R45 MILLION)	TO -R73 MILLION (2019: -R30 MILLION)	TO R160 MILLION (2019: R139 MILLION)

As a result of the severely constrained markets, revenue for the year to December 2020 decreased 23% to R53 million from R69 million in 2019, with export revenue, comprising predominantly abalone sales, increasing to 72% of total Aquaculture revenue.

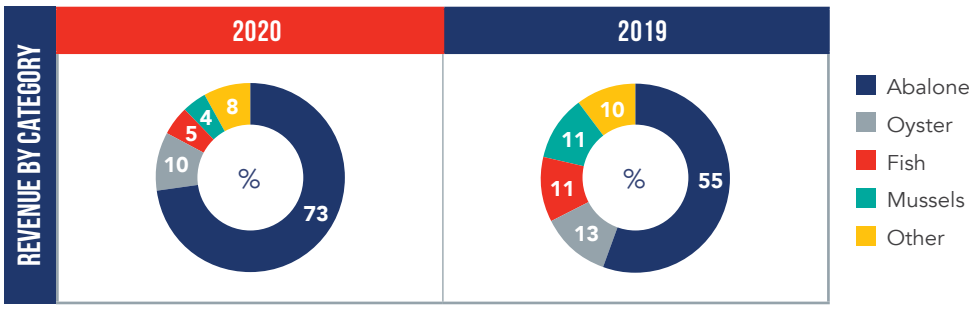
As a result, the segment recorded an operating loss for the year of R73 million (2019: operating loss R30 million).

The segment delivered a loss of R69 million before interest and tax compared to R16 million in 2019, after accounting for hedging losses of R9.1 million (2019: R176 000 hedging gains) and fair value gains of R2.6 million (2019: R5.9 million gain) relating to the revaluation of biological assets. 2019 includes a fair value gain of R39.3 million relating to Viking Aquaculture's failure to achieve its earn-out target. The segment incurred expenses of R1.6 million relating to COVID-19 in 2020. Adjusting for the earn-out, hedging losses and COVID-19 expenses resulted in the normalised R23 million loss before interest and tax in 2019 increasing to R58 million in 2020.

As a result of the good performance of the farms in meeting the base case growth projections, biological asset values have increased by 15% to R160 million at 31 December 2020.

Abalone is sold predominantly in the Far East in live, dried and canned formats, with abalone revenue increasing 3% to R39 million, (2019: R38 million) accounting for 72% of Viking Aquaculture's revenue for the year to December 2020. Abalone sales volumes increased 78% from 86 tonnes in 2019 to 153 tonnes in 2020. This was sharply offset by significant lower average selling prices during the period. The weaker rand was insufficient to offset the lower selling prices.

As a result of a significant portion of oysters and mussels being consumed through the foodservice market, sales came to a standstill once the lockdown was implemented, and oyster and mussel revenue decreased 56% to R7 million (2019: R16 million) and account for 14% of the segment's revenue mix.



Outlook

The South African Aquaculture operation is not expected to recover significantly in H1 of 2021, as the business is highly reliant on international air travel. The limited number of flights out of South Africa until end April 2021 is proving very challenging. The business is also reliant on the vaccination programmes in key export markets gaining traction and acceptance quickly with markets returning to normal. The business has therefore reduced costs and started producing and selling abalone in canned, frozen and dried formats. The diversification of markets is also a key priority.

SEA HARVEST INTERNATIONAL

The Group's international operations comprise its Australian subsidiary, Sea Harvest Australia (previously Mareterram Limited).

Sea Harvest Australia is a vertically integrated agribusiness headquartered in Fremantle, Western Australia, providing premium quality and sustainable produce to Australian and international consumers. The business comprises two operating divisions: the fisheries division and the trading division. With a long and proud history of operating within the Shark Bay Prawn Managed Fishery for over 50 years, the fisheries division (formerly Nor-West Seafoods) is the single largest owner-operator in the fishery, holding 10 of the 18 prawn licences in Shark Bay. Western king prawns and brown tiger prawns are the major target species, with the division also catching scallops, blue swimmer crabs, squid and cuttlefish.

The fisheries division's fleet of 10 prawn trawlers is set up to process, package and snap-freeze all their catch at sea, ensuring a high-quality, consistent and sustainable seafood product.

After the acquisition of three Spanish mackerel vessels and six additional licences in 2020, the Group now owns 19 Western Australia mackerel licences and four vessels, giving it access to 56% of the Western Australian Mackerel Fishery and adding another premium species to its basket.

The trading division is the sales and marketing arm of the business and manages the sales of the fisheries product from Shark Bay, together with other premium, sustainably caught seafood that it sources from its worldwide network of key suppliers. The division also acts as an exclusive agent for other premium food brands, including Sea Harvest, whose products complement Sea Harvest Australia's seafood offering. The trading division has a sales presence in Perth, Brisbane, Sydney, Adelaide and Melbourne.

Operating performance

The recovery in prawn catch in 2019 has continued into 2020 with prawn catch volumes achieved during the year of 637 tonnes, being 6% higher than the catch volumes for the 2019 season of 599 tonnes, with the 2020 catch exhibiting a larger mix of higher-value tiger prawns.

Management continued to work with key stakeholders to ensure that the Shark Bay fishery is managed to MEY by starting the season later, allowing the biomass to grow.

Scallop catch volumes were consistent in 2020 to those of 2019, with the average scallop size landed in the 2020 fishing season being larger than scallop sizes realised across the 2019 season. This resulted in higher average sales prices achieved for scallop sales during 2020.

The Sea Harvest Fishing division caught its full allocation of crab quota during the 2020 fishing season with average sales prices from crab meat improving slightly.

Mackerel catch volumes were slightly higher in 2020 compared to 2019. Sea Harvest Australia acquired six mackerel licences and three vessels in late December 2020. These acquisitions give Sea Harvest Australia ownership of 56% of the total Western Australia mackerel fishery, adding another premium species to the basket.

The business has been resilient through the lockdown with a focus on retail and Fish 'n Chips shops as the HORECA channels were impacted by the lockdowns across the country; and as a result the sale of South African Cape hake fillets increased significantly.

Following the take-out of minorities and delisting, the Group has continued to focus on reducing overhead costs at Sea Harvest Australia making it fit for purpose, with c.R7 million savings realised in 2020.

OUR OPERATIONAL PERFORMANCE WITHIN THE BUSINESS SEGMENTS CONTINUED

SEA HARVEST INTERNATIONAL CONTINUED

Financial performance

REVENUE	GROSS PROFIT	OPERATING PROFIT	OPERATING PROFIT MARGIN
24% ▲	15% ▲	443% ▲	▲ To 7%
TO R543 MILLION (2019: R438 MILLION)	**TO R118 MILLION** (2019: R103 MILLION)	**TO R38 MILLION** (2019: R7 MILLION)	(2019: 2%)

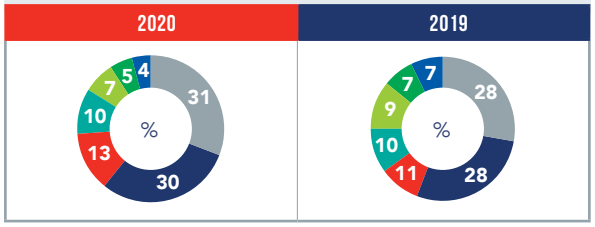
Revenue for the year increased 24% to R543 million (2019: R438 million), benefiting from a 6% increase in prawn catch volumes as well as significant growth in the trading division on the back of higher sales of South African Cape hake. The Group also benefited from a 15% depreciation in the rand to the Australian dollar. As a result of the higher proportion of traded products in the basket for the year, the gross profit margin has diluted from 24% to 22%.

The business delivered R7 million of overhead savings for the year as a result of the minority buyout and subsequent delisting from the ASX in 2019. With good revenue growth and tight cost control, the segment delivered operating profit of R38 million (2019: R7 million), with the operating profit margin at 7% (2019: 2%).

RETAIL	FOODSERVICE	EXPORT
73% ▲	13% ▲	7% ▲
TO R137 MILLION (2019: R79 MILLION)	**TO R372 MILLION** (2019: R328 MILLION)	**TO R33 MILLION** (2019: R31 MILLION)

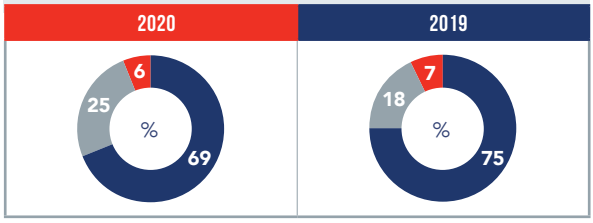
Retail revenue increased 75% to R137 million (2019: R79 million), as a result of increased in-home consumption, and the channel now makes up 25% of the segment's revenue mix. Fish 'n Chip shops were open during lockdown, benefiting the foodservice channel, with revenue increasing 13% to R372 million, and now contributes 69% of the segment's revenue mix. Export revenue increased 7% to R33 million and contributes 6% of the segment's revenue.

REVENUE SPLIT BY CATEGORY



Cape hake
Prawn
Potato
Convenience foods
Other
Scallop
Crab

REVENUE CHANNEL



Foodservice
Retail
Export

Outlook

The business has had a good prawn catching season in 2020 with a bigger-sized prawn and a favourable weighting to higher-value tiger prawns. The Australian business is well placed to maximise its wild-caught offering, with the Spanish mackerel acquisitions in 2020.

With the restructure complete and the annual vessel refit well underway, the Australian operation is well placed to continue the good trajectory into 2021.

Sea Harvest Australia is working with key stakeholders to ensure the fishery is managed to optimise the MEY, resulting in abundant volumes of prawns in larger sizes and has had some success in this respect, with the 2020 and 2021 start to the prawn fishing season being pushed back to April.

Sea Harvest Australia will continue to refine and implement its four key strategic pillars in 2020, being:

- to maximise the volume and value of its catch;
- to maximise the utilisation of its assets:
- to grow its trading division; and
- to build further scale and diversification through acquisitions.

OUR CFO'S REPORT

OVERVIEW

During one of the worst pandemics facing the world in recent times, resulting in significant disruptions to markets and supply chains, the Sea Harvest Group proved its resilient and defensive nature in delivering headline earnings for the year ended 31 December 2020 of R421 million (2019: R410 million), 3% ahead of 2019, while earnings per share increased 3% to 154.3 cents per share (2019: 149.3 cents per share).

Group revenue for the year increased 10% to R4.38 billion (2019: R3.97 billion), benefiting from good performances from the South African Fishing segment, the Cape Harvest Foods segment (which includes Ladismith Cheese) and the Australian operations, offset by continued challenges in the Aquaculture segment which was severely impacted by the effects of COVID-19.

Local and international retail markets have benefited as a result of an increase in in-home consumption, while local and international foodservice markets have seen a slowdown as a result of various lockdown levels being implemented worldwide. This, together with supply chain disruptions, has resulted in a softening of operating margins.



FINANCIAL PERFORMANCE

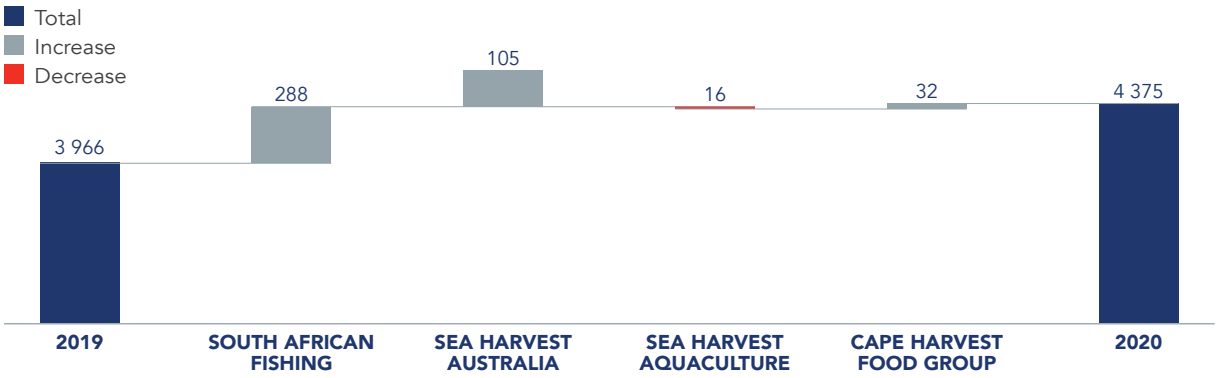
(R'000)		2020	2019
Revenue	10%	4 375 339	3 966 452
Gross profit	**17%**	**1 480 761**	**1 270 815**
Gross profit margin		*34%*	*32%*
Net operating expenses	27%	(851 501)	(671 235)
Operating profit	**5%**	**629 260**	**599 580**
Operating profit margin		*14%*	*15%*
Profit before finance costs and tax (EBIT)	-1%	625 442	634 698
Net finance costs	-28%	(72 085)	(100 506)
Taxation	12%	(155 509)	(138 679)
Profit after tax	**1%**	**397 848**	**395 513**
Non-controlling interest	94%	(32 903)	(16 965)
Profit attributable to Sea Harvest shareholders	5%	430 751	412 478
EBITDA	3%	844 734	818 182
EBITDA margin		*19%*	*21%*
EPS (cents)	3%	154	149
HEPS (cents)	2%	151	149

DURING ONE OF THE WORST PANDEMICS FACING THE WORLD IN RECENT TIMES, THE GROUP PROVED ITS RESILIENT AND DEFENSIVE NATURE **IN GROWING HEPS 2% TO R1.51.**

Muhammad Brey

FINANCIAL PERFORMANCE CONTINUED

REVENUE (R'M)



- Revenue from Sea Harvest's South African Fishing operation increased by R288 million or 12%, benefiting from a weaker exchange rate and increased in-home consumption in both local and international retail markets, partially offset by a lower-value product mix and a slowdown in both local and international foodservice markets as a result of various lockdown levels being implemented across the globe.
- Revenue from Sea Harvest Australia was R105 million or 24% higher than the prior year, benefiting from a 6% increase in prawn catch volumes as well as significant growth in the trading division on the back of higher sales of South African Cape hake.
- Sea Harvest Aquaculture revenue decreased by R16 million or 23%, due to the inability to access markets in the Far East as a result of various levels of lockdown in the region, the curtailment of air freight from South Africa and the marked slowdown in local and export foodservice markets.
- Revenue from Cape Harvest Foods, which includes Ladismith Cheese and Sea Harvest's factory shops, increased by R32 million or 3%, benefiting from increased in-home consumption, offset by a slowdown in the foodservice markets.

With **cost of sales** increasing 7% on the back of good cost containment and lower fuel prices, and despite absorbing R24 million in COVID-19 related costs, **gross profit** for the year increased 17% to R1.48 billion (2019: R1.27 billion), with the gross profit margin expanding to 34% (2019: 32%).

Other operating losses of R8 million (2019: other operating gain of R74 million) includes R28 million (2019: Nil) of insurance proceeds, largely relating to vessel breakdowns, offset by foreign exchange hedge losses of R68 million (2019: R45 million hedge gains) for the year, mainly due to the Group's export and fuel hedges being out of the money.

Selling and distribution expenses, marketing expenses and other operating expenses increased 13% to R843 million (2019: R745 million) and, as a percentage of revenue, increased to 19.3% (2019: 18.8%) as a result of inflation, a greater retail mix, COVID-19 related costs and supply chain disruptions.

In order to ensure that the Group provided a safe working environment at its sea-based and land-based operations, the Group incurred COVID-19 related costs of R39 million in the provision of PPE, transport, care kits, food parcels, screening and testing, thus allowing operations to continue to operate safely. Of this, R24 million was absorbed in cost of sales and R15 million in other operating expenses.

		REVENUE			OPERATING PROFIT		OPERATING PROFIT MARGIN	
		2020 R'M	2019 R'M		2020 R'M	2019 R'M	2020	2019
South African Fishing	12%	**2 758**	2 470	8%	**570**	527	**21%**	21%
Sea Harvest Australia	24%	**543**	438	443%	**38**	7	**7%**	2%
Sea Harvest Aquaculture	(23%)	**53**	69	(143%)	**(73)**	(30)	**n/a**	n/a
Cape Harvest Food Group	3%	**1 021**	990	(2%)	**94**	96	**9%**	10%
Group	**10%**	**4 375**	**3 967**	**5%**	**629**	**600**	**14%**	**15%**

Despite supply-chain disruptions, lower throughput and lower levels of productivity, higher selling and distribution costs, a shift in market mix, COVID-19 costs and a R73 million operating loss in the Aquaculture segment, the Group delivered **operating profit before fair value gains and associate income** of R629 million (2019: R600 million) for the year, 5% higher than the prior year, with the operating profit margin diluting to 14% (2019: 15%).

Fair value losses of R4.6 million (2019: fair value gains of R34 million) include a R2.6 million gain (2019: R6 million gain) on biological assets in the Aquaculture segment. The 2019 fair value gains of R34 million includes the once-off R39 million gain relating to the non-achievement of the Viking Aquaculture earn-out.

Net finance costs, which includes investment income and interest expense, decreased to R72 million (2019: R101 million) as a result of lower interest rates and the settling of debt during the period.

Profit after tax attributable to shareholders of Sea Harvest for the year increased 4% to R431 million (2019: R412 million), while headline earnings increased 3% to R421 million (2019: R410 million).

EBITDA for the 2020 year came in at R845 million, at an EBITDA margin of 19%.

HEPS, normalised HEPS and dividends per share (DPS)

RECONCILIATION OF HEADLINE EARNINGS (R'000)		2020	2019
Profit for the period attributable to shareholders of the parent		430 751	412 478
Adjustment for capital items post tax		(9 842)	(2 061)
Headline earnings	3%	**420 909**	**410 417**
WANOS ('000)	1%	279 177	276 366
HEPS (cents)	2%	151	149

After adjusting for the after-tax effects of insurance proceeds, headline earnings for the Group increased by 3% to R421 million (2019: R410 million) and the weighted average number of outstanding shares (WANOS) in issue increased by 1% to 279 million shares, due to the vesting of the Forfeitable Share Plan (FSP). This resulted in HEPS for the year increasing by 2% to 151 cents per share, from 149 cents in 2019.

Non-recurring fair value gains		–	(39 310)
Net COVID-19 expenses (post tax)		28 226	–
Normalised headline earnings	21%	**449 135**	**371 107**
WANOS ('000)	1%	279 177	276 366
Normalised HEPS (cents)	20%	161	134

Included in the Group's headline earnings for 2019 are fair value gains relating to the reversal of the deferred consideration liability due to Viking Aquaculture not achieving the earn-out target and, in 2020, net COVID-19 post-tax expenses of R28 million. Adjusting for these, the Group delivered normalised headline earning of R449 million, 21% higher than the normalised headline earnings of R371 million delivered in 2019. This translates into a normalised HEPS of 161 cents per share, an increase of 20% compared to the normalised HEPS of 134 cents per share delivered in 2019.

Dividends declared	132 432	147 147
Number of ordinary shares in issue	294 294	294 294
Total dividend per share (cents)	45	50
– Ordinary dividend per share (cents)	45	45
– Special dividend per share (cents)	–	5

In line with the 2.5 to 3.0 times dividend cover policy, a full and final ordinary dividend of 45 cents per share has been declared with respect to the year ended 31 December 2020, in line with the 2019 financial year.

FINANCIAL POSITION

Sea Harvest Group balance sheet at 31 December 2020.

ASSETS (R'M)	2020	2019
Property, plant and equipment	1 993	1 882
Right-of-use assets	132	137
Biological assets	67	61
Intangible assets	733	640
Goodwill	862	850
Other non-current assets	277	217
Current assets	1 730	1 729
	5 794	**5 516**

Property, plant and equipment increased to R1.99 billion; R213 million (2019: R174 million) was spent on maintenance capital expenditure and R73 million (2019: R91 million) on expansion capital expenditure during the year, and R23 million relates to the foreign currency translation reserve (FCTR) effect on the translation of Sea Harvest Australia's property, plant and equipment, partly offset by a depreciation charge of R192 million (2019: R158 million).

Biological assets increased to R67 million, driven by costs capitalised and the fair value adjustment.

Intangible assets increased by R93 million to R733 million, driven by additions of R32 million relating to the additional Spanish mackerel licences acquired in Australia, offset by a R9 million amortisation charge and a R70 million increase as a result of the FCTR effect on the translation of Sea Harvest Australia's intangible assets.

Goodwill increased by R13 million to R862 million, driven by the FCTR effect on the translation of Sea Harvest Australia's goodwill.

Other non-current assets increased by R57 million to R277 million, mainly due to an increase in loans to supplier and JV partners.

Current assets were R1.73 billion at 31 December 2020 due to an increase in inventory of R49 million, an increase in biological assets of R15 million and increase in cash of R37 million offset by a decrease in other financial assets of R98 million due to lower levels of foreign exchange hedges.

EQUITY AND LIABILITIES (R'M)	2020	2019
Stated capital	1 809	1 810
Reserves	945	627
Non-controlling interests	40	76
Non-current liabilities	2 147	2 087
Current liabilities	853	916
	5 794	**5 516**

Reserves increased by R318 million to R945 million:

- Retained earnings increased R285 million as a result of after-dividend earnings
- FCTR reserve increased by R69 million, driven by the weakening of the rand to the Australian dollar of R1.47 (from R9.83 at the end of 2019 to R11.30 at the end of 2020)
- Hedge reserves decreased by R56 million, driven by lower levels of foreign exchange hedges

Non-controlling interests decreased by R36 million, driven by a reduction in Aquaculture minorities as a result of losses in this segment.

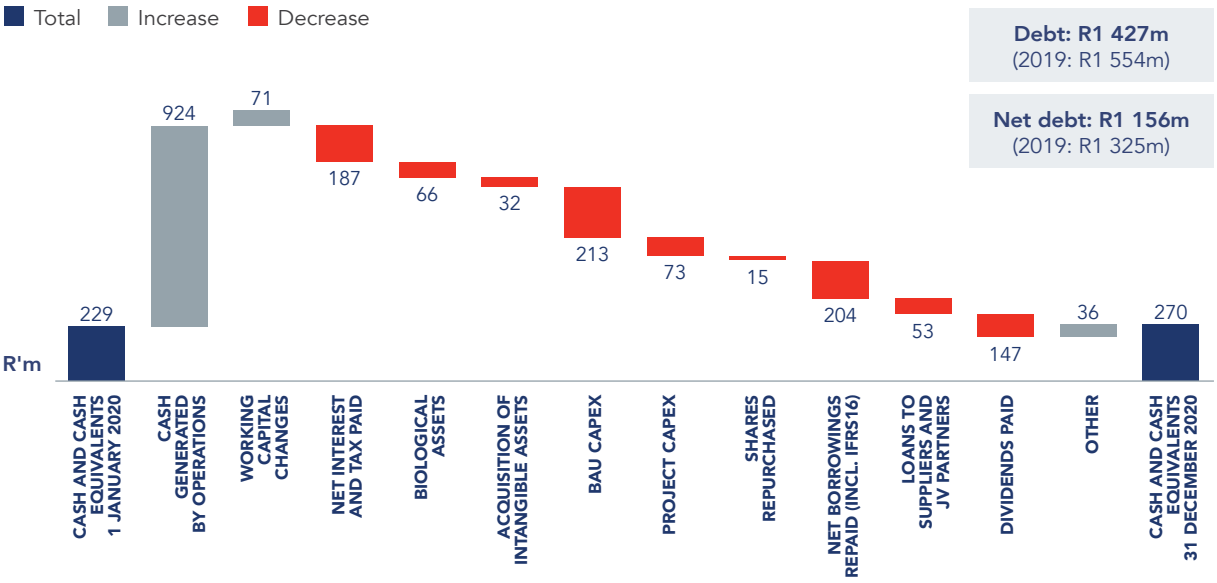
Non-current liabilities increased by R60 million to R2.147 billion:

- Long-term liabilities increased by R41 million, with loans raised of R588 million, repayments of R564 million and the FCTR effect of R17 million
- Deferred tax liability increased R30 million as a result of the movement in hedges
- Contingent consideration relating to the Viking Fishing earn-out increased by R9 million
- Financial liabilities decreased by R20 million as a result of the repayments of the Voluntary Fisheries Adjustment Scheme (VFAS) effected during the year, with one more year of annual fees being due and payable in 2021 before the VFAS debt is fully extinguished

Current liabilities decreased by R63 million to R853 million:

- Short-term borrowings decreased by R168 million due to the SBSA term loan repayment in June 2020
- Trade and other payables increased by R98 million driven by the timing of provisions and accruals, and R17 million due to the FCTR effect on the translation of Sea Harvest Australia's payables

CASH FLOW MANAGEMENT



Debt: R1 427m
(2019: R1 554m)

Net debt: R1 156m
(2019: R1 325m)

The Group generated cash from operations of R995 million (2019: R768 million) during the year, including releasing R71 million (2019: investment of R71 million) in working capital. After settling net interest of R76 million (2019: R105 million) and taxes of R112 million (2019: R120 million), the Group generated cash of R811 million (2019: R560 million) from operating activities during the year.

The Group utilised R403 million (2019: R861 million, including the R558 million acquisition of Ladismith Cheese on 1 January 2019) in investing activities during the year, including:

- R286 million (2019: R264 million) invested in additions to property, plant and equipment, including R213 million (2019: R174 million) on maintenance capital expenditure and R73 million (2019: R91 million) on expansion capital expenditure;
- the acquisition of an additional six Western Australia Spanish mackerel licences in Australia; and
- R66 million (2019: R69 million) in the growth of biological assets.

The Group utilised R367 million (2019: R252 million) of cash in financing activities after paying a dividend of R147 million (2019: R117 million) and repaying a net R204 million (2019: R214 million) of borrowings during the year.

The Group opened the year with cash of R229 million (2019: R782 million) on hand, generated R41 million of cash during the year, and ended the year with R270 million (2019: R229 million) of cash on hand.

With total borrowings of R1.427 billion (2019: R1.554 billion), the Group's net debt position at 31 December 2020 was R1.156 billion (2019: R1.325 billion), a decrease of R169 million.

		2020	2019
Net asset value per share	(cents)	987	882
Net debt to EBITDA	(times)	1.4	1.6
ROCE	(%)	17	17
Net working capital as a % of revenue	(%)	16	19
Cash flow conversion	(%)	79	58

Net asset value per share increased by 12% to 987 cents per share from 882 cents in 2019.

The net debt to EBITDA ratio decreased from 1.6 times in 2019 to 1.4 times in 2020, due to the loan repayments of R169 million in 2020.

ROCE of 17% remained in line with 2019.

With a closer focus on working capital, net working capital as a percentage of revenue decreased from 19% in 2019 to 16% in 2020.

Cash flow conversion increased from 58% in 2019 to 79% in 2020, despite the increase in stay-in-business capex.

The Group will continue its focus on cash flow management during 2021, continuing with the strategy to deleverage the balance sheet in the absence of value-creating acquisitions.



Muhammad Brey
Chief Financial Officer

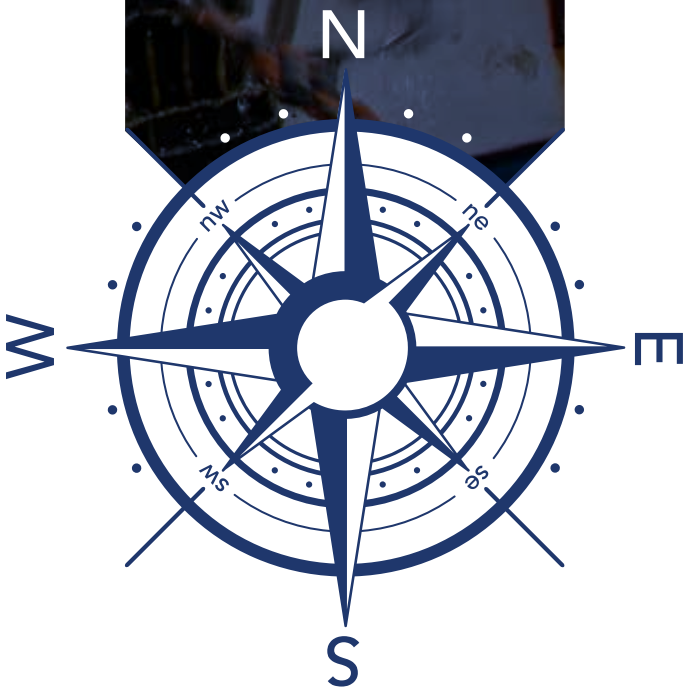
CREATING AND SUSTAINING VALUE THROUGH EFFECTIVE GOVERNANCE



- Our governance
- Our Audit and Risk Committee
- Our Social, Ethics and Sustainability Committee
- Our Nomination and Remuneration Committees



5



OUR **GOVERNANCE** REPORT

INTRODUCTION

The COVID-19 pandemic has highlighted the value of the integration of financial and non-financial practices, including environmental, social and governance (ESG) for value creation and ensuring longer-term sustainability. During the 2020 financial year, the Board evaluated its strategic and operational performance and fulfilled its duties in accordance with the Companies Act, JSE Listings Requirements and the principles set out in the King IV Report™. What follows, in support of our value-creation process, is a detailed account of our governance structures as at 31 December 2020.

OUR CORPORATE GOVERNANCE

We are committed to good governance underpinned by the pillars of responsibility, fairness, transparency and accountability to all stakeholders.

For us, corporate governance is not simply about compliance. We leverage governance to improve performance by:

- determining how governance requirements can be implemented to add organisational value;
- enhancing accountability for actions at all levels; and
- guiding decision-making, reinforcing material disclosures and refining risk processes.

OUR GOVERNANCE CHECKS AND BALANCES

As a company listed on the Johannesburg Stock Exchange, Sea Harvest is subject to, and the Board is satisfied that the Company has implemented, controls to provide reasonable assurance of compliance with all relevant laws of establishment including the JSE Listings Requirements, the Companies Act, King IV™ and its Memorandum of Incorporation. In line with King IV™, the Board believes that it has executed its responsibilities in an ethical manner and has reported the outcomes of its direction in accordance with King IV™ and the International <IR> Framework. The Board's application of King IV™ can be viewed on our website: **https://seaharvestgroup.co.za/investors/governance/**.

OUR GOVERNANCE FRAMEWORK

We believe that good governance extends far beyond compliance with legal prescripts, practices and principles. We believe that maintaining the highest levels of governance contributes to achieving our vision, mission and remaining grounded in our values.

The framework within which the Board operates is underpinned and constantly evaluated in terms of governance recommendations within South Africa. By doing this, the Board encourages outstanding levels of performance from the Group to achieve its vision, mission and strategy. Throughout our operations, we are guided by the ethical culture embedded by the Board, while remaining aware of our responsibility to positively transform the communities and environments in which we operate.

OUR IMPROVED PERFORMANCE

Corporate governance throughout the Group enables:

- diverse opinions at Board level to improve decision-making;
- comprehensive management reporting to the Board;
- clear management accountability;
- risk controls embedded in day-to-day processes and decision-making;
- improved integrated reporting of all business aspects; and
- appropriately prioritised engagement with various stakeholders.

INTRODUCTION

The governance structure in operation within the Group for the 2020 financial year was as follows:

OUR BOARD OF DIRECTORS

Non-executive Chairperson	Lead Independent Non-executive Director	Independent Non-executive Director	Independent Non-executive Director	Independent Non-executive Director
				
FJ ROBERTSON	BM RAPIYA	WA HANEKOM	CK ZAMA	KA LAGLER

Non-executive Director	Non-executive Director	Executive Director	Executive Director
			
MI KHAN	T MOODLEY	F RATHEB (CEO)	M BREY (CFO)

OUR COMMITTEES

AUDIT AND RISK	NOMINATION	REMUNERATION	SOCIAL, ETHICS AND SUSTAINABILITY	INVESTMENT AND HEDGING
Chairperson: KA Lagler	**Chairperson:** WA Hanekom	**Chairperson:** WA Hanekom	**Chairperson:** FJ Robertson	**Chairperson:** WA Hanekom
Members: BM Rapiya, WA Hanekom, CK Zama	**Members:** BM Rapiya, MI Khan	**Members:** BM Rapiya, MI Khan	**Members:** BM Rapiya, CK Zama, MI Khan, T Moodley, M Brey	**Members:** MI Khan
Invitees: FJ Robertson, MI Khan, F Ratheb, M Brey, Internal Audit, External Audit	**Invitees:** FJ Robertson, F Ratheb	**Invitees:** FJ Robertson, F Ratheb	**Invitees:** F Ratheb, T Brown, M Khumalo, ML Harry	**Invitees:** FJ Robertson, F Ratheb, M Brey

OUR EXECUTIVE COMMITTEE

Members:
F Ratheb, M Brey, K Geldenhuys, T Brown, R Hall, G Nortje, ML Harry, M Khumalo, R Groenewald, N Seshoka, N Loubser

OUR **GOVERNANCE** REPORT CONTINUED

The Board believes that the adopted governance disciplines are appropriate, in all material respects, to ensure adherence to the principles embodied in King IV™.

The Board, through its oversight responsibilities, remains committed to ensuring the achievement of the Group's vision, mission and strategy. The Board sets the tone for the Company's values, including principles of ethical practices. In fulfilling its obligation as embodied in the fourth principle of King IV™, the Board held six (6) Board meetings during the 2020 financial year. The table below records the attendance of directors at Board meetings for the year:

	ATTENDANCE AT BOARD MEETINGS					
	26 FEB '20	25 MAR '20#	26 MAY '20	11 JUN '20#	28 AUG '20	19 NOV '20
Mr FJ Robertson (Chairperson)	✓	✓	✓	✓	✓	✓
Mr F Ratheb	✓	✓	✓	✓	✓	✓
Mr JP de Freitas*	✓	–	–	–	–	–
Mr M Brey	✓	✓	✓	✓	✓	✓
Mr BM Rapiya	✓	✓	–	✓	✓	✓
Mr WA Hanekom	✓	–	✓	✓	✓	✓
Ms CK Zama	✓	✓	✓	✓	✓	✓
Ms KA Lagler	✓	✓	✓	✓	✓	✓
Mr MI Khan	✓	✓	✓	✓	✓	✓
Ms T Moodley	✓	✓	✓	✓	✓	✓

*Resigned as Board member, effective 30 April 2020.

#Special Board meetings

In its value-creating activities for the reporting period, the Board performed the following functions and duties, consistent with its mandate:

- Evaluated and deliberated over the Group strategy prior to approval
- Evaluated the Group's implementation of its COVID-19 strategy
- At each meeting, evaluated the progress in relation to the timeframes contained in the approved strategy
- Reviewed and considered strategic risks, including those relevant to the operating and geographic environments relevant to the Group
- Approved the budget for the reporting period as well as the medium and long-term targets
- Evaluated and approved material acquisitions, disposals, investments, capital expenditure and the Hedging Policy
- Received and considered feedback of its established subcommittees on matters affecting the Group's strategy
- Reviewed the solvency, liquidity and going concern status in the process of approving dividends
- Evaluated and approved the IR, AFS and results announcements
- Considered and ensured the implementation of the recommendations of King IV™
- Approved the Remuneration Policy as well as the short-term and long-term incentive schemes
- Evaluated the outcomes of the assessment of its and its subcommittees' performances and determined appropriate improvement mechanisms in line with the recommendations of King IV™

ESTABLISHED BOARD SUBCOMMITTEES

To enable the Board to properly discharge its responsibilities and duties, certain responsibilities have been delegated to Board committees. All Board committees are chaired by a non-executive or independent non-executive director. All committees' terms of reference are reviewed annually to ensure that the committees' duties and responsibilities are aligned with the requirements of corporate governance and that the committees keep abreast of new requirements which may arise from time to time.

Directors and executives are specifically appointed to committees based on their qualifications, knowledge and experience. This allows for the proper discharge of the Board's responsibilities and for the implementation of the approved strategy for evaluation and discussion. Executives are available to non-executives, where necessary, to provide further insights into the Group's value-creation process.

A summary of the activities undertaken by each Board committee is presented below. Details of their terms of reference can be found on the Group's website: **www.seaharvestgroup.co.za**.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee meets three times a year and performs its Board-assigned duties and responsibilities in line with the approved terms of reference. These terms of reference are aligned to the prescripts of the Companies Act and the JSE Listings Requirements.

A detailed work plan sets out the timeframes for the full discharge of its duties including, but not limited to, oversight of the Group's system of internal control and risk management, and the effectiveness of the internal financial controls. This, in turn, assists the Board in monitoring the integrity and fairness of the Group's publicly reported financial results.

Responsibilities and activities

The Audit and Risk Committee also has oversight responsibility of the Group's external auditors and various assurance functions which affects the Group's control environments. The Audit and Risk Committee received feedback on the various reports from the established governance structures, namely the Fraud Prevention Committee and the IT Steering Committee.

The Audit and Risk Committee also evaluated the financial reports presented to it, and subsequently the Board. These included the AFS, mid-year results and the IR. The detailed report of the Audit and Risk Committee has been included in this report. Refer to **pages 96 to 99.**

	MEETINGS AND ATTENDANCE OF THE AUDIT AND RISK COMMITTEE		
	25 FEB '20	26 AUG '20	18 NOV '20
Ms KA Lagler (Chairperson)	✓	✓	✓
Mr BM Rapiya	✓	✓	✓
Mr WA Hanekom	✓	✓	✓
Ms CK Zama	✓	✓	✓
Mr FJ Robertson (invitee)	✓	✓	✓
Mr MI Khan (invitee)	✓	✓	✓
Mr F Ratheb (invitee)	✓	✓	✓
Mr M Brey (invitee)	✓	✓	✓

SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE

The Social, Ethics and Sustainability Committee assists the Board in all matters relating to organisational ethics, responsible corporate citizenship, health and safety, sustainable development and stakeholder relationships. The committee operates in accordance with the requirements of the Companies Act and King IV™. The committee operated in accordance with its approved terms of reference which remained unchanged for the year under review. A copy of the committee's terms of reference can be found on the Company's website: **www.seaharvestgroup.co.za**.

Responsibilities and activities

- Monitored social investment activities for the period under review
- Monitored the implementation of COVID-19 initiatives
- Reviewed and monitored performance with respect to the B-BBEE codes
- Reviewed the Group's labour relations developments including the applicable human resources policies
- Reviewed employment equity and succession plans of the Group
- Considered the relevant laws and regulations applicable to the Group's operations
- Evaluated the operations of the Group in terms of sustainability and environmental considerations
- Monitored the performance of the Sea Harvest Foundation and the South African Fisheries Development Fund against the agreed mandates
- Evaluated matters relating to the Group's health and safety initiatives

The detailed report of the Social, Ethics and Sustainability Committee has been included in this report – refer to **pages 100 to 103.**

	MEETINGS AND ATTENDANCE OF THE SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE			
	25 FEB '20	26 MAY '20	26 AUG '20	18 NOV '20
Mr FJ Robertson (Chairperson)	✓	✓	✓	✓
Mr BM Rapiya	✓	✓	✓	✓
Ms CK Zama	✓	✓	✓	✓
Mr MI Khan	✓	✓	✓	✓
Mr M Brey	✓	✓	✓	✓
Ms T Moodley	✓	✓	✓	✓
Mr F Ratheb (invitee)	✓	✓	✓	✓
Mr M Khumalo (invitee)	✓	✓	✓	✓
Mr T Brown (invitee)	✓	✓	✓	✓
Ms ML Harry (invitee)	✓	✓	✓	✓

Mr FJ Robertson has been evaluated by the Board as suitable to chair the committee given his extensive exposure and involvement in numerous socio-economic initiatives.

THE NOMINATION AND REMUNERATION COMMITTEES

The CEO, executive directors and Group executives' remuneration structures are included in the ambit of the Remuneration Committee's responsibilities. All remuneration share awards and benefits in kind are evaluated and approved by the committee. The committee is focused primarily on principle 14 of the King IV™ and thus adhering to the principle of fair remuneration. The committee operated in accordance with its approved charter which remained unchanged for the period under review. A copy of the committee's charter can be found on the Company's website: **www.seaharvestgroup.co.za**.

For the reporting period, the Remuneration Committee functions included:

- determining the key performance targets and remuneration structures for the CEO and executives;
- evaluating the levels of achievement of the FSP, long-term incentive and short-term incentive; and
- evaluating and making recommendations relating to staffing of key functional areas within the business.

The Nomination Committee is responsible for the structure and composition of the Board, considerate of its current position and future requirements.

The detailed report of the Nomination and Remuneration Committees has been included in this report – refer to **pages 104 to 115.**

	MEETINGS AND ATTENDANCE OF THE NOMINATION AND REMUNERATION COMMITTEES	
	26 FEB '20	19 NOV '20
Mr WA Hanekom (Chairperson)	✓	✓
Mr BM Rapiya	✓	✓
Mr MI Khan	✓	✓
Mr FJ Robertson (invitee)	✓	✓
Mr F Ratheb (invitee)	✓	✓

INVESTMENT AND HEDGING COMMITTEE

The Investment and Hedging Committee is a Board-appointed committee established during the 2017 financial year. The committee operates in terms of an approved charter which is available on our website at **www.seaharvestgroup.co.za**. The committee is responsible for evaluating the business-enhancing capital expenditure, hedging and investment strategies of the Group.

The committee held one meeting during 2020 wherein all its members and invitees were present.

Refer to **pages 96 to 115** for a detailed overview of our committee reports.

OUR GOVERNANCE REPORT CONTINUED

GOVERNANCE DISCIPLINES

Share-dealing policy

The Group has an approved share-dealing policy, which restricts directors, prescribed officers, staff and their associates from dealing in Group shares within the periods and conditions prescribed by the JSE Limited, Companies Act, Financial Markets Act and Financial Sector Regulation Act.

The policy stipulates the conditions under which share trading clearance must be obtained for various designations within the Group. The policy was reviewed in 2020 and some minor amendments effected, bringing it in line with recent legislative amendments.

All information relating to the securities trading of directors and prescribed officers and their associates is published via the Stock Exchange News Service of the JSE Limited and can be viewed at **www.seaharvestgroup.co.za**.

Group policy review and update

In 2020, a project was initiated to document and review existing policies throughout the Group. It is anticipated that once documentation of the policies is complete, a systematic review of the policies will be undertaken.

Interest in contracts

All directors act in the best interest of the Group and their fiduciary responsibilities are understood. Strict compliance with the provisions of sections 75 and 76 of the Companies Act is adhered to at all times through the declaration of interests in any contracts submitted to the Company Secretary and directorship in any enterprises with which the Group may potentially interact. Such declarations are evaluated on a regular basis by the compliance and assurance providers within the Group.

Approved codes of conduct and ethics applicable to all directors and employees govern behaviour relating to, among others, potential conflicts of interest and the conditions under which gifts may be accepted.

Stakeholder engagement

Our relationships with key stakeholders including customers, suppliers, government, society and investors are recognised as pivotal to the Group's ability to ensure mutually beneficial sustained value creation. The manner in which key information about the Group's strategies, future activities and progress in relation thereto is communicated, is contained in an approved policy.

For more information about our stakeholder engagements throughout the year, refer to pages 28 to 35 of this report.

Code of Conduct

The approved Code of Conduct and Ethics is the fundamental policy relating to the manner in which employees, directors and business partners interact with each other. The policy stipulates the duty of care principle, which is to be applied consistently whilst maintaining the highest standards of honesty and integrity.

All directors, employees and suppliers are informed of the Code of Conduct either at induction or during the contract negotiation stage. The relevance of this policy is overseen by the Social, Ethics and Sustainability Committee and any significant instances of non-adherence are monitored by the Audit and Risk Committee.

Fraud, theft and corruption prevention mechanisms

The Group has a zero tolerance for fraud, theft and corruption. Our approved Fraud Prevention Policy addresses all legislative and operational requirements including, *inter alia*, whistle-blower protection.

Our Fraud Prevention Committee reports to the Audit and Risk Committee on all matters reported on the anonymous tip-off hotline as well as the sanctions applied, and outcomes of investigations conducted by either the internal audit function or appointed investigators, as the case may be.

Fraud, theft and corruption prevention remains a crucial aspect of the operations of the Group with various activities in place to prevent such activities from occurring. These mechanisms include an established network of staff trained to assist fellow staff members in matters to be reported, on-site security at all major centres of operations as well as communication of prevention and reporting processes in induction programmes and communication channels in operation. In 2021, the Group will be rolling out the MyDisclosures platform, a disclosure management platform that facilitates the disclosure of interests, ensuring transparency.

During the year no material incidents of fraud, theft or corruption occurred.

Combined assurance and internal controls

During the year the Group continued its efforts to implement a combined assurance model to maximise the assurance gained from management as well as internal and external assurance providers in relation to the material risks facing the Group. During 2020, the Group implemented the subsidiary Finance and Risk Committee meetings at the major subsidiaries, with all the major subsidiaries having held two meetings during the year. The subsidiary Finance and Risk Committee takes overarching responsibility for governance-related matters in each subsidiary and its activities are reported to the Audit and Risk Committee.

The Audit and Risk Committee considered the risks identified through the risk management process, and assurance was provided to mitigate these risks as well as to prevent duplication of assurance work by these providers.

The executive directors and directors of key subsidiaries are responsible for ensuring that a robust internal control environment exists in order to ensure that:

- Group assets are adequately safeguarded and used only for the purposes of value creation;
- accurate accounting records are regularly maintained; and
- all financial and operational information used in the business is reliable and accurate.

IT governance

Embracing the principles of King IV™ and being cognisant that IT is crucial to operations, the Group has established an IT Steering Committee, which reports to the Executive Committee and the Audit and Risk Committee. The IT Steering Committee, chaired by the Chief Financial Officer, operates in terms of an approved charter and comprises three directors or executives, the Head of IT, the Head of Internal Audit and representation from the outsourced service providers.

The Audit and Risk Committee evaluates the effectiveness of the IT structure of the Group, including network security and threats related to cyber crime. Regular assessments of the appropriateness of the Group's IT structures are performed internally by management and externally by assurance providers.

Internal audit

The in-house internal audit function is appointed to provide independent, objective assurance and consulting services to the Group, designed to add value and improve operations. The internal audit function assists the Group to accomplish its objectives by adopting a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, internal control, operational, governance and compliance activities.

The internal audit function follows a risk-based approach and reports functionally to the Audit and Risk Committee Chairperson and administratively to the Chief Financial Officer. The internal audit function operates in terms of an approved charter, which is reviewed on an annual basis for relevance to the Group's strategies, operations and legislative environment.

Company Secretary

Ms N Seshoka was appointed Company Secretary on 24 August 2020. The Board is satisfied that Ms Seshoka's qualifications and experience are adequate to enable her to properly perform the duties of Company Secretary. Ms Seshoka has performed the following functions in this capacity:

- Provided the directors with information and guidance about their responsibilities and how this should be properly discharged in the best interests of the Group
- Made the Board aware of developments to legislation affecting the business
- Assisted the Board with its annual evaluation of the Board and its subcommittees
- Provided guidance to the Board on the duties of directors and matters relating to ethics and good corporate governance
- Acted as the primary focal point in relation to the directors' and employees' share trading, JSE requirements and notification of closed periods



OUR **AUDIT AND RISK COMMITTEE** REPORT

for the year ended 31 December 2020

The Audit and Risk Committee (the Committee) is pleased to present its report to the shareholders of Sea Harvest Group Limited for the year ended 31 December 2020. This report is prepared in line with the Committee's responsibilities as defined in the Companies Act of South Africa, No 71 of 2008 (the Act), King IV™ and the JSE Listings Requirements.

INDEPENDENT NON-EXECUTIVES

Committee Chairperson



KA LAGLER

CA(SA)
Meetings attended: 3/3



WA HANEKOM

CA(SA)
Meetings attended: 3/3



BM RAPIYA

BAdmin
Meetings attended: 3/3



CK ZAMA

CA(SA)
Meetings attended: 3/3

ROLES AND RESPONSIBILITIES

The Committee is governed by a formal terms of reference which has been approved by the Board and which is reviewed annually; it was last reviewed in November 2020. A copy of the Committee's terms of reference can be found on the Group's website: **www.seaharvestgroup.co.za**.

The terms of reference include the Committee's statutory duties as described in the Act, King IV™ and the additional responsibilities assigned to it by the Board. In addition to its statutory duties prescribed in the Act, the Committee is required to provide independent oversight of the system of internal controls and risk management, and the effectiveness of the internal financial controls to assist the Board in monitoring the integrity of the Group's interim and annual financial statements and other performance-related external reports. The Committee further oversees the effectiveness and independence of the Group's external and internal assurance providers and services that contribute to the integrity of the Group's financial and integrated reporting.

The Committee is satisfied that it has discharged all of its responsibilities as mandated by its terms of reference. This report sets out the manner in which the Committee has fulfilled these responsibilities during the year under review.

COMPOSITION OF THE COMMITTEE

The Committee comprises four independent non-executive directors. The members of the Committee have remained unchanged for the 2020 financial year.

The Nomination Committee and the Board are satisfied that the members of the Committee have the requisite knowledge and experience as set out in section 94(5) of the Act and Regulation 42 of the Companies Regulations, 2011.

The Committee Chairperson, Ms KA Lagler, and members Mr WA Hanekom, Mr BM Rapiya and Ms CK Zama will hold office until the upcoming AGM on 26 May 2021, where their re-election to the Committee will be a matter for shareholder consideration.

The Group Chairperson, CEO, CFO, Mr MI Khan (Non-executive Director), senior executives, internal auditors and external auditors attend the meeting of the Committee by invitation.

MEETINGS AND WORK PLAN

The agenda of the meetings are derived from the adopted work plan of the Committee, which ensures that the Committee discharges its responsibilities in a structured manner.

The external and internal auditors attend Committee meetings and have unrestricted access to the Committee and its Chairperson, and have the opportunity to address the Committee and its Chairperson without management being present to ensure their independence. The Committee reviewed detailed reports from the external auditors and internal auditors, the outcomes of which were reported to the Board by the Chairperson of the Committee.

Three Audit and Risk Committee meetings were held during the year under review and the members' attendance records are set out to the left.

KEY FUNCTIONS OF THE COMMITTEE

The Committee performed the following duties during the year ended 31 December 2020:

- Reviewed the interim and annual financial statements of Sea Harvest Group Limited and recommended them to the Board for approval;
- Satisfied itself as to the adequacy of the Group's internal controls, including internal controls over financial reporting;
- Reviewed the solvency and liquidity, working capital, and going concern position;
- Reviewed and recommended the annual dividend proposal to the Board for approval;
- Reviewed the expertise and experience of the Group's CFO and finance function;
- Undertook a process of selection of new auditors in terms of mandatory audit firm rotation;
- Considered and nominated for approval at the AGM the external auditors and the designated auditor for the financial year under review;
- Reviewed reports from the established subsidiary companies' Finance and Risk Committees;
- Reviewed the fraud and defalcation reports;
- Reviewed insurance renewal terms;
- Conducted a self-assessment evaluation in accordance with the terms of reference;
- Reviewed the Insider Trading Policy;
- Reviewed impairment assessment calculations and considerations;
- Considered the independence and effectiveness of the external auditors;
- Determined the fees paid to the external auditors and the auditor's terms of engagement;
- Determined the nature and extent of non-audit services and the pre-approval of such services as the Committee deemed appropriate in accordance with the approved Non-Audit Services Policy;
- Reviewed and approved the internal audit terms of reference and annual audit plan;
- Considered the effectiveness and independence of the head of internal audit and the internal audit function;
- Received and considered the JSE Proactive Monitoring of Financial Statements report in relation to the 2019 AFS and 2020 interim financial statements, and satisfied itself with the responses provided;
- Confirmed that there were no concerns or complaints raised in relation to financial reporting matters and internal controls;
- Provided oversight of IT governance and IT risk management;
- Assessed the Group's combined assurance model and risk management framework;
- Assessed the Group's application of the King IV™ principles as set out in the King IV™ Application Register and Report on Corporate Governance; and
- Received reports detailing the tax status of each company within the Group and compliance with tax laws and regulations.

FINANCE FUNCTION

The preparation of financial reports, including the annual financial statements, were completed under the supervision of Mr M Brey (CA)SA, the Group's CFO. As required by paragraph 3.84(g) of the JSE Listings Requirements, as well as the recommended practices of the King IV Code™, the Committee reviewed and satisfied itself that the expertise and experience of Mr Brey is appropriate to meet his responsibilities in that position. The Committee further reviewed and was satisfied that the expertise and resources within the finance function were appropriate.

RISK MANAGEMENT AND COMBINED ASSURANCE

The Committee reviewed the strategic risks that could materially impact the ability of the Group to deliver its objectives and the related mitigation plans and considered these appropriate.

The Committee continues to have oversight of the Group's approach to combined assurance in response to the risks facing the Group and which incorporates the "lines of defence" strategy. Assurance is obtained from several assurance providers in a co-ordinated manner to avoid duplication of effort. The internal audit plan is compiled in consultation with management, using a risk-based methodology. In addition, internal and external auditors work in a collaborative manner. For the 2020 financial year, the Committee considered the risk assessments and mitigation plans presented by management, evaluated and approved the plans of the internal audit function and the external auditors, and the outcomes of the audit work performed.

The Committee meets with the internal and external auditors without management's presence and the Chairperson of the Committee has regular meetings with the Head of Internal Audit. The Committee is satisfied that the independent assurance providers' work undertaken, together with the internal controls designed by management, are adequate.

The Committee is satisfied that the combined assurance framework implemented by the Group is appropriate and provides sufficient assurance over the Group's risk universe.

IT GOVERNANCE

The Committee has oversight responsibility for IT governance and risk management. IT governance and risk management are managed through various charters, plans, policies, procedures and practices. An IT Steering Committee meets quarterly to monitor IT governance and risk-related matters and the adherence to various policies and procedures, and provides written feedback to the Committee at each meeting. The Committee is satisfied that the reports of the IT Steering Committee adequately address IT governance and risk management requirements, including the appropriateness of the IT strategy and policies, systems and network architecture, applications, disaster recovery and cyber security management.

OUR AUDIT AND RISK COMMITTEE REPORT
CONTINUED for the year ended 31 December 2020

EXTERNAL AUDITORS

The Committee has satisfied itself, through the evaluation of submissions made, that the external auditors of the Group and its subsidiaries are independent as defined by the Act and therefore are able to express an independent opinion on the Group's annual financial statements. The Committee, in consultation with management, has agreed to the audit fee for the 2020 financial year and has evaluated the extent of non-audit work in accordance with the established policy in this regard. This policy establishes that non-audit work performed by the external auditor beyond an agreed rand quantum is approved by the Committee Chairperson and communicated to other members of the Committee. The fees paid to the external auditors for non-audit services in 2020 related to taxation work and agreed-upon procedures in respect of royalty certificates issued to the Marine Stewardship Council, agreed-upon procedures and advice for specific business transactions, and taxation training for members of the finance department.

At each meeting of the Committee, the external auditor is provided the opportunity to engage with the Committee without management's presence.

The Committee has evaluated information relevant to the external auditor in terms of paragraph 22.15(h) of the JSE Listings Requirements. Deloitte & Touche (Deloitte) are the Group's external auditors and were appointed in 2008 and have been the auditors for Sea Harvest Group for 12 years. The Committee participated, in an oversight capacity, in the process to appoint the new auditors for the year ended 31 December 2021.

Mr M van Wyk was the designated audit partner for the financial year ended 31 December 2020 and was appointed as such in 2018. Mr M van Wyk has confirmed to the Committee that Deloitte has complied with the independence requirements in terms of the Independent Regulatory Board for Auditors and the South African Institute of Chartered Accountants standards.

Mandatory audit firm rotation

The Committee satisfied itself as to the appointment of Ernst & Young as the Group's external auditors for the year ending 31 December 2021, subject to shareholder approval at the upcoming AGM.

Key audit matters relating to the 2020 audit

The report of the independent auditors for the year ended 31 December 2020 contained the following key audit matters:

- Compliance with long-term fishing permit conditions in South Africa and Australia
- Viking Aquaculture's goodwill impairment assessment

The Committee has addressed the key audit matters as follows:

- The Committee has assessed the processes and controls that management has designed and implemented to ensure compliance with long-term fishing permits, and is satisfied that these controls are working as assessed by management, internal auditors and the external auditors.
- The Committee has also considered the level of impairment testing performed by management and agreed with the conclusions reached by both management and the external auditor that no impairment of goodwill is required.

INTERNAL AUDITORS

The Group's in-house internal audit function operates in terms of a charter which the Committee reviewed and approved during the reporting period. The Committee has considered the independence and effectiveness of the in-house internal audit function and considered these appropriate. The Committee has also regularly evaluated the progress made in relation to the internal audit coverage plan for 2020, and is satisfied that significant matters reported to it and management by the internal audit function are appropriately remediated.

The Head of Internal Audit has the opportunity to meet with the Committee at each meeting without management being present. On a regular basis, the Chairperson of the Committee also meets with the Head of Internal Audit and provides feedback to the Committee as appropriate. The Committee is satisfied, through the declarations made by the internal auditors, that the assurances provided to the Committee are aligned to the Code of Ethics of the Institute of Internal Auditors.

ACCOUNTING PRACTICES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Group has designed internal financial controls and systems to provide reasonable assurances as to the integrity and reliability of the interim and annual financial information, and to safeguard and maintain the assets of the Group.

The Committee has reviewed the written assessment performed by internal audit on the design, implementation and effectiveness of the Group's internal financial controls. Based on the results of this review, information provided by management, and in conjunction with the independent assurance providers, the Committee believes the internal financial controls are suitable and effective and provide a sound basis for the preparation of reliable financial information.

The 3.84k attestation completed by the CEO and CFO was evaluated by the Committee in conjunction with the feedback received from management and the internal auditors on the adequate functioning of the designed financial reporting controls.

ANNUAL FINANCIAL STATEMENTS

The Committee reviewed the annual financial statements for the period ending 31 December 2020 and is satisfied that it complies with IFRS, the Committee recommended the annual financial statements to the Board for approval, which the Board subsequently approved.

GOING CONCERN, SOLVENCY AND LIQUIDITY

The Committee reviewed the going concern status of the Group, taking into account the impact of COVID-19 which took into account cash flow analysis, operational analysis and available funding facilities. The cash flow analysis considered material factors impacting the ability of the Group to generate or preserve cash. Such factors included limitations of COVID-19 on production and the resulting sales, fixed costs and capital expenditure plans that would require funding, as well as available facilities. The result of these analyses was that the Group will have sufficient cash resources to sustain operations. An analysis of the potential impact of COVID-19 on funding covenants was also considered and the Committee is of the view that funding covenants will not be breached. The Committee recommended to the Board that the going concern basis of accounting is considered appropriate, and that the Group is considered solvent and able to distribute its proposed dividend to shareholders.

JSE REPORTING REQUIREMENTS

The Committee evaluated the submissions made to it by the Company Secretary and management and is satisfied that the Group has met the JSE Listings Requirements and the requirements of the King IV Code™. The King IV™ application code can be found on the Group's website: **www.seaharvestgroup.co.za.**

JSE proactive monitoring reports

The Committee has received and considered the findings in the JSE's reports for compliance with IFRS:

- Report back on proactive monitoring of financial statements in 2020;
- The following sections from the Combined Findings Report:
  - Going concern (pages 12, 59 and 60);
  - Statement of cash flows (pages 19 to 25);
  - Income taxes (pages 26 to 28);
  - Related party disclosures (page 31);
  - Impairment of assets (pages 36 to 38); and
  - Fair value measurement (pages 55 to 57);
- The following JSE COVID-19 letters:
  - Financial reporting (issued April 2020);
  - Reflecting the impact of COVID-19 in financial results (issued May 2020);
  - Effective communication with investors (issued September 2020); and
- The IASB COVID-19 documents:
  - Going concern – a focus on disclosure; and
  - Applying IFRS standards in 2020 – impact of COVID-19.

The Committee has ensured that, where applicable, the contents of these reports have been appropriately actioned in the preparation of the consolidated and separate annual financial statements for the year ended 31 December 2020.

JSE reporting requirements 3.84(k)

The Committee has considered the approach adopted by management to ensure that the CEO and CFO responsibility statement sign-off on the annual financial statements and internal financial reporting controls in terms of the JSE Listings Requirement 3.84(k) is appropriately supported. In satisfying itself in this regard, the Committee has evaluated:

- the risk assessment and scoping framework, including the determination of materiality applied to ensure that significant areas of risk, complexity and judgement are included for the evaluation of internal financial reporting controls;
- the process followed for the evaluation of the design of existing internal financial reporting controls and the need for amending and/or supplementing those controls;
- the ongoing implementation of the aforementioned controls and whether they have operated effectively during the reporting period under review; and
- the findings of assurance providers, including management declarations and internal audit findings, following their assessment of the operating effectiveness of internal financial reporting controls.

The Committee will continue to monitor progress in the implementation of amended and supplementary controls over financial reporting, and formal remediation plans have been developed to address control deficiencies identified, where noted, in operating effectiveness and design.

The Committee has discussed and documented the basis for its conclusion, which includes discussions with internal and external auditors as well as management.

The Committee believes that the Group's internal financial reporting controls can be relied upon as a reasonable basis for the preparation of the AFS.

CONCLUSION

I wish to extend my thanks to my fellow Committee members for the work undertaken during this reporting period. On behalf of the Committee, I wish to also thank the invitee non-executive and executive directors, management and assurance providers for their contributions to the Committee this year.



Kari Ann Lagler
CA(SA)
31 March 2021

OUR **SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE** REPORT

The Sea Harvest Group acknowledges that without our employees, the support of the local communities in which we operate, the relationships we enjoy with our shareholders and other key stakeholders, together with the natural environment that provides us with the resources that we need to produce our products, we would have no business. The COVID-19 pandemic has also brought into stark focus the requirement for our continued commitment to assisting our local communities and how our employees, other key stakeholders and the natural environment form the mainstays of our Group.

The Social, Ethics and Sustainability Committee (the Committee) is tasked with monitoring Sea Harvest's performance as a responsible corporate citizen and to perform its statutory functions in terms of the Companies Act, No 71 of 2008, as amended, King IV™, and the JSE's Listings Requirements, the Committee's terms of reference charter (the charter), internal policies and any other applicable legislation.

OUR MANDATE

The Committee is mandated to ensure that the Group maintains its commitment to providing employment which is entrenched in fair labour practices and equity; social upliftment where it operates which is underpinned by transforming society; and environmentally sustainable and ethical business practices. This is achieved by ensuring that any value created by the business serves to uplift and sustain both our internal and external stakeholders and the environment through bold and ethical leadership and sound corporate governance practices. As a Board subcommittee, the Committee fulfils an independent role, while remaining accountable to the Board. In this report, we describe how we discharged our duties from 1 January 2020 until the financial year ended on 31 December 2020.

MEMBERSHIP AND COMPOSITION OF THE COMMITTEE

Committee Chairperson



FJ ROBERTSON



BM RAPIYA

Committee invitee



F RATHEB

Committee invitee



M KHUMALO



MI KHAN



T MOODLEY

Committee invitee



T BROWN

Committee invitee



M HARRY



CK ZAMA



M BREY

THE YEAR UNDER REVIEW

In 2020, following the successful acquisitive and diversification direction we pursued as a Group, our primary concern was ensuring that the Group used its collective muscle through its increased footprint to make more of a difference to its employees and other stakeholders. Our singular pursuit of being a vertically integrated, transnational, majority black-owned and empowered, responsible JSE-listed fishing and food company remained our focal point for the year.

OUR 2020 TARGETS

- Placed further emphasis on the growth, transformation and development of our employees through focused skills development, mentorship and succession programmes.
- Increased our involvement in and impact on the communities in which we operate.
- Ensured that our operations worked harder and more efficiently in conserving the environmental resources which we utilise.

OUR TRANSFORMATION MANDATE

Sea Harvest's continued commitment to the economic and social transformation of South Africa remains its true bedrock in all that it does. This commitment as one of the largest black-owned companies in the fishing and food sectors has endured over the past decades; however, over the past few years, the desire to drive local economic development in the communities in which we operate remains unwavering. Our development from a Level 4 to a Level 1 B-BBEE rated, c.80% black-owned business is a journey we are proud of, and one which we will continue long into the future. As the world lurches from one crisis to another, we remain authentic in our pursuit of fair and just principles that play an active role in empowering marginalised and disadvantaged groups and communities.

One of the key motivations for the recent acquisitions and subsequent incorporations was to diversify, not only in terms of business prospects but also in terms of the transformation of our human capital. The completion of the Group's five-year employment equity plan (2019–2024) will yield a guiding light in ensuring that we examine ourselves constantly in safeguarding that our staff are equipped with the skills that will yield succession and growth within the Group. This will be ably facilitated through our mentorship programme, where we identified high-performing, previously marginalised and disadvantaged individuals who would benefit from such a programme aimed at preparing them for management positions within the organisation.

As previously mentioned during 2020, the Group continued on its exemplary path of retaining a Level 1 B-BBEE score according to the DTI's verification process. The continued achievement is a recognition of the hard work and dedication undertaken by the Group in ensuring that it plays its part in building a just and equitable South Africa.

For further information about the implementation and results of our transformation policies, refer to the report on our human capital and transformation on pages 42 to 43 of this report.

EMPLOYEE WELLNESS, SAFETY AND SECURITY

During 2020, Sea Harvest's safety management system undertook a dramatic escalation as the coronavirus gripped the world. Central to the Group's navigation of the pandemic was ensuring that all of its employees were kept safe and healthy at the workplace through the implementation of a comprehensive COVID-19 safety protocol. The freshly devised COVID-19 safety protocol enmeshed well with our existing health and safety procedures to provide an invaluable platform for the protection of the Group's employees. Through the implementation of all of the Group's COVID-19 protocols, Sea Harvest always sought collaboration with local authorities from the departments of health and labour to ensure that all national directives were adhered to and improved, where inadequate, within the Group. The proactive approach undertaken towards COVID-19, spearheaded by management, resulted in the safety of the Group's employees and the impact of the pandemic on them contained wherever possible. Some of the measures put in place at all of the Group's sites were:

- increasing the health services to include additional professional nurses, administrators and, where possible, doctors as well;
- implementing daily medical screenings of all staff and, where required, PCR and antigen testing for its employees;
- increasing the frequency of sanitisation points and deep cleaning;
- reconfiguring the workplace to ensure social distancing and providing PPE to staff to ensure safety; and
- providing subsidised transport for staff to and from work.

These measures have also included regular COVID-19 meetings, which provided a valuable platform for the business to discuss the response to the pandemic and share key learnings and findings. In order to support the COVID-19 SteerCo during this time, management also convened a dedicated project team which, among other things, provides an analytical approach in the management of COVID-19 cases and isolations; and also assists staff who are ill with the delivery of hygiene and food parcels and TERS/illness benefit applications. The pandemic further assisted us in ensuring that our established baseline for safety and security, reporting and employee communication was implemented and the entire Group was aligned in terms of standards and strategies.

For more information about our human capital refer to page 42, and our stakeholder section for employees and labour unions, refer to pages 28 to 29 of this report.

OUR SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE REPORT CONTINUED

OUR SUPPLIER AND ENTERPRISE DEVELOPMENT

As Sea Harvest has grown over the past decade, our internal vison has been to ensure that we facilitate the transformation of the fishing industry through the support of 100% black SMMEs in the sector; and through our procurement policies purchase goods and services from predominantly previously disadvantaged suppliers. As a Group, we have long recognised that our business is only as strong as our communities in which we operate as well as our stakeholders. We also accept that we have an important educational and supporting role to play if our communities and our suppliers are to develop and prosper alongside the Group.

Refer to our social and relationship capital on pages 46 to 47.

As such, during 2020 we continued to develop and improve our relationships and support for black SMMEs currently in the fishing industry to ensure that they were also able to traverse the treacherous waters during the COVID-19 pandemic. The primary objective of the Group is to transform the fishing industry from the ground up by assisting smaller quota holders in catching their quotas, processing their catch, and accessing markets. This support was also extended to our suppliers who are predominantly black and operate in rural and semi-rural regions of the country where the opportunity to retail one's goods or services remains challenging. Through our procurement practices we have been able to develop a mutually beneficial relationship with these suppliers and our intention is to continue to grow with them as the Group progresses over the next few years, so that they continue to create employment and a livelihood through their interactions with Sea Harvest.

Through our South African Fisheries Development Fund, in association with our majority shareholder, Brimstone, we were able to continue supporting co-operatives and small-scale fishers during 2020. Even though the pandemic limited the Fisheries Fund's ability to interact with the small-scale communities during 2020, the Fisheries Fund was still able to provide some much-needed food parcels and PPE to those communities through a donation to DEFF and provide management expertise, mentoring, and processing of fish to promote enterprise development. 2020 also marked the second iteration of the Fisheries Fund's Accidental Death And Disability Policy, thus giving peace of mind to small-scale fisherman and their families so that should the unfortunate happen, both parties are taken care of. During 2020, for the first time, the Fisheries Fund also launched a bursary scheme through DEFF in the Northern Cape for deserving high-school students in the small-scale communities in the region. The Fisheries Fund looks forward to continuing the bursary scheme into 2021 and resuming its in-person skills training, such as conflict management, to assist in creating a cohesive community partnership between all individuals involved when it is safe to do so. As we move forward, we are excited by the endless opportunities available to the Fisheries Fund to make a difference to those who need it most in the fishing sector.

OUR SOCIO-ECONOMIC DEVELOPMENT (SED)

The Group's CSI initiatives are guided by the needs of the communities in which we operate. Through extensive engagement with communities conducted during previous years the 2020 Sea Harvest Foundation strategy focus areas were education; health; ECD; and community and youth development. As with the rest of the world, the Sea Harvest Foundation had to pivot radically due to the COVID-19 pandemic and lend a helping hand to our communities as they battled the pandemic and its impacts.

For more information about our social and relationship capital, refer to pages 46 to 47 of this report, or our communities in our stakeholder section on pages 34 to 35 of this report.

The pandemic brought into focus the economic plight that engulfs our communities resulting in hunger and inadequate food security. Considering that the Sea Harvest Group is at the forefront of ensuring food security in South Africa, it was only befitting that the central tenet of the Sea Harvest Foundation in 2020 was to support the most vulnerable in the communities where we operate by donating over 10 000 food parcels to soup kitchens, families and schools. Through the length and breadth of the Western Cape, Northern Cape and Eastern Cape, the Sea Harvest Foundation was proud to assist many families during their time of need. Furthermore, we donated 10 000 masks in support of Brimstone's 1 Million Masks drive to protect communities.

Even though 2020 resulted in the Sea Harvest Foundation having to address community needs brought on by COVID-19, we still remained true to our core commitments to ECD, education and youth development but with a COVID-19 focus. This focus resulted in an effort to assist ECD centres safely reopen after lockdown with the assistance and donation of COVID-19 care kits containing various paraphernalia such as masks, thermometers, hand sanitisers, rubber gloves and disinfectants just to mention a few items. The Foundation's impact also continued and was extended through its annual support of the Red Cross Children's hospital, bursary scheme and various schools in the communities which we serve. During these trying times, the Sea Harvest Foundation will continue to strive to make a difference to the most vulnerable in our community, while espousing the UN SDGs and the National Development Plan where it is envisioned that, "now in 2030 we live in a country which we have remade. We have created a home where everybody feels free yet bounded to other; where everyone embraces their full potential. We are proud to be a community that cares."

Our hope is that through the Sea Harvest Foundation we can provide support in our way to make this dream a reality for our nation.

SUSTAINABILITY AND ENVIRONMENTAL MANAGEMENT

The continued success of Sea Harvest's fishing operations is dependent on the health of our marine resources. The ocean's bountiful harvest allows us to produce the premium seafood products that our consumers and customers demand. Therefore, the environment and everything that nature has to offer is not just a motto or an exercise in responsible corporate citizenry, but rather a way of life in a sector that relies on a fragile natural capital; and as a business, we are committed to adhering to local and international environmental management laws and requirements. Our business is centered on 65% wild-caught seafood, which means adhering to laws, and ensuring that our natural resources keep growing, while limiting our impact on the environment remains the heartbeat of the organisation.

Central to realising our goals of advancing environmental stewardship during 2020 was the maintenance of the Group's MSC certification for its Cape hake and Shark Bay prawn fisheries for a further five years until 2026. Ocean sustainability and advocacy has continuously evolved over the past two decades, however, the MSC standard remains the most robust, scientifically-based assessment for fisheries sustainability on the planet. Through this certification, the Group along with its partners has been able to ensure that target stocks remain healthy, and bycatch and general ocean environmental impacts are constantly reduced, while adhering to all legal requirements and limitations set by authorities. Even though the MSC certification remains the gold standard, the Group recognises that it isn't a panacea to addressing all of the concerns and challenges the oceans face in this day and age. As has been undertaken over the past few years, the Group challenges itself to understand and manage its environmental impacts, and to devise methodologies and practices which not only improve company efficiencies but secure the environment as well.

Even though our sustainability journey was hampered by the pandemic, in particular our ability to work and support stakeholders and programmes which advocate for environmental sustainability and education, 2020 gave us the opportunity to focus on our internal data management on resource use and environmental impacts and put in place internal mechanisms to ensure that all of our newly acquired companies record and manage their environmental impacts in the same manner. The projects started and supported in 2019, in particular the litter traps installed to prevent solid waste (like single-use plastics) from entering the ocean and endangering marine life remain active and we look forward to partnering with new stakeholders once the pandemic is over.

During 2020, in an effort to standardise all of the Group's sustainability and environmental management procedures, we implemented a new environmental control system at Ladismith Cheese. Through this implementation, we were able to undertake a new baseline risk assessment for the subsidiary and update all existing environmental preparedness procedures and all other environmental risk protocols to align with the rest of the Group. Through these interventions, Ladismith is now able to further protect the environment through best practice protocols and foresight.

For more information about our natural capital and Sea Harvest's commitment to sustainability, refer to pages 40 to 41 of this report, or our operating context on pages 24 to 27 of this report.

OUR CHALLENGES

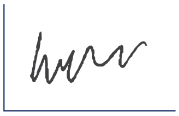
The COVID-19 pandemic has given us an opportunity to assist those who need it most during this time. And even though we are still in the throes of the pandemic, our tasks to align the social, ethics and sustainability processes further throughout the Group are essential. Our partnerships and support of local communities can be difficult due to socio-economic circumstances that sometimes impede our efforts to fulfil our mandate in all of the communities in which we operate, but we feel confident that we will surmount these challenges especially after demonstrating our resilience during the pandemic in 2020.

OUR PERFORMANCE IN RELATION TO OUR TARGETS

We are happy to report that we increased our community involvement and we now have a foothold in every community in which we operate. However, there is always more to be done. Going forward, we plan on cultivating more long-term relationships with relevant stakeholders.

OUR FUTURE OUTLOOK

As a Group we remain committed to implementing and maintaining strategies and achievable goals which contribute to achieving a better life for all. The Committee acknowledges that post the challenges of the pandemic, ongoing effort is required to educate our staff and the surrounding communities in which we operate about our collective environmental management responsibilities. We plan on increasing our internal communication as well as addressing these responsibilities in our communities.



Fred Robertson
Chairperson of the Social, Ethics and Sustainability Committee
23 April 2021

OUR **NOMINATION AND REMUNERATION COMMITTEES** REPORT

THIS REPORT COMPRISES THREE PARTS:

1 THE NOMINATION AND REMUNERATION COMMITTEES' CHAIRPERSON'S REPORT

The Nomination and Remuneration Committees' (the Committee) Chairperson's report, which provides an overview of performance and remuneration in the 2020 financial year, along with details of the governance arrangements in place with respect to nomination and remuneration. The Group has a single committee dealing with both nomination and remuneration matters and the Committee therefore prepares a single report combining both.

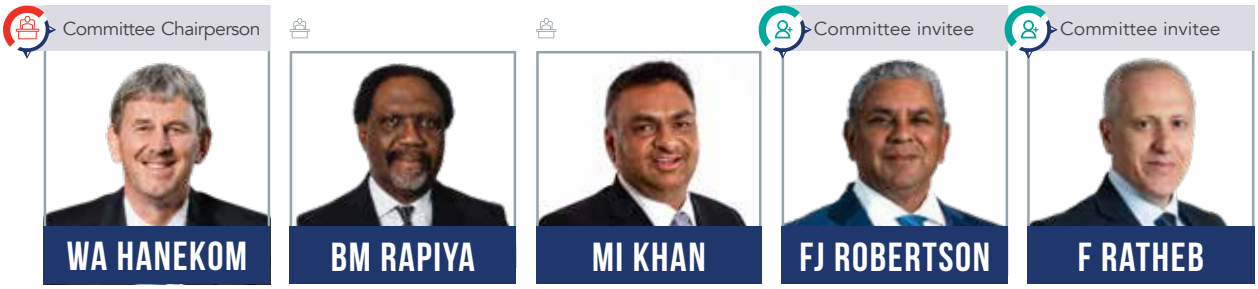
2 FORWARD-LOOKING REMUNERATION POLICY

The remuneration philosophy, policy and framework to be tabled at the AGM for a non-binding advisory vote by the Group's shareholders.

3 IMPLEMENTATION REPORT

The implementation of the Remuneration Policy in the 2020 financial year, which is to be tabled at the AGM for a separate non-binding advisory vote by the Group's shareholders.

MEMBERSHIP AND COMPOSITION OF THE COMMITTEE



1 THE NOMINATION AND REMUNERATION COMMITTEES' CHAIRPERSON'S REPORT

BACKGROUND

Sea Harvest, as a responsible corporate citizen, remains committed to ethical leadership and responsible corporate governance practices, thus creating sustainable growth in shareholder value through consistent improvement in earnings, clear growth and expansion of capital, and engaging with its shareholders and stakeholders.

This report describes the material matters dealt with by the Committee and summarises the Group's approach to fair, responsible and transparent remuneration. The report sets out how the Committee has discharged its duties in terms of statutory requirements as well as additional duties assigned to it by the Board in respect of the financial year ended 31 December 2020. This report also provides an overview of the Group's approach to nomination matters and the remuneration philosophy, policy and framework, with a particular emphasis on executive directors, non-executive directors and management.

OVERVIEW OF PERFORMANCE AND REMUNERATION

Following the listing of the Sea Harvest Group in 2017 and the acquisitions of Viking Fishing, 51% of Viking Aquaculture, Ladismith Cheese and the take-out and delisting of Sea Harvest Australia over the course of 2018 and 2019, the Group consolidated during 2020 with the focus on ensuring that the Group was adequately able to deal with the effects of COVID-19, one of the worst pandemics facing the world in recent times and which has resulted in significant disruptions to markets and supply chains.

Pleasingly, and with added focus, the Group proved its resilient and defensive nature in delivering HEPS of 150.8 cents per share, 2% ahead of 2019.

Group revenue for the year increased 10% to R4.38 billion, benefiting from good performances from the South African Fishing segment, the Cape Harvest Foods segment (which includes Ladismith Cheese) and the Australian operations, offset by continued challenges in the Aquaculture segment which was severely impacted by the effects of COVID-19.

With cost of sales increasing 7% on the back of good cost containment and lower fuel prices, and despite absorbing R24 million in COVID-19 related costs, gross profit for the year increased 17% to R1.48 billion, with the gross profit margin expanding two percentage points to 34%.

Despite supply-chain disruptions, including lower throughput and lower levels of productivity, higher selling and distribution costs, a shift in market mix, R39 million in COVID-19 costs, and a R73 million operating loss in the Aquaculture segment, the Group delivered operating profit before fair value gains and associate income of R629 million for the year, 5% higher than the prior year, with the operating profit margin diluting from 15% to 14%.

Profit after tax attributable to shareholders of Sea Harvest for the year increased 4% to R431 million, while headline earnings increased 3% to R421 million. Basic HEPS increased 2% to 150.8 cents per share. With a focus on cash management during the year, the Group maintained its ordinary dividend at 45 cents per share in respect of the year ended 31 December 2020, in line with the prior year.

Driving transformation within Sea Harvest, and the fishing industry more broadly, is central to Sea Harvest's existence and strategy and the Group is proud to have retained its Level 1 B-BBEE contributor status with an improved score of 104.49.

In 2021, as a result of the significant organic and acquisitive growth of the Group, the Committee will continue the work commenced in 2019 and 2020 in reviewing the Group's remuneration structures to ensure that these are fit for purpose and drive the behaviours required of employees. The Commitee will continue to actively monitor the impact of COVID-19 and its impact on the Group, and amend and adjust policy in order to ensure that it is fit for purpose.

Further details on specific activities of the Committee during the year are set out in this report.

There are no planned material changes to the Remuneration Policy for the 2021 financial year.

The Committee remains confident that the Group's remuneration philosophy and policy are aligned to its strategy and have contributed to the Group's growth. The Committee is also satisfied that the Remuneration Policy achieved its objectives in the 2020 financial year.

GOVERNANCE

The Committee was established to assist in monitoring the Group's nomination and remuneration practices and performance and to perform the statutory functions required of a nomination and remuneration committee in terms of the Companies Act, No 71 of 2008, as amended, the King IV™, the Listings Requirements of the JSE Limited, the Committee's terms of reference (the Charter), the Group's Remuneration Policy and any other applicable legislation.

The Committee is a subcommittee of the Group's Board of Directors (the Board) and has an independent role with accountability to the Board.

The Committee operates in terms of a formally approved Charter that was approved by the Board on 12 January 2017 and is reviewed annually, with the Charter being reviewed by the Committee in November 2020. The Charter is available at **www.seaharvestgroup.co.za**

COMPOSITION OF THE REMUNERATION COMMITTEE

In line with best practice, the majority of the Committee members are independent non-executive directors of the Group. For the period under review the Committee consisted of:

	Mr WA Hanekom	Chairperson (Independent Non-executive Director)
	Mr BM Rapiya	(Independent Non-executive Director)
	Mr MI Khan	(Non-executive Director)

The Chairperson of the Board is an *ex officio* member of the Committee. To assist the Committee with the execution of its mandate, the CEO attended the meetings in the 2020 financial year.

Invitees attend Committee meetings, but are not present when their remuneration is discussed and hold no voting powers. Similarly, Committee members do not decide on their own remuneration.

The Committee holds two meetings a year (in line with its Charter) and draws matters within its mandate to the attention of the Board on a quarterly basis and as occasion requires. The attendance record of the Committee is set out in the corporate governance report on **page 93.**

COMPOSITION OF THE NOMINATION COMMITTEE

The Nomination Committee deals with dedicated nomination matters and comprises three members as follows:

	Mr WA Hanekom	Chairperson (Independent Non-executive Director)
	Mr BM Rapiya	(Independent Non-executive Director)
	Mr MI Khan	(Non-executive Director)

INDEPENDENT EXTERNAL ADVICE

The Committee actively sources independent external advice from PricewaterhouseCoopers (PwC) and Remchannel on remuneration trends and benchmarks for executive directors and management. Sea Harvest uses the Remchannel survey to benchmark the salaries of employees. The Committee is satisfied that the advisers were independent and objective.

OUR NOMINATION AND REMUNERATION COMMITTEES REPORT CONTINUED

ROLES AND RESPONSIBILITIES OF THE COMMITTEE

The role of the Committee in respect of nomination matters is to have oversight of:

- the process for nominating, electing and appointing members of the Board;
- the attributes of the members of the Board;
- the independence of the Board members;
- the succession planning in respect of Board members; and
- the Company's policy on diversity (including gender) for nominations and appointments of directors.

The role of the Committee in respect of remuneration is to assist the Board to ensure that:

- the employee value proposition promotes fair, responsible, transparent remuneration and reasonable employment practices;
- the review of executive performance is conducted;
- the Group remunerates executive and non-executive directors fairly and responsibly; and
- the disclosure of directors' remuneration is accurate, complete and transparent.

The Board delegates the following responsibilities to the Committee:

- Determine the Group's remuneration philosophy and policy to ensure alignment to the Group's strategy
- Review and approve the composition of remuneration packages for executive directors and senior executives to ensure that the Group remunerates fairly and responsibly
- Recommend the remuneration of non-executive directors
- Determine the performance criteria and targets for both short and long-term incentives
- Approve the allocation and award of FSP shares in terms of the Group's long-term incentive plan rules
- Consider the composition and performance of the Board as well as succession planning
- Consider the succession planning for executive directors and key senior executives

During the 2021 financial year, the main focus of the Committee is expected to be on ensuring that the Remuneration Policy is effective and driving the required behaviours of management and employees. This will be particularly important as a result of the organic and acquisitive growth experienced by the Group over the last two years and the alignment and integration of these businesses within the Group. The Committee will also continue to assess the impact of COVID-19 on the Group and amend policy should it be required, in order to ensure the required behaviour of management and employees. For more information on our compliance with King IV™ in terms of diversification and succession planning, refer to our King IV™ Application Register on our website: **www.seaharvestgroup.co.za/investors/governance/**

The Committee will also provide input when requested with regard to the integration of the Group's acquisition targets.

In satisfying its mandate during the year under review, the Committee:

- considered nomination matters;
- reviewed the composition of the Board and its committees;
- considered the diversity of the Board;
- reviewed the performance of the Committee;
- considered succession planning for the Board, the CEO and the Executive Committee;
- considered the executive depth in the Group;
- approved the appointment of the incoming HR director (designate);
- reviewed the independent directors' (including the Chairperson's) outside professional commitments;
- reviewed the independence of directors;
- deliberated on the Board's diversity policy and targets;
- approved the short-term incentive payments for the 2019 and 2020 financial years;
- reviewed and approved the performance metrics and rules of the short-term incentives for the 2020 and 2021 financial years;
- reviewed the performance of the CEO for the 2019 and 2020 financial years;
- set the financial targets and functional targets for the CEO for the 2020 and 2021 financial years;
- considered and approved the vesting of the 2020 tranche of FSPs;
- considered and approved the allocation and award of shares in terms of the Group's FSP to eligible participants, including performance hurdles;
- benchmarked packages of executive directors and senior executives for recommendation;
- considered and approved the increases in guaranteed pay for executives and employees in management positions for the 2020 and 2021 financial years;
- considered and recommended the increases in fees for non-executive directors for the 2020 and 2021 financial years;
- considered for approval by the Board the mandate for 2020 and 2021 plant level and bargaining council wage negotiations;
- considered for approval by the Board the *ex gratia* bonus payments to employees;
- considered for approval by the Board remuneration-specific resolutions to be approved by shareholders at the AGM;
- considered the Committee's Charter and the Remuneration Policy;
- implemented the Committee's Charter and ensured its alignment to King IV™;
- set the annual work plan for the Committee; and
- approved the Nomination and Remuneration Committees' report for inclusion in the IR.

NON-BINDING ADVISORY VOTES

At the AGM held on 26 May 2020, the 2019 Remuneration Policy and the implementation report both received support of 93% of shareholders voting in favour thereof.

In line with the requirements of King IV™ and the JSE Listings Requirements, the 2020 Remuneration Policy together with the implementation report will be tabled for two separate non-binding advisory votes at the upcoming AGM.

In the event of 25% or more of the shareholders voting against either resolution at the AGM, the Committee will:

- extend an invitation to dissenting shareholders in the Stock Exchange News Service (SENS) announcement with the results of the AGM for them to engage with the Committee regarding their reasons for voting against the relevant resolution; and
- propose in the invitation the manner and timing of engagement, which may include but is not limited to communication via email, telephone calls, meetings and roadshows.

The Committee will ascertain the reasons for dissenting votes, respond and provide constructive feedback to shareholders' questions, queries and legitimate concerns. After consideration of the results of shareholder engagement, the Committee reserves the right to amend elements of the Remuneration Policy to further align it to market practice and shareholder value creation.

The Committee is pleased to present the Remuneration Policy of the Group on **pages 107 to 111** and the implementation report on **pages 112 to 115** for separate non-binding advisory votes

2 FORWARD-LOOKING REMUNERATION POLICY

BACKGROUND

This section of the report deals specifically with the remuneration of non-executive directors, executive directors, management and other grades of employees. It sets out the remuneration philosophy and policy and the reward framework in place for the financial year ended 31 December 2020 and the financial year ending 31 December 2021.

POLICY AND PHILOSOPHY

The Group's remuneration philosophy is that employees are remunerated appropriately for their contribution to the delivery of the Group's strategy. The Remuneration Policy framework is based on the principles of fair and responsible remuneration and is formulated to attract, retain, motivate and reward high-calibre employees. The Group aims to encourage high levels of performance that are sustainable and aligned with the strategic direction and specific value drivers of the business. The way the Group remunerates employees reflects the dynamics of the market, as well as the social, economic and environmental context in which the Group operates.

The Committee aims to reward superior performance and the achievement of the Group's strategy and ensures that there are consequences for underperformance. Managers play a vital role in ensuring that the performance management process provides the right information required to inform remuneration decisions made by the Committee.

Sea Harvest's operations include a number of employees who either form part of a bargaining unit or are independent contractors engaged on fixed-term contracts (within the bounds of South African labour legislation). The employment and remuneration arrangements of these employees are governed by separate agreements and are negotiated on an operational level (subject to oversight by the Committee); therefore, they are not covered by the Remuneration Policy framework.

FAIR AND RESPONSIBLE REMUNERATION

The principle of fair and responsible remuneration is at the core of the Group's remuneration philosophy. The Group is dedicated to improving employment conditions for all employees across the Group, and may undertake and implement various initiatives from time to time to realise progressively the concept of fair and responsible remuneration.

Some of the principles driving this commitment include:

- ensuring compliance with legislative requirements in terms of remuneration and benefits; and
- on an annual basis, conducting external benchmarking on remuneration packages across the various grades and job functions, which is a determining factor for setting remuneration across the Group.

OUR NOMINATION AND REMUNERATION COMMITTEES REPORT CONTINUED

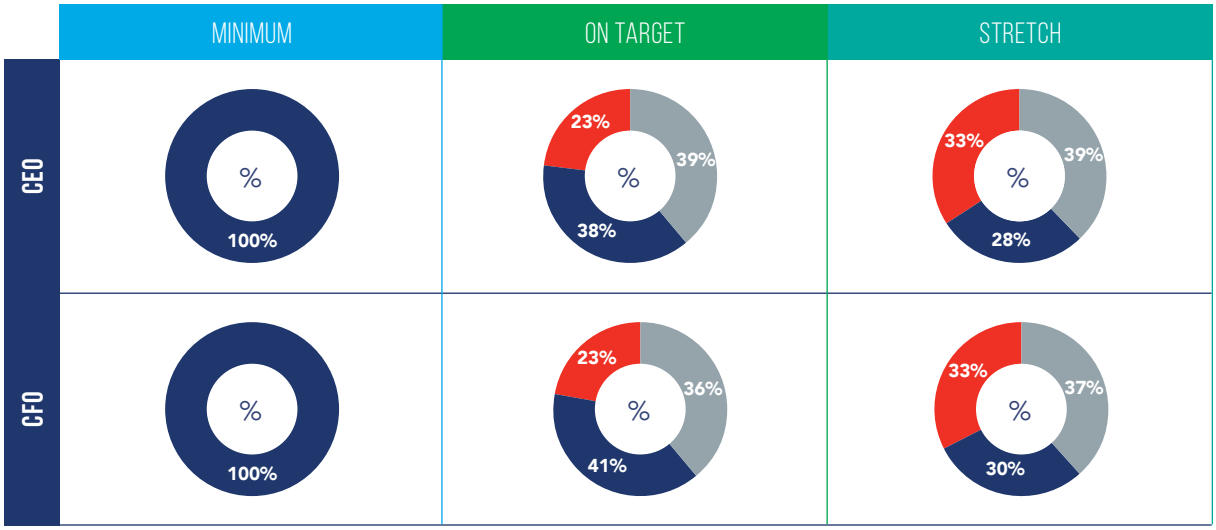
REMUNERATION MIX

Remuneration comprises guaranteed pay (GP) and variable pay. Variable pay consists of short-term incentives (STI) and long-term incentives (LTI). The remuneration mix reflects the relative proportions of each component in the package, which is linked to a job type and the nature of expected outcomes. The target remuneration mix varies at each grade. As a guideline, more senior employees should have a higher proportion of variable pay in their remuneration mix as they have the ability to influence the financial performance and strategic outcomes of the Group. The Committee has designed the remuneration mix for executive directors in a way that avoids overdependence on the variable pay components, which in turn discourages any excessive risk-taking behaviour. At lower levels, the remuneration mix is weighted in favour of GP.

In order to drive a high-performance culture and an alignment with shareholders through shared value creation, the total reward mix for the CEO and executive directors is geared towards a higher percentage of variable pay at risk for the achievement of stretch targets. Implicit in the Remuneration Policy is that over time executives should build up a combination of restricted and unencumbered shares, ensuring significant alignment between executives and shareholders.

The pie charts below illustrate the potential remuneration mix for each executive director at minimum, on-target and stretch performance levels. The methodology used is in line with that recommended by King IV™.

AGGREGATE EXECUTIVE DIRECTOR PAY MIX



Note: Retention shares have not been included in the pay mix graphs as they do not form part of the ongoing packages for executive directors.

ELEMENT	MINIMUM	ON-TARGET	STRETCH
GP	Salary and benefits in line with those paid in the 2020 financial year		
STI	Nil	50% of stretch	110% – 120% of GP
LTI	Nil	The maximum number of performance shares and bonus shares granted in 2020 multiplied by the fair value on grant	The maximum number of performance shares and bonus shares granted in 2020 multiplied by the share price on grant

COMPONENTS OF REMUNERATION

	GUARANTEED PAY		VARIABLE PAY	
	BASIC SALARY	BENEFITS	STI	LTI
PURPOSE AND LINK TO STRATEGY	Attract and retain talent	Improve employees' financial planning and security on retirement	Encourages a high-performance culture to promote the achievement of specific objectives. Motivates executive directors and key senior managers to achieve short-term strategic, financial and non-financial objectives in the one-year business plan.	Attracts, retains, incentivises and rewards key management by linking performance to shareholder expectations. This promotes the achievement of long-term objectives with the desired outcome of an appreciating share price and the payment of a regular dividend, thereby providing key employees with the opportunity to share in the success of the Group.
ELIGIBILITY	All staff employed by Sea Harvest	All permanent staff; benefit is dependent on grade	Permanent staff from senior management upwards	Executive directors and executives
REMUNERATION METHODOLOGY	Reviewed annually against market benchmarks	**Market-related benefits:** ➢ Pension/ Provident Fund ➢ Motor vehicle allowances ➢ Medical aid	Performance bonuses are dependent on financial performance (financial target) and achievement of agreed strategic and individual KPIs (functional target); the functional target cannot be earned if a minimum financial hurdle is not met. Executives have a higher weighting on financial targets (80%) with 20% based on functional targets. Lower-level executives have a greater weighting to strategic and individual performance. The levels of remuneration that can be earned by the CEO and CFO are as follows: ➢ On-target: 55% to 60% of GP ➢ Stretch target: 110% to 120% of GP based on a sliding scale for performance in between The STI is self-funding in that the threshold for the financial target of EBIT is calculated after taking into account the cost of the STI. In addition to setting targets at Group level, targets are also set at operating segment level, aligning performance and rewards of the relevant management.	**Retention shares** *Ad hoc* award of retention shares is a means of retaining certain executives and key senior management. Retention shares vest annually in equal portions over a three-year period (this period is five years for the CEO and CFO), subject only to continued employment. **Performance shares and bonus shares** Allocations are on an annual basis subject to the Committee's discretion: ➢ CEO – Performance shares 67% of GP and bonus shares 33% of previous year STI ➢ CFO – Performance shares 61% of GP and bonus shares 33% of previous year STI ➢ Senior management – Performance shares 22% to 61% of GP and bonus shares 28% to 67% of previous year STI **Employee share trust** Broad-based equity scheme for the benefit of all employees who are permanently employed for an unbroken period of 24 months and do not participate in any other equity incentive scheme.
PERFORMANCE CONDITIONS	Performance, i.e. meeting requirements of the job	n/a	A single financial target (i.e. EBIT) is used for lower-level executives, while dual financial targets (i.e. EBIT and HEPS) are used for executive directors. Functional targets for the executive directors include: ➢ delivery of organic growth projects and improving operational efficiencies; ➢ delivery of strategic acquisitions; ➢ integration of new acquisitions; ➢ B-BBEE credentials and transformation; ➢ retention of fishing rights ➢ building organisational capability; and ➢ successful stakeholder engagement.	Refer to the following table for performance conditions and characteristics of each share element.

OUR NOMINATION AND REMUNERATION COMMITTEES REPORT CONTINUED

LTI ALLOCATION METHODOLOGY

Long-term Incentive Eligibility Plan elements and performance conditions

1. RETENTION SHARES

EXECUTIVE DIRECTORS AND KEY SENIOR MANAGEMENT

- Awarded at listing and on an *ad hoc* basis, the retention share element of the FSP acts as a means to retain certain executive directors and key senior management.
- Retention shares vest equally over a three-year period (this period is five years for the CEO and CFO), subject only to continued employment.

2. PERFORMANCE SHARES (CONDITIONAL)

EXECUTIVE DIRECTORS AND KEY SENIOR MANAGEMENT

- The performance share element of the FSP rewards future Company and share performance.
- Performance shares are conditionally awarded to those individuals who can influence long-term strategic performance.
- Performance shares vest on the third anniversary of their award, the number vesting being tied to continued employment and the extent to which the Company has met preset performance criteria over the three-year period.

Currently, vesting (for the 2018 allocation of performance shares) is:

- Governed by continued employment.
- Weighted 33% – the first performance criterion is the Group's comparative TSR performance in relation to a comparator group.
  - If the TSR over the three-year period places at the median of the comparator group or better, then the targeted number (30% of the maximum number) of performance shares awarded will vest.
  - If the TSR over the three-year period places at the upper quartile of the comparator group or better, then the maximum number (100% of the maximum number) of performance shares awarded will vest.
  - If the TSR over the three-year period places below the median group or worse, then all performance shares awarded relating to that TSR tranche will be forfeited.
  - TSR performance between any of the above points results in pro-rated vesting. No retesting will be allowed, and any shares not vesting will lapse.
- Weighted 33% – the second performance criterion is the Group's average HEPS growth weighted for the main territories in which the Group operates:
  - If the average HEPS compound annual growth rate (CAGR) over the three-year period places it at the average CAGR in CPI plus GDP, or better, then the targeted number (30% of the maximum number) of performance shares awarded will vest.
  - If the average HEPS CAGR over the three-year period places it at the average CAGR in CPI plus GDP plus 3%, or better, then the maximum number (100% of the maximum number) of performance shares awarded will vest.
  - If the average HEPS CAGR over the three-year period places it at the average CAGR in CPI plus GDP, or below, then all performance shares awarded relating to that HEPS tranche will be forfeited.
  - HEPS performance between any of the above points results in pro-rated vesting. No retesting will be allowed, and any shares not vesting will lapse.
- Weighted 33% – the third performance criterion is the Group's transformation credentials:
  - If the Group achieves a Level 3 B-BBEE rating on the current scorecard, then the targeted number (50% of the maximum number) of performance shares awarded will vest.
  - If the Group achieves a Level 2 B-BBEE rating on the current scorecard, or better, then the targeted number (100% of the maximum number) of performance shares awarded will vest.
  - The transformation condition will have a binary profile.
  - No retesting will be allowed, and any shares not vesting will lapse.

Changes relating to the 2019 and subsequent allocation of performance shares are:

- Based on the feedback from select shareholders who indicated the preference for a balance sheet performance criterion, the Remuneration Committee has amended the performance criteria relating to the 2019 and subsequent allocations of performance shares by replacing the TSR criterion with a ROCE criterion. Weighted 33%, the ROCE performance criterion measures the Group's average ROCE in relation to its WACC.
  - If the average ROCE over the three-year period places it at the average WACC over the three-year period, or better, then the targeted number (30% of the maximum number) of performance shares awarded will vest.
  - If the average ROCE over the three-year period places it at the average WACC over the three-year period plus 3%, or better, then the maximum number (100% of the maximum number) of performance shares awarded will vest.
  - If the average ROCE over the three-year period places it at the average WACC over the three-year period, or below, then all performance shares awarded relating to that HEPS tranche will be forfeited.
  - Average ROCE performance between any of the above points results in pro-rated vesting. No retesting will be allowed, and any shares not vesting will lapse.

2.1 BONUS SHARES

EXECUTIVE DIRECTORS AND KEY SENIOR MANAGEMENT

- The bonus share element of the FSP provides share-based rewards for individual performance.
- Bonus shares are granted on an annual basis, the number of which is calculated with reference to the prior year's STI, thus ensuring a strong link to individual performance on an annual basis.
- Bonus shares vest at the end of the three-year period, subject to continued employment.

3. STAFF TRUST

ALL EMPLOYEES OF THE GROUP WHO DO NOT QUALIFY FOR THE LTI SCHEME AND ARE PERMANENTLY EMPLOYED FOR AN UNINTERRUPTED PERIOD OF 24 MONTHS

- Qualifying employees must be in "good standing" at all times.
- Employees who leave the employ of the Group due to retirement, death, permanent physical impairment or mental incapacity will receive 100% of the distribution when the Trust terminates.
- Employees who resign will lose all entitlements in the Trust.
- The Trust terminates in March 2022.

SHARE DILUTION LIMITS

In terms of the FSP, the maximum number of new shares to be issued under the FSP may not exceed 12 959 048 shares (4.40% of total shares in issue) and the maximum number of new shares to be issued under the FSP to any one individual may not exceed 3 887 714 shares (1.32% of total shares in issue).

EXECUTIVE DIRECTOR SERVICE CONTRACTS

Sea Harvest concludes permanent employment contracts with its executive directors (including the CEO), which can be terminated with notice periods of between one and three months. In the event of termination of employment, the Committee may elect to pay a departing executive director a cash lump sum *in lieu* of the notice period. The executive directors are not subject to any restraint of trade agreements. The retirement age for an executive director is 63 years.

In the event that an executive director's service contract is terminated due to operational reasons, the Group's obligation to make a severance payment will be governed by the provisions of the Labour Relations Act.

In the event of an executive director ceasing employment as a "bad leaver", all STI and unvested LTI awards will be forfeited. In other circumstances, STI and LTI awards will be treated in accordance with the relevant plan rules.

Executive directors may not serve as non-executive directors in other companies without the express approval of the Board.

NON-EXECUTIVE DIRECTORS' FEES

Non-executive directors' fees are paid on an annual retainer basis to account for the responsibilities borne by them throughout the year. They are not paid an attendance fee per meeting. The fee structure is evaluated on a regular basis based on non-executive director fee surveys and the results of benchmarking exercises conducted by PwC.

Fees are reviewed annually, and proposed adjustments are tabled by the CEO for review by the Committee, which will consider the proposed adjustments, taking into account remuneration increases across the Group. Non-executive directors do not qualify for share options nor do they participate in any variable pay incentive schemes, in order to preserve their independence. Where a non-executive director is appointed by a shareholder, the fee may be paid to the shareholder and not directly to the non-executive director.

The table below sets out the present and proposed non-executive director fees. The proposed fees will be tabled before shareholders for approval by special resolution at the AGM on Tuesday, 26 May 2021:

ROLE	1 JULY 2021 TO 30 JUNE 2022 (EXCLUDING VAT) R	1 JULY 2020 TO 30 JUNE 2021 (EXCLUDING VAT) R	CHANGE %
Board Chairperson	664 667	636 045	4.5
Board Lead Independent Director	314 082	300 557	4.5
Board member	251 265	240 445	4.5
Audit and Risk Committee Chairperson	163 323	156 290	4.5
Audit and Risk Committee member	86 887	83 145	4.5
Nomination and Remuneration Committees' Chairperson	125 633	120 223	4.5
Nomination and Remuneration Committees' member	62 817	60 112	4.5
Social, Ethics and Sustainability Committee Chairperson	125 633	120 223	4.5
Social, Ethics and Sustainability Committee member	62 817	60 112	4.5
Investment and Hedging Committee Chairperson	125 633	120 223	4.5

OUR NOMINATION AND REMUNERATION COMMITTEES REPORT CONTINUED

3 IMPLEMENTATION REPORT

The Committee has monitored the implementation of the Remuneration Policy during the financial year and is of the view that the Group's compliance with the policy has been satisfactory. This implementation report discloses the detailed information and figures pertaining to the application of the Remuneration Policy in relation to the relevant executive and non-executive directors. The Committee is satisfied that variable pay outcomes for the 2020 financial year are aligned with the Group's financial performance for the 2020 financial year (as contextualised in the CEO's report).

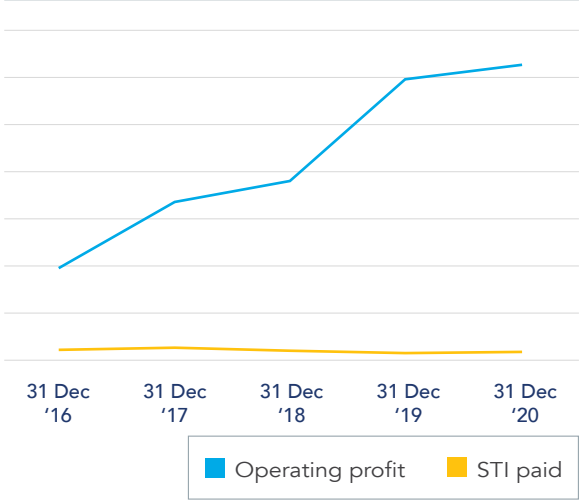
In a particularly challenging year, with the Group faced with the significant headwinds of COVID-19, the Committee reset some of the performance hurdles relating to the STI during the year as a result of COVID-19. The Committee believes the executive directors and management performed well in these very challenging circumstances.

The graph alongside compares the Group's STI paid to its operating profit, with operating profit growth well ahead of growth in STI. The Committee is satisfied that remuneration is linked to long-term performance and value creation.

From an LTI perspective, the third tranche of retention shares vested in March 2020 (retention shares vest equally over a three/five-year period), together with the first tranche of the performance shares and bonus shares. The first tranche of the performance shares achieved a 98% vesting.

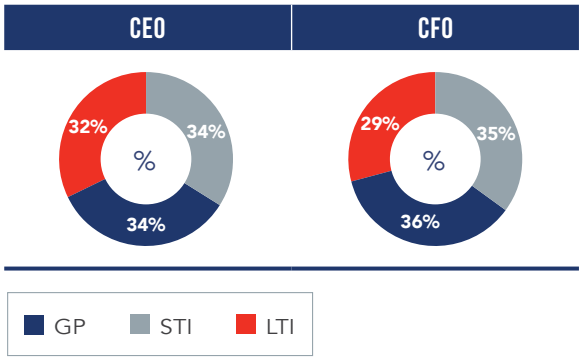
The actual pay mix graph has been prepared on the same basis as the chart in part 2 that refers to pay mix which represents GP, STI and LTI, and shows the actual mix achieved for the year ended 31 December 2020.

STI paid vs operating profit R'000



Actual pay mix

The actual pay mix for the CEO and CFO for the 2020 financial year is set out below:



In line with his move to Group CFO, the Group CFO's package was amended on 1 May 2020 to take into account his added responsibilities.

GUARANTEED PAY

In line with the principle of fair and responsible remuneration, the Group monitors the internal wage gap and disparities in remuneration in the Group. The average increase in executive director remuneration is determined after consideration of the average increase in remuneration for management and general staff.

SEA HARVEST CORPORATION	GRADE	DECEMBER 2020 NUMBER OF EMPLOYEES	2020 ANNUAL INCREASE IN GUARANTEED PAY* %
Group CEO, executive team and senior management	1 to 6	52	5.0
Junior management	7 to 9	94	4.7
Salaried staff	10+	105	4.8
Factory-waged staff	All	1 052	7.5
Fleet-waged staff	All	585	7.5

** Salary increases are for January 2021.*

SHORT-TERM INCENTIVE

As set out in the Remuneration Policy, the STI for executive directors and senior management is based on a combination of financial targets and functional targets.

For the 2020 financial year, dual financial targets, being EBIT and HEPS, were used for executive directors, while EBIT was used for senior management.

Targets were also set at operating segment level, aligning performance and rewards of the relevant management.

The functional targets for the executive directors for 2020 encompassed transformation, retention of fishing rights, efficiency initiatives, organic and acquisitive growth, and building organisational capacity.

In line with the Group's performance in the 2020 financial year, 77% of the total possible 2020 STI was achieved.

LONG-TERM INCENTIVE

The FSP was put in place when the Group listed on 23 March 2017.

At listing, the Group issued retention shares and, on an annual basis, the Group issues performance and bonus shares to executive directors, executives and key senior management. The number of FSPs issued to the executive directors is set out in the table on the following page. The first three tranches of retention shares vested in March 2018, March 2019 and March 2020, respectively (retention shares vest equally over a three/five-year period). The first tranche of performance shares and bonus shares qualified for vesting during 2020, achieving a 98% vesting.

In addition, in line with the recommendation of King IV™, included is an indicative value of the unvested instruments as at 31 December 2020. For the bonus shares and retention shares, the indicative value is calculated as the number of instruments multiplied by the share price of R14.26 at year end. For the performance shares, a valuation was performed based on assumptions as at 31 December 2020.

OUR **NOMINATION AND REMUNERATION COMMITTEES** REPORT CONTINUED

DATE OF AWARD	TYPE OF INSTRUMENT	NUMBER OF INSTRUMENTS AWARDED	SHARE PRICE ON DATE OF GRANT R	VESTING DATE	NUMBER OF INSTRUMENTS VESTED	NUMBER OF INSTRUMENTS LAPSED	CLOSING NUMBER OF UNVESTED INSTRUMENTS	INDICATIVE VALUE OF UNVESTED INSTRUMENTS R
		A	B		C	D	E=A-C-D	F
Felix Ratheb								
Thursday, 23 March 2017	Performance shares	219 385	12.50	Sunday, 22 March 2020	215 692	3 693	–	–
Friday, 7 September 2018	Performance shares	333 274	13.00	Monday, 22 March 2021	–	–	333 274	3 316 076
Saturday, 23 March 2019	Performance shares	325 575	14.00	Tuesday, 22 March 2022	–	–	325 575	2 891 106
Monday, 9 March 2020	Performance shares	382 693	14.10	Wednesday, 8 March 2023	–	–	382 693	3 057 717
Thursday, 23 March 2017	Bonus shares	119 998	12.50	Sunday, 22 March 2020	119 998	–	–	–
Friday, 7 September 2018	Bonus shares	199 964	13.00	Monday, 22 March 2021	–	–	199 964	2 851 487
Saturday, 23 March 2019	Bonus shares	172 881	14.00	Tuesday, 22 March 2022	–	–	172 881	2 465 283
Monday, 9 March 2020	Bonus shares	229 616	14.10	Wednesday, 8 March 2023			229 616	3 274 324
Thursday, 23 March 2017	Retention shares*	789 786	12.50	Tuesday, 22 March 2022	473 871	–	315 915	4 504 948
Muhammad Brey								
Thursday, 23 March 2017	Performance shares	124 178	12.50	Sunday, 22 March 2020	122 087	2 091	–	–
Friday, 7 September 2018	Performance shares	179 688	13.00	Monday, 22 March 2021	–	–	179 688	1 787 896
Saturday, 23 March 2019	Performance shares	172 747	14.00	Tuesday, 22 March 2022	–	–	172 747	1 533 993
Monday, 9 March 2020	Performance shares	203 053	14.10	Wednesday, 8 March 2023	–	–	203 053	1 622 393
Thursday, 23 March 2017	Bonus shares	66 097	12.50	Sunday, 22 March 2020	66 097	–	–	–
Friday, 7 September 2018	Bonus shares	105 656	13.00	Monday, 22 March 2021	–	–	105 656	1 506 655
Saturday, 23 March 2019	Bonus shares	90 692	14.00	Tuesday, 22 March 2022	–	–	90 692	1 293 268
Monday, 9 March 2020	Bonus shares	112 085	14.10	Wednesday, 8 March 2023	–	–	112 085	1 598 332
Thursday, 23 March 2017	Retention shares*	447 040	12.50	Tuesday, 22 March 2022	268 224	–	178 816	2 549 916

** Five-year vesting, from 22 March 2018 to 2022*

EXECUTIVE REMUNERATION

FOR YEAR ENDED 31 DECEMBER 2020

Remuneration of executive directors and prescribed officers is set out in full in **note 36** of the AFS.

DIVERSITY TARGETS

The Committee set the following diversity targets during the 2017 financial year and reviewed these targets during the 2020 financial year.

Transformation – ACI targets

The Committee agreed that 70% of the Board composition should be made up of ACI designated groups within a period of three years, and achieved a score of 67% at the end of the 2020 financial year.

Gender – female targets

The Committee agreed that 30% of the Board composition should be female within a period of three years, with the Board exceeding this target and achieving 33% at the end of the financial year.

APPROVAL

This report was approved by the Nomination and Remuneration Committees of Sea Harvest Group Limited.

André Hanekom
Chairperson of the Nomination and Remuneration Committees
23 April 2021





OUR AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

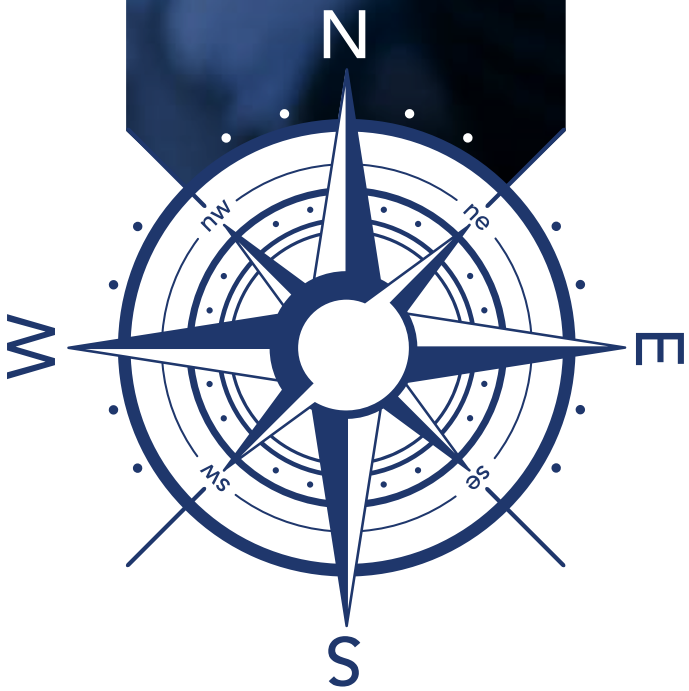
- Audited summarised consolidated statement of profit or loss
- Audited summarised consolidated statement of comprehensive income
- Audited summarised consolidated statement of financial position
- Audited summarised consolidated statement of changes in equity
- Audited summarised consolidated statement of cash flows
- Notes to the audited summarised consolidated financial statements
- Independent auditor's report on summarised financial statements

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- Analysis of ordinary shareholders
- Glossary
- Corporate information



6



AUDITED SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2020

	NOTES	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000	AUDITED YEAR ENDED 31 DECEMBER 2019 R'000
Revenue	3	**4 375 339**	3 966 452
Cost of sales		**(2 894 578)**	(2 695 637)
Gross profit		**1 480 761**	1 270 815
Other operating (loss)/income		**(8 041)**	73 544
Selling and distribution expenses		**(207 895)**	(158 484)
Marketing expenses		**(14 476)**	(13 214)
Other operating expenses		**(621 089)**	(573 081)
Operating profit before fair value gains and associate income		**629 260**	599 580
Share of profit/(loss) in associate		**790**	(112)
Gain on bargain purchase		**–**	891
Fair value (losses)/gains		**(4 608)**	34 339
Operating profit before net finance costs and taxation		**625 442**	634 698
Investment income		**28 994**	21 413
Interest expense		**(101 079)**	(121 919)
Profit before taxation		**553 357**	534 192
Taxation		**(155 509)**	(138 679)
Profit after taxation		**397 848**	395 513
Profit after taxation attributable to:			
Shareholders of Sea Harvest Group Limited		**430 751**	412 478
Non-controlling interests		**(32 903)**	(16 965)
		397 848	395 513
Earnings per share (cents)			
- Basic		**154.3**	149.3
- Diluted		**148.8**	143.3

AUDITED SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000	AUDITED YEAR ENDED 31 DECEMBER 2019 R'000
Profit after taxation	**397 848**	395 513
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Movement on cash flow hedging reserve	**(109 566)**	137 641
Cost of hedging reserve	**19 400**	(59 199)
Reserves recycled to other operating income	**31 199**	19 608
Exchange differences on foreign operations	**69 126**	(14 045)
Items that may not be reclassified subsequently to profit or loss:		
Net measurement gain on defined benefit plan	**619**	3 645
Other comprehensive income, net of tax	**10 778**	87 650
Total comprehensive income for the year	**408 626**	483 163
Total comprehensive income attributable to:		
Shareholders of Sea Harvest Group Limited	**444 035**	498 319
Non-controlling interests	**(35 409)**	(15 156)
	408 626	483 163

AUDITED SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	NOTES	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000	AUDITED YEAR ENDED 31 DECEMBER 2019 R'000
ASSETS			
Property, plant, equipment and vehicles[1]		**1 993 274**	1 881 734
Right-of-use assets		**131 904**	136 695
Biological assets	7	**67 321**	61 448
Intangible assets[2]		**733 174**	639 795
Goodwill		**862 492**	849 615
Investment in associate		**5 994**	5 204
Investment at fair value through other comprehensive income		**25 264**	25 264
Financial assets	6	**25 138**	23 218
Loans to related parties	9	**129 444**	81 799
Loans to supplier partners		**85 484**	78 464
Long-term loan receivable		**3 836**	3 606
Deferred tax assets		**489**	611
Non-current assets		**4 063 814**	3 787 453
Inventories		**631 023**	582 162
Biological assets		**93 087**	77 891
Trade and other receivables		**694 747**	696 020
Short-term loan receivable		**1 036**	1 609
Financial assets[3]	6	**27 334**	124 947
Tax assets		**7 729**	8 289
Cash and bank balances		**275 245**	237 882
Current assets		**1 730 201**	1 728 800
Total assets		**5 794 015**	5 516 253

[1] *Movement in property, plant, equipment and vehicles during the period includes capital expenditure on vessels of R152 million.*

[2] *Movement in intangible assets relates to the additional Spanish mackerel licenses acquired in Australia during the period and the effects of the foreign currency translation on foreign operations of R70 million.*

[3] *Financial assets decreased as a result of a significant portion of the Group's export hedges maturing in 2020.*

	NOTES	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000	AUDITED YEAR ENDED 31 DECEMBER 2019 R'000
EQUITY AND LIABILITIES			
Stated capital		**1 809 038**	1 810 506
Other reserves		**(3 143)**	(36 953)
Retained earnings		**948 311**	663 721
Attributable to shareholders of Sea Harvest Group Limited		**2 754 206**	2 437 274
Non-controlling interests		**40 138**	76 500
Capital and reserves		**2 794 344**	2 513 774
Long-term borrowings		**1 308 982**	1 268 291
Employee-related liabilities		**22 557**	22 510
Share-based payment liability		**31 510**	27 509
Deferred grant income		**30 814**	32 236
Contingent consideration	8	**99 974**	90 862
Financial liabilities	6	**–**	20 522
Lease liabilities		**144 261**	146 230
Deferred taxation		**508 807**	478 545
Non-current liabilities		**2 146 905**	2 086 705
Short-term borrowings		**117 758**	285 685
Trade and other payables		**648 340**	546 052
Lease liabilities		**15 706**	13 670
Share-based payment liability		**–**	15 909
Deferred grant income		**4 059**	3 317
Financial liabilities	6	**24 889**	21 248
Short-term provisions		**36 432**	21 088
Taxation		**778**	216
Bank overdrafts		**4 804**	8 589
Current liabilities		**852 766**	915 774
Total equity and liabilities		**5 794 015**	5 516 253

AUDITED SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000	AUDITED YEAR ENDED 31 DECEMBER 2019 R'000
Balance at the beginning of the year	**2 513 774**	2 069 327
Attributable to:		
Shareholders of Sea Harvest Group Limited	**2 437 274**	1 814 665
Non-controlling interests	**76 500**	254 662
IFRS 16 adjustment	**–**	(11 997)
Attributable to:		
Shareholders of Sea Harvest Group Limited	**–**	(10 417)
Non-controlling interests	**–**	(1 580)
Adjusted balance at the beginning of the year	**2 513 774**	2 057 330
Attributable to:		
Shareholders of Sea Harvest Group Limited	**2 437 274**	1 804 248
Non-controlling interests	**76 500**	253 082
Total comprehensive income for the year attributable to shareholders of Sea Harvest Group Limited	**444 035**	498 319
Profit after taxation	**430 751**	412 478
Movements in other items of comprehensive income, net of tax	**13 284**	85 841
Movements attributable to shareholders of Sea Harvest Group Limited		
Shares issued	**–**	300 000
Shares repurchased	**(1 468)**	(28 255)
Dividends paid	**(146 161)**	(116 251)
Share-based payments	**20 526**	(17 810)
Further acquisition of investment in subsidiary	**–**	(2 978)
Movement attributable to non-controlling interests	**(36 362)**	(176 581)
Balance at the end of the year	**2 794 344**	2 513 774

AUDITED SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	NOTES	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000	AUDITED YEAR ENDED 31 DECEMBER 2019 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations	A	**923 569**	839 219
Working capital changes	B	**71 038**	(71 038)
Cash generated by operating activities		**994 607**	768 181
Interest received		**13 163**	10 617
Dividends received		**8 000**	4 000
Interest paid		**(96 645)**	(120 055)
Income tax paid		**(111 737)**	(119 509)
Proceeds from government grants		**3 328**	17 181
Net cash generated from operating activities		**810 716**	560 415
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant, equipment and vehicles		**(286 313)**	(264 629)
Insurance proceeds		**25 747**	–
Proceeds from the disposal of property, plant, equipment and vehicles		**7 574**	22 098
Acquisition of intangible assets		**(32 210)**	(30)
Acquisition of a subsidiary/business		**–**	(558 139)
Additions to biological assets		**(65 605)**	(69 007)
Loans advanced to supplier partners		**(8 425)**	–
Proceeds on loans advanced to supplier partners		**1 130**	–
Loans advanced to related parties		**(56 270)**	–
Proceeds on loans advanced to related parties		**10 891**	–
Cash movement in other long term and short loans		**343**	8 299
Net cash utilised in investing activities		**(403 138)**	(861 408)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity instruments of the Company		**–**	300 000
Shares repurchased		**(15 322)**	(50 962)
Proceeds from borrowings		**588 026**	347 497
Repayment of borrowings and lease liabilities		**(769 836)**	(540 294)
Repayment of other financial liabilities		**(22 752)**	(21 401)
Loans advanced to supplier partners		**–**	(6 032)
Proceeds on loans advanced to supplier partners		**–**	5 686
Dividends paid		**(147 115)**	(117 154)
Further investment in subsidiary		**–**	(168 890)
Net cash generated from financing activities		**(366 999)**	(251 550)
Net increase in cash and cash equivalents		**40 579**	(552 543)
Cash and cash equivalents at the beginning of the year		**229 293**	781 679
Effects of exchange rate changes on the balance of cash held in foreign currencies		**569**	157
Cash and cash equivalents at the end of the year		**270 441**	229 293

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

		AUDITED YEAR ENDED 31 DECEMBER 2020 R'000	AUDITED YEAR ENDED 31 DECEMBER 2019 R'000
A.	**Cash generated by operations**		
	Profit after taxation	**397 848**	395 513
	Adjustments for:		
	Interest expense	**101 079**	121 919
	Taxation charge	**155 509**	138 679
	Investment income	**(28 994)**	(21 413)
	Profit on disposal of property, plant, equipment and vehicles	**(750)**	(5 223)
	Loss on disposal of property, plant, equipment and vehicles	**8 327**	548
	Gain on lease modification	**(266)**	–
	Gain on bargain purchase	**–**	(891)
	Unrealised foreign exchange gains	**11 920**	(2 538)
	Depreciation and amortisation on non-current assets	**219 293**	183 484
	Share of (profit)/ loss of associate	**(790)**	112
	Government grant income	**(4 008)**	(3 971)
	Non-cash movements in relation to share-based payments	**22 472**	26 080
	Fair value gain on option	**(1 919)**	2 694
	Fair value adjustment on contingent consideration	**9 112**	(31 048)
	Fair value adjustment on biological assets	**(2 585)**	(5 984)
	Non-cash movement on biological assets	**47 120**	43 298
	Movement in provisions	**15 344**	(5 502)
	Insurance proceeds	**(25 747)**	–
	Other non-cash movements	**604**	3 462
		923 569	839 219
B.	**Movements in working capital**	**71 038**	(71 038)
	Decrease/(increase) in trade and other receivables	**15 010**	(112 049)
	Increase in trade and other payables	**97 132**	47 555
	Increase in inventory	**(41 104)**	(6 544)
	Cash generated by operating activities	**994 607**	768 181

1. BASIS OF PREPARATION

The summarised consolidated financial statements for the year ended 31 December 2020 are prepared in accordance with the requirements of the Companies Act of South Africa. The summarised consolidated financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting.*

The summarised consolidated financial statements for the year ended 31 December 2020 has been audited by Deloitte & Touche, who expressed an unmodified audit opinion thereon.

The directors take full responsibility for the preparation of this report. The summarised consolidated annual financial statements were prepared under the supervision of the Chief Financial Officer, M Brey CA(SA). A copy of the full consolidated financial statements and the audit report thereon are available for inspection at the Company's registered office and the Company's website. The audit report does not cover all the information contained in this integrated report. Shareholders are, therefore, advised that in order to obtain a full understanding of the nature of the auditor's work, they should obtain a copy of that report together with the accompanying financial information from the Company's website or from the registered office of the Company.

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed consolidated financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the financial statements for the year ended 31 December 2019.

		AUDITED YEAR ENDED 31 DECEMBER 2020 R'000	AUDITED YEAR ENDED 31 DECEMBER 2019 R'000
3.	**REVENUE**		
	Group revenue for the year can be analysed as follows:		
	Revenue recognised at a point in time	**4 360 967**	3 938 116
	Revenue recognised over time	**14 372**	28 336
		4 375 339	3 966 452
	Revenue comprises of:		
	Wild-caught fish[1]	**2 848 476**	2 510 694
	Shellfish[2]	**308 089**	267 297
	Vegetables and meals	**93 852**	94 499
	Traded	**188 774**	190 171
	Dairy	**936 148**	903 791
		4 375 339	3 966 452
	Revenue is further split by geographic location as follows:		
	South Africa	**2 348 134**	2 209 799
	Australia	**543 009**	447 178
	Europe	**1 299 838**	1 113 675
	Other markets	**184 358**	195 800
		4 375 339	3 966 452

Revenue from wild-caught fish is disclosed in the South African Fishing, Australian and Cape Harvest Foods segments. Shellfish revenue is disclosed in the South African Fishing, Australian and Aquaculture segments. Vegetables and meals is disclosed in the Cape Harvest Foods and Australian segments, with dairy revenue disclosed in the Cape Harvest Foods segment. Traded revenue is disclosed in the South African Fishing and Cape Harvest Foods segments.

[1] *Cape hake, horse mackerel, Spanish mackerel and related bycatch.*
[2] *Prawns, scallops, crabs and abalone.*

		AUDITED YEAR ENDED 31 DECEMBER 2020 R'000	AUDITED YEAR ENDED 31 DECEMBER 2019 R'000
4.	**HEADLINE EARNINGS PER SHARE**		
4.1	DETERMINATION OF HEADLINE EARNINGS		
	Profit for the year attributable to shareholders of Sea Harvest Group Limited	**430 751**	412 478
	Loss/(profit) on disposal of property, plant, equipment and vehicles	**7 574**	(4 675)
	Insurance proceeds	**(25 747)**	–
	Gain on bargain purchase	**–**	(891)
	Total tax effects of adjustments	**8 331**	3 505
	Headline earnings for the year	**420 909**	410 417
4.2	CALCULATION OF WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES		
	Weighted average number of shares on which earnings and headline earnings per share are based	**279 177 043**	276 365 749
	Weighted average number of shares on which diluted earnings and diluted headline earnings per share are based	**289 498 880**	287 774 594
	Reconciliation of weighted average number of shares between basic and diluted earnings per share and headline earnings and diluted headline earnings per share:		
	Basic	**279 177 043**	276 365 749
	Dilutive instruments	**10 321 837**	11 408 845
	Diluted	**289 498 880**	287 774 594
	Headline earnings per share (cents)		
	– Basic	**150.8**	148.5
	– Diluted	**145.4**	142.6

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

5. SEGMENTAL RESULTS

The Groups' reportable segments under IFRS 8: Operating Segments, are the South African Fishing, Australian operation, Aquaculture and Cape Harvest Foods segments.

	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000	AUDITED YEAR ENDED 31 DECEMBER 2019 R'000
Segment revenue		
South African Fishing[1]	**2 758 205**	2 470 044
Australia operations	**542 477**	437 752
Aquaculture[2]	**53 334**	68 920
Cape Harvest Foods	**1 021 323**	989 736
Total revenue	**4 375 339**	3 966 452
Segment profit/(loss) from operations		
South African Fishing	**570 176**	526 589
Australia operations	**37 525**	6 652
Aquaculture	**(72 511)**	(29 818)
Cape Harvest Foods	**94 070**	96 157
Operating profit before associate and joint venture income	**629 260**	599 580
Fair value (losses)/gains	**(4 608)**	34 339
Gain on bargain purchase	**–**	891
Share of profit/(loss) in associate	**790**	(112)
Operating profit before net finance costs and taxation	**625 442**	634 698
Investment income	**28 994**	21 413
Interest expense	**(101 079)**	(121 919)
Profit before taxation	**553 357**	534 192
Total assets		
South African Fishing	**3 048 569**	3 093 199
Australia operations	**1 084 782**	886 253
Aquaculture	**708 189**	696 867
Cape Harvest Foods	**952 475**	839 934
	5 794 015	5 516 253
Total liabilities		
South African Fishing	**1 878 634**	1 961 289
Australia operations	**398 741**	389 157
Aquaculture	**455 666**	450 260
Cape Harvest Foods	**266 630**	201 773
	2 999 671	3 002 479

[1] *Revenue excludes inter-segmental revenue of R218.4 million (2019: R176 million), which is eliminated on consolidation.*
[2] *Revenue excludes inter-segmental revenue of R2.5 million (2019: R8 million), which is eliminated on consolidation.*

	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000	AUDITED YEAR ENDED 31 DECEMBER 2019 R'000
6. OTHER FINANCIAL ASSETS AND LIABILITIES		
Financial derivative assets	**52 472**	148 165
Non-current portion of financial assets[1]	**25 138**	23 218
Current portion of financial assets[2]	**27 334**	124 947
Other financial asset		
Investment at fair value through other comprehensive income[3]	**25 264**	25 264
Financial derivative liabilities	**227**	160
Current portion of financial liabilities[2]	**227**	160
Other financial liability		
Fishing licence liability[4]	**24 662**	41 610
Non-current portion of financial liability	**–**	20 522
Current portion of financial liability	**24 662**	21 088

[1] CALL OPTION DERIVATIVE

Included in non-current financial assets is a call option to acquire 100% of the shareholding in Vuna Fishing Company Proprietary Limited from Vuna Fishing Group Proprietary Limited. The fair value was independently determined by an expert using the Black-Scholes option pricing model. The call option financial asset has been classified as a non-current asset at 31 December 2020 due to the expected exercising date thereof exceeding 12 months from the reporting date. The call option disclosed in financial assets is regarded as a level 3 financial instrument for fair value measurement purposes. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The movement in the call option derivative is as follows:

Opening balance	**23 218**	25 912
Fair value movement	**1 920**	(2 694)
Closing balance	**25 138**	23 218

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

6. OTHER FINANCIAL ASSETS AND LIABILITIES (continued)

Assumption sensitivity analysis

The Group has performed a sensitivity analysis relating to its exposure to a change in the assumptions used in the valuation. The sensitivity analysis demonstrates the increase/(decrease) on the asset held at fair value through profit or loss which could result from a change in these assumptions.

	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000	AUDITED YEAR ENDED 31 DECEMBER 2019 R'000
Vuna Fishing Company valuation		
+ 5%	**2 212**	2 063
- 5%	**(2 161)**	(2 029)
Yield curve 5.277% (2019: 7.325%)		
+ 5%	**1 782**	1 351
- 5%	**(1 786)**	(1 240)
Volatility 37.163% (2019: 27.363%)		
+ 1%	**839**	1 227
- 1%	**(817)**	(1 249)

As Vuna Fishing Company Proprietary Limited is unlisted, the volatility was determined using the quadratic mean volatility of peer group companies.

[2] FINANCIAL DERIVATIVE ASSETS AND LIABILITIES

Financial assets and liabilities arise from hedging contracts entered into by the Group for the purpose of minimising the Group's exposure to foreign currency volatility. Hedging contracts are regarded as level 2 financial instruments for fair value measurement purposes. Level 2 fair value measurements are those derived from inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

[3] INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group holds 10% of the ordinary share capital of Desert Diamond Fishing Proprietary Limited, a company involved in the fishing and fishing processing industries.

The Group reassesses the valuation of the fair value through other comprehensive income investment annually, by using an asset valuation method performed by an independent valuator.

The investment is regarded as a level 3 financial instrument. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assumption sensitivity analysis

The Group has performed a sensitivity analysis relating to its exposure to a change in the assumptions used in the valuation. The sensitivity analysis demonstrates the increase/(decrease) on the investment which could result from a change in this assumption.

Desert Diamond vessel valuation		
+ 5%	**1 263**	1 263
- 5%	**(1 263)**	(1 263)

[4] FISHING LICENCE LIABILITY

The fishing licence liabilities relate to the Shark Bay Prawn Managed Fishery Voluntary Fisheries Adjustment Scheme (VFAS). The VFAS operates from 12 November 2010 until 1 July 2021. Sea Harvest Australia owns ten fishing licences in the Shark Bay region. The liabilities shown represent present values, discounted at the 5-year Australian Corporate Bond rate. Fishing licence liabilities are carried at amortised cost.

7. BIOLOGICAL ASSETS

The Group owns biological assets in the form of abalone, mussels, oysters and fish. Biological assets are measured at the best estimate of fair value, less anticipated marketing and other related selling costs.

RECONCILIATION OF BIOLOGICAL ASSETS

	ABALONE	MUSSELS AND OYSTERS	FISH IN WATER	TOTAL
Balance as at 1 January 2020	**107 758**	**24 181**	**7 400**	**139 339**
Increase due to additions and cost capitalised	**47 069**	**12 190**	**6 346**	**65 605**
Decrease due to harvest and mortalities	**(28 451)**	**(8 456)**	**(10 214)**	**(47 121)**
Fair value adjustment	**(3 100)**	**2 020**	**3 665**	**2 585**
Balance as at 31 December 2020	**123 276**	**29 935**	**7 197**	**160 408**
Transferred to current	73 035	16 099	3 953	93 087
Total non-current	50 241	13 836	3 244	67 321

Assumption sensitivity analysis

The Group has performed a sensitivity analysis relating to its exposure to a change in exchange rates used in the valuation of abalone. The sensitivity analysis demonstrates the increase/(decrease) on the biological assets, which could result from a change in this assumption.

	EXCHANGE RATE	FAIR VALUE ADJUSTMENT R'000
2020		
- 10% (weakening of the rand against the USD)	**$1/R16.12**	**5 645**
+ 10% (strengthening of the rand against the USD)	**$1/R13.19**	**(11 845)**
2019		
- 10% (weakening of the rand against the USD)	$1/R15.43	11 193
+ 10% (strengthening of the rand against the USD)	$1/R12.62	(3 409)

8. CONTINGENT CONSIDERATION

The contingent consideration relates to the acquisition of Viking Fishing and Viking Aquaculture in the 2018 financial year, and was estimated by an independent valuer based on Viking Fishing and Viking Aquaculture achieving the earn-out targets for the 2018 and 2019 financial years, discounted at the prime lending rate. It is regarded as a level 3 financial instrument for fair value measurement purposes. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The movement in the contingent consideration is as follows:

	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000	AUDITED YEAR ENDED 31 DECEMBER 2019 R'000
Opening balance	**90 862**	121 910
Fair value movement	**9 112**	(31 048)
Closing balance	**99 974**	90 862

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

		AUDITED YEAR ENDED 31 DECEMBER 2020 R'000	AUDITED YEAR ENDED 31 DECEMBER 2019 R'000
9.	**RELATED PARTY TRANSACTIONS**		
	This disclosure relates to material related party balances and transactions.		
9.1	RELATED PARTY LOANS		
	Loans to related parties – non-current		
	Vuna Fishing Company Proprietary Limited (joint venture of Brimstone Investment Corporation Limited)	**27 420**	27 420
	Vuna Fishing Group Proprietary Limited (subsidiary of Brimstone Investment Corporation Limited)	**45 068**	45 068
	SeaVuna Fishing Company Proprietary Limited[1]	**56 956**	9 311
	Total	**129 444**	81 799
	Loans to related parties – non-current (investment in associate)		
	Specialised Aquatic Feeds Proprietary Limited (associate of Viking Aquaculture Proprietary Limited)	**4 000**	4 000
	Total	**4 000**	4 000
9.2	RELATED PARTY TRANSACTIONS		
	Sales to related parties		
	SeaVuna Fishing Company Proprietary Limited[1]	**33 408**	43 933
	Recoveries and other income from related parties		
	SeaVuna Fishing Company Proprietary Limited[1]	**14 999**	17 878
	Purchases from related parties		
	SeaVuna Fishing Company Proprietary Limited[1]	**221 374**	214 182

[1] *SeaVuna Fishing Company Proprietary Limited is a wholly-owned subsidiary of Vuna Fishing Company Proprietary Limited, which is a joint venture of Brimstone Investment Corporation Limited.*

In terms of the supply agreement with Vuna Fishing Company Proprietary Limited (Vuna) and SeaVuna Fishing Company Proprietary Limited (SeaVuna), fish caught by Vuna and SeaVuna is marketed by Sea Harvest Corporation Proprietary Limited.

10. STATED CAPITAL (NUMBER)

	AUDITED YEAR ENDED 31 DECEMBER 2020	AUDITED YEAR ENDED 31 DECEMBER 2019
In issue (number)		
Ordinary shares	**294 293 814**	294 293 814
Held as treasury shares	**(14 600 889)**	(17 069 159)
	279 692 925	277 224 655

10. STATED CAPITAL (NUMBER) (continued)

The movement in the number of shares during the year was as follows:

	TOTAL SHARES IN ISSUE	LESS TREASURY SHARES	TOTAL NET SHARES IN ISSUE
Opening balance	294 293 814	17 069 159	277 224 655
Shares issued	–	–	–
Shares repurchased	–	75 735	(75 735)
Shares vested	–	(2 544 005)	2 544 005
Closing balance	294 293 814	14 600 889	279 692 925

11. CONTINGENT LIABILITES AND COMMITMENTS

The Group has no significant contingent liabilities at the end of the year (2019: nil).

	AUDITED YEAR ENDED 31 DECEMBER 2020 R'000	AUDITED YEAR ENDED 31 DECEMBER 2019 R'000
Capital commitments		
Budgeted capital expenditure is as follows:		
– contracted	**32 023**	13 580
– not contracted	**205 812**	275 035

12. COVID-19 PANDEMIC ASSESSMENT AND GOING CONCERN

- The Group is fully committed to the preventative measures implemented by various governments since early 2020 to contain the spread of COVID-19 in the countries in which it operates, with the Group's primary priority being to ensure the health and safety of employees, preserve jobs and hence livelihoods, to ensure food security through the continuity of operations and to ensure the Group's ability to continue meeting stakeholders' expectations in terms of product demand.
- As an essential food manufacturer, the Group was exempt from lockdown and allowed to continue to operate. The Group benefited from increased demand for retail products as consumers stocked up for lockdown; however, this was offset by a slowdown in the Group's foodservice markets. The Aquaculture operation, with its main market being China, has however experienced a significant decline in abalone sales revenue. As a result of lower-than-expected financial performance of the aquaculture segment, management performed an assessment of goodwill impairment as at 31 December 2020. The recoverable amount of this cash-generating unit, determined based on a value-in-use calculation, resulted in a surplus over its carrying value. A sensitivity analysis was performed on the recoverable amount, and management believes that a reasonably possible change in the assumptions would not result in an impairment of the carrying amount of goodwill.
- The calculation uses cash flow projections based on financial budgets approved by the Board, covering a five-year period. The key estimates used in the value-in-use calculation included a pre-tax discount rate of 15.03% (2019: 15.60%), terminal growth rate of 3.2% (2019: 2%) and a five-year average revenue growth of 16% (2019: 38%). As a result of the pandemic, significant judgment was required in estimating future saleable quantities of abalone.

GOING CONCERN

- Management has assessed the going concern assumption, taking into account the impact of COVID-19 which took into account cash flow analysis, operational analysis and available funding facilities. The cash flow analysis considered all factors impacting the ability of the Group to generate or preserve cash. Such factors included limitations of COVID-19 on production, and the resulting sales, fixed costs and capital expenditure plans that would require funding, as well as available facilities. The result of these analyses was that the Group will have sufficient cash resources to sustain operations. An analysis of the potential impact of COVID-19 on funding covenants was also considered and management is of the view that funding covenants will not be breached. No funding covenants were breached in the 2020 financial year.Therefore the directors have no reason to believe that the Group will not be a going concern in the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

13. EVENTS SUBSEQUENT TO THE REPORTING DATE

The Board of Directors recommended a gross and final cash ordinary dividend on 1 March 2021, amounting to 45 cents per share (2019: 50 cents, comprising an ordinary dividend of 45 cents and a special dividend of 5 cents per share) in respect of the year ended 31 December 2020.

During the budget speech held on the 22nd of February 2021, the Minister of Finance announced a decrease in the corporate tax rate from 28% to 27% with effect from 1 April 2022. If the legislation had been effective as at year end, this would have resulted in an estimated decrease of the deferred tax liability at 31 December 2020 of R14.7 million.

Other than the items outlined above, there has not arisen in the interval between the reporting date and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to substantially affect the operations of the Group, the results of its operations or the state of affairs of the Group.

INDEPENDENT AUDITOR'S REPORT ON SUMMARISED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SEA HARVEST GROUP LIMITED

Opinion

The summarised consolidated financial statements of Sea Harvest Group Limited, which comprise the summarised consolidated statement of financial position as at 31 December 2020, the summarised consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Sea Harvest Group Limited for the year ended 31 December 2020.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Sea Harvest Group Limited, in accordance with the basis of preparation set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Summarised consolidated financial statements

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Sea Harvest Group Limited and the auditor's report thereon. The summarised financial statements and the audited consolidated financial statements do not reflect the effect of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 31 March 2020. That report also includes:

- the communication of other key audit matters as reported in the auditor's report of the audited financial statements.

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the basis of preparation set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements.*

Deloitte & Touche

Registered Auditor

Deloitte & Touche

Per: Michael van Wyk

Partner
23 April 2021

Unit 11, Ground Floor, 97 Dorp Street, Stellenbosch, 7600

ANALYSIS OF ORDINARY SHAREHOLDERS

for the year ended 31 December 2020

SHAREHOLDER SPREAD	NUMBER OF SHAREHOLDINGS	% OF TOTAL SHAREHOLDINGS	NUMBER OF SHARES	% OF ISSUED CAPITAL
1 – 1 000 shares	872	67.13	140 082	0.05
1 001 – 10 000 shares	186	14.32	773 090	0.26
10 001 – 100 000 shares	127	9.78	5 238 653	1.78
100 001 – 1 000 000 shares	84	6.47	29 673 591	10.08
Over 1 000 000 shares	30	2.30	258 468 398	87.83
Total	**1 299**	**100.00**	**294 293 814**	**100.00**
Distribution of shareholders				
Assurance companies	4	0.31	557 116	0.19
Close corporations	7	0.54	64 648	0.02
Collective investment schemes	39	3.00	26 150 737	8.88
Custodians	2	0.15	29 596	0.01
Foundations and charitable funds	8	0.62	2 470 010	0.84
Hedge funds	13	1.00	7 792 489	2.65
Insurance companies	1	0.08	5 600	0.00
Investment partnerships	5	0.38	185 200	0.06
Managed funds	2	0.15	278 745	0.09
Medical aid funds	1	0.08	8 000	0.00
Organs of state	1	0.08	26 325 000	8.95
Private companies	45	3.46	189 776 523	64.48
Public companies	1	0.08	55 352	0.02
Retail shareholders	1 044	80.37	5 434 027	1.85
Retirement benefit funds	60	4.62	18 200 789	6.18
Scrip lending	1	0.08	287 009	0.10
Share schemes	1	0.08	3 548 446	1.21
Sovereign funds	2	0.15	9 170 939	3.12
Stockbrokers and nominees	5	0.38	15 829	0.01
Trusts	57	4.39	3 937 759	1.34
Total	**1 299**	**100.00**	**294 293 814**	**100.00**

SHAREHOLDER TYPE				
Non-public shareholders	11	0.85	147 208 697	50.02
Directors and associates	9	0.69	5 619 918	1.90
Newshelf 1411 (Pty) Ltd (beneficial holders > 10%)	1	0.08	138 040 333	46.91
Share schemes	1	0.08	3 548 446	1.21
Public shareholders	1 288	99.15	147 085 117	49.98
Total	**1 299**	**100.00**	**294 293 814**	**100.00**

	NUMBER OF SHARES	% OF ISSUED CAPITAL
Fund managers with a holding greater than 3% of the issued shares		
Public Investment Corporation	26 325 000	8.94
Visio Capital Management	17 407 783	5.92
36One Asset Management	16 640 965	5.65
Kagiso Asset Management	15 879 574	5.40
Total	**76 253 322**	**25.91**
Beneficial shareholders with a holding greater than 3% of the issued shares		
Newshelf 1411 (Pty) Ltd[1]	138 040 333	46.91
Government Employees Pension Fund	26 325 000	8.95
Newshelf 1169 (Pty) Ltd[1]	21 459 070	7.29
Odin Investments (Pty) Ltd	12 307 692	4.18
Sea Harvest Corporation (Pty) Ltd	11 052 442	3.76
36One	10 403 082	3.53
Total	**219 587 619**	**74.62**
Total number of shareholdings		1 299
Total number of shares in issue		**294 293 814**
Share price performance		
Opening price 2 January 2020 (rand)		14.26
Closing price 30 December 2020 (rand)		14.26
Closing high for period (rand)		15.00
Closing low for period (rand)		11.25
Number of shares in issue		294 293 814
Volume traded during period		14 652 466
Ratio of volume traded to shares issued (%)		4.98
Rand value traded during the period (rand)		193 031 916
Price/earnings ratio as at 31 December 2020		9.63
Earnings yield as at 31 December 2020		10.39
Dividend yield as at 31 December 2020		2.52
Market capitalisation at 31 December 2020 (rand)		4 196 629 788

[1] *Both companies are subsidiaries of Brimstone Investment Corporation Limited, with a combined shareholding of 54.19%.*

GLOSSARY

ACI	African, Coloured and Indian	IR	Integrated Report
AFS	Annual Financial Statements	JSE	Johannesburg Stock Exchange
ASX	Australian Securities Exchange	King IV™	King IV Report on Corporate Governance™
B-BBEE	Broad-Based Black Economic Empowerment	Ladismith Cheese	Ladismith Cheese Company Proprietary Limited
Board	Sea Harvest Group's Board of Directors	LTI	Long-term incentive
Brimstone	Brimstone Investment Corporation Limited	MEY	Maximum economic yield
CAGR	Compound annual growth rate	MSC	Marine Stewardship Council
Cape Harvest Food Group	Cape Harvest Food Group Proprietary Limited	MSY	Maximum sustainable yield
CEO	Chief Executive Officer	NPD	New product development
CFO	Chief Financial Officer	NRCS	National Regulator for Compulsory Specifications
Companies Act	Companies Act, No 71 of 2008	NPC	Not-for-Profit Company
DEFF	Department of Environment, Forestry and Fisheries	PPE	Personal protective equipment
DPIRD	Department of Primary Industries and Regional Development	ROCE	Return on capital employed
EBIT	Earnings before interest and taxes	SADSTIA	South African Deep-Sea Trawling Industry Association
EBITDA	Earnings before interest, taxes, depreciation and amortisation	SAICA	South African Institute of Chartered Accountants
ECD	Early childhood development	SAMSA	South African Maritime Safety Authority
FMCG	Fast-moving consumer goods	Sea Harvest Corporation	Sea Harvest Corporation Proprietary Limited
Foundation	Sea Harvest Foundation Not-for-Profit Company	SED	Socio-economic development
FRAP	Fishing rights allocation process	SMMEs	Small, medium and micro enterprises
FSP	Forfeitable share plan	STI	Short-term incentive
Fund	South African Fisheries Development Fund	TAC	Total Allowable Catch
GDP	Gross domestic product	TERS	Temporary Employment Relief Scheme
Group	Sea Harvest Group Limited	TSR	Total shareholder return
HEPS	Headline earnings per share	US	United States of America
HORECA	Hotels, restaurants and catering	VAT	Value added tax
IFRS	International Financial Reporting Standards	WACC	Weighted average cost of capital
IT	Information technology	WANOS	Weighted average number of outstanding shares

CORPORATE INFORMATION

Sea Harvest Group Limited
(Incorporated in the Republic of South Africa)
Registration number: 2008/001066/06
JSE share code: SHG
ISIN: ZAE000240198

"Sea Harvest" or "the Company" or "the Group"

Registered address:
The Boulevard Office Park
1st Floor, Block C
Searle Street
Woodstock
Cape Town
7925
South Africa

Directors:
F Robertson* (Chairperson)
BM Rapiya**
WA Hanekom***
MI Khan*
T Moodley*
KA Lagler***
CK Zama***
F Ratheb (Chief Executive Officer)
M Brey (Chief Financial Officer)

**Non-executive Director*
*** Lead Independent Non-executive Director*
**** Independent Non-executive Director*

Company Secretary: N Seshoka

Transfer Secretary: Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Sponsor: The Standard Bank of South Africa Limited

Auditors: Deloitte & Touche



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