

19 May 2026

Report:

LABOUR AND SECTION 189 COMPLIANCE

Prepared For:

PUBLIC INVESTMENT CORPORATION

And

UNEMPLOYMENT INSURANCE FUND

INTRODUCTION

1. This report is prepared in line with Annexure B of the UIF Loan Agreement and will detail the current status of the operational labour status, as well as provide a summary of the retrenchment proceedings.
2. This report will be updated on a quarterly basis and addressed to the UIF and PIC.
3. We will proceed by addressing the current status of the Section 189 Retrenchment Process, before moving on to operational labour related issues.

SECTION 189 RETRENCHMENT PROCESS

Commencement and First Consultation

4. The process commenced on 06 January 2026 through the issuing of the Retrenchment Notice in terms of Section 189 and 189A of the Labour Relations Act ("LRA").

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5. The BRP appointed Mr. Ernest Van Zyl from EW Van Zyl attorneys to assist on conducting the retrenchment process.
6. Due to the size of the Company and the number of proposed retrenchments, the process is classified as a large-scale retrenchment and, as such, the Company is required to comply with Section 189A of the LRA.
7. The first formal retrenchment consultation took place at the Head Office (Olifantsfontein) on 09 January 2026.
8. The meeting was constructive and peaceful and focussed predominantly on setting out a framework on how the consultation process would be managed.
9. It was agreed between the parties that the retrenchment process would be split into two parts. The first part would focus on reaching agreement on the number of retrenchments that the Company would be required to implement. In this regard, it was agreed that the retrenchments would be implemented across the board, with both the Company's operational and non-operational divisions being impacted to bring labour in line with the lean reactivation model proposed in the adopted business rescue plan.
10. The second part would focus on dealing with the actual individuals that may be affected, once the number of retrenchments has been finalised.

Subsequent Consultations

11. The BRP, together with Mr Van Zyl and Mr. Masana Mabale (independent HR Consultant) attended a total of five consultations as part of the retrenchment process.
12. The consultations focussed primarily on the number of retrenchments and the manner in which same would be conducted.
13. One of the fundamental issues that was discussed is the facilitation process that is set out in Section 189A of the LRA.
14. In large scale retrenchments, either the employer or the employees (Unions) may request that a formal facilitation process be initiated. This is a minimum 60 day period.

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15. The Employees Committee and the Unions consulted on 13 January 2026. On 15 January 2026, the Employees Committee confirmed in writing that the employees elected not to implement the facilitation process due to the time delay that it would create.
16. A further issue that was considered is whether the principles of vertical and horizontal bumping would be applied during the retrenchment process. In terms of these principles, employees with lesser years of services can be replaced by employees from another division with longer tenures (horizontal). In addition, higher ranking employees may be bumped with lower ranking employees (vertical).
17. Having regard to the geographical scope of the Company's operations, it was unilaterally agreed that bumping would not be applied.
18. Having regard to the fact that the Company's TERS application was unsuccessful, it was agreed that the Company would proceed to issue Termination notices to all employees in the Company's non-operational divisions (broilers, abattoirs and feed mill)
19. The BRP and his Team further consulted the Employees Committee and proposed an organisational structure for the operational divisions of the Company, including head office.

Current Status

20. The retrenchment process is drawing to a close.
21. The HR Team has commenced with the issuing the Termination Notices to the non-operational divisions of the Company in separate batches. This should be concluded by Friday, 20 March 2026.
22. The HR Team has created a dedicated email and telephone line to address all queries from affected employees on the retrenchment process. The necessary assistance will also be provided to employees by providing them with certificates of service, UI19 forms and the liquidation of their individual Provident Funds should they elect to do so.
23. The BRP and his Team have arranged a further consultation which will take place on 20 March 2026. The primary purpose of this consultation will be to provide all employees with an update on the retrenchment process and to finalise the number of retrenchments which will take place at the operational divisions.

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24. The BRP anticipates that this process will be finalised at the meeting, whereafter the balance of the Termination Notices will be addressed. Any skills gaps which have been identified during the retrenchment process will be filled either internally, or through the appointment of external candidates.
25. At present, a total of 1899 employees will be retrenched leaving a balance of 421 employees who will remain operational. The planned reactivation of one of the Abattoirs, however, will ensure the re-employment of hundreds of workers who have been affected by the retrenchments.
26. The final step in the retrenchment process is to make payment of the severance packages
27. The first business rescue plan does not deal with the manner in which these packages will be paid. The BRP will be in a position to determine the timeframe for the payment of retrenchment packages once the SEP process has been finalised and the second business rescue plan is published.
28. Employees are aware and understand the fact that their severance packages will not be paid upon the Termination of their Employment and that clarity will be provided on how these amounts will be paid at a later stage.

OPERATIONAL LABOUR STATUS

Labour Position at Commencement of Rescue Proceedings

29. When business rescue proceedings commenced, the Company's labour force was fraught with disputes and instability.
30. The employees who are employed at the Breeder and Hatchery facilities embarked on an unprotected strike, which commenced on the morning of Friday, 04 July 2025.
31. On 07 July 2025, the employees who participated in the unprotected strike action were locked out in terms of Section 64(3)(d) of the LRA.
32. On 10 July 2025, the employees stationed at Merino and Diepputten embarked on unlawful picket action at Diepputten.
33. The BRP and his team engaged in negotiations with the then newly formed committee of employees in order to reach an agreement to stabilise the Company's labour.

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34. The BRP continues to engage the employees committee by attending regular committee meetings at the Company's head office in Olifantsfontein.

Ongoing Disciplinary Proceedings

35. Since the commencement of business rescue proceedings, the Company has instituted a plethora of disciplinary proceedings against a number of employees that have committed acts of misconduct.
36. These disciplinary proceedings were instituted strictly in accordance with the LRA and the Company's codes and procedures.
37. A number of employees have been dismissed, whilst others remain on suspension pending the disciplinary hearings.
38. The Company continues to implement its disciplinary codes and procedures for employees found wanting of proper conduct. This ensure a stable labour environment with employees knowing that they will be held accountable free of fear or prejudice.
39. The Company is further in the process of revising and amending its current disciplinary codes and procedures to bring it in line with updated legislation and the Company's operational requirements.

Pension Fund Payments

40. When business rescue proceedings commenced, the Company was in arrears with payment of the pension/provident fund deductions to the respective administrators.
41. The BRP and his Team engaged in negotiations with the pension and provident fund administrators to address the non-payment of contributions.
42. This issue was settled during September 2025 when the Company made payment of all outstanding pension/provident fund contributions.
43. This payment ensures that the future financial stability of the Company's employees is protected, whilst also ensuring compliance on the part of the Company.



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Site Visits

44. The BRP and his Team have attended to numerous site visits since June 2025.
45. During the period 18 – 19 December 2025, the BRP and his Team attended to site visits of the Hatchery and Breeder Operations.
46. The purpose of the site visits was to provide employees with an update on the status of the Company's operations, thank them for their hard work and the proposed steps on the implementation of the BR Plan.
47. Employees were advised of the reasons why the Company was not in a position to make payment of 13th Cheques and/or bonuses for 2025.
48. Generally employees were disappointed, but understood the rationale behind the decision not to make these payments.
49. The BRP and his Team was met with unrest at the Hatchery division when employees walked out of the meeting. A subsequent meeting was held with the Shop Stewards and Employee Committee Members.
50. Following the site visit at the Hatchery, a total of 55 employees embarked on a slow strike wherein they refused to work pending the payment of their 13th cheques and/or bonuses. The said employees were placed on immediate suspension and were replaced with temporary staff.
51. The Disciplinary process has commenced with the first hearings having taken place on 14 and 15 January 2025. The disciplinary process remains ongoing.
52. The employees remain suspended and the temporary staff remain operational. The labour position at the Hatchery is stable and production is on standard.

Salary Payments

53. During the months of June and July 2025, employees who rendered services received full remuneration, whilst employees who did not render services received a stipend equal to 50% of their salaries. The payment of stipends based on this scale, was not sustainable based on the Company's cashflow position.

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54. As a result and since August 2025, the stipend paid to employees who are not rendering services, was reduced to 10% of the value of the employees' salaries who were earning in excess of R15,000 per month, whilst employees earning less than R15,000 per month receive a monthly stipend of R1,500.
55. The Company made payment of the last stipends during the course of February 2026. The retrenchment process will be finalised during March 2026 and as such no further stipend payments will be made.

TERS Application

56. During the month of October 2025, the BRP and his team had various engagements and meetings with the TERS committee. A number of queries were raised by the said committee, to which the BRP swiftly responded.
57. On or about 28 October 2025, employees embarked on a peaceful march to the Department of Labour (DOL). The march delivered a memorandum requesting that the Company be provided with the necessary TERS assistance as a matter of urgency.
58. The DOL advised that it would respond within a period of seven days on its decision. On the seventh day, the TERS committee addressed a short email to the Company in which it sought additional clarity on the historical payroll for the period 2023 to date.
59. The BRP responded on the same day addressing the queries that were raised. To date, the BRP awaits a formal response from the committee.
60. On 14 January 2026, The Company received a formal response from TERS requesting clarity on the number of employees which the Company intends to retain as part of the Reactivation Phase of the Plan.
61. We provided a list of 1250 employees, based on what TERS was willing to entertain, to TERS setting out the details of each employee for which we seek relief.
62. On 17 February 2026, the Company received a formal response from TERS, in which the Company's application was rejected. The rejection was based primarily on the fact that the Company failed to produce audited financial statements for the financial year ending 2025.



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CONCLUSION

63. The labour relations at the Company remains stable and the retrenchment process is drawing to a close.
64. We attach hereto a list of documents evidencing the facts listed herein above.
65. Should you require any further detail and/or supporting documentation, please feel free to enquire.

Yours faithfully,

Tebogo Maoto
Senior Business Rescue Practitioner