

Independent Assurance Statement to the Board of Directors and Stakeholders of Tongaat Hulett Limited (Tongaat)

ERM Southern Africa (Pty) Ltd (ERM) was engaged by Tongaat to provide assurance in relation to selected sustainability information set out below and presented in Tongaat’s Sustainability Report for the year ended 31 March 2019 (‘the Report’).



Engagement Summary	
Engagement Scope (Subject Matters):	<ol style="list-style-type: none"> 1. <i>Whether Tongaat adheres, in all material respects, to the three AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness.</i> 2. <i>Whether the 2019 data, for the period 1 April 2018 to 31 March 2019, for the following selected performance indicators, are fairly presented, in all material respects, with the reporting criteria:</i> <ol style="list-style-type: none"> a) <i>Total volume of water used (megaliters) (page 45);</i> b) <i>Total amount of waste disposed (tonnes) (page 46);</i> c) <i>Total energy used (various units) (page 45);</i> d) <i>Total number of environmental incidents (page 46);</i> e) <i>Lost-time injury frequency rate (page 35);</i> f) <i>Total number of recordable incidents (page 36);</i> g) <i>Total number of fatalities (page 35).</i> h) <i>Total number of cases of Noise Induced Hearing Loss (NIHL) reported (page 37);</i> i) <i>Percentage of workers on the voluntary counselling and testing (VCT) programme (%) (page 36).</i> 3. <i>Whether the disclosures on Tongaat’s management approach for the topic of “Human Rights” as presented on page 23 of the Report are fairly presented in all material respects.</i>
Reporting Criteria:	<ul style="list-style-type: none"> ■ <i>AA1000 AccountAbility Principles Standard (2008) criteria</i> ■ <i>Global Reporting Initiative (GRI) Sustainability Reporting Standards</i> ■ <i>Tongaat’s internal Safety, Health, Environment, Quality and Food Safety definitions (dated 25/01/2019)</i>
Assurance Standard used:	<i>AA1000 Assurance Standard (2008) – Type 2</i>
Assurance Level:	<i>Moderate assurance for all Subject Matters</i>

Respective Responsibilities:

Tongaat is responsible for preparing the Report, including the collection and presentation of the selected sustainability information within it, the design, implementation and maintenance of related internal controls, and for the integrity of its website.

ERM's responsibility is to provide conclusions on the selected information in the Report based on the evidence we have obtained and exercising our professional judgement.

Our assurance activities

We planned and performed our work to obtain all the information and explanations that we believe were necessary to provide a basis for our assurance conclusions. A multi-disciplinary team of sustainability and assurance specialists performed the assurance activities, including:

- A review of external media reporting relating to Tongaat, peer company annual reports and industry standards to identify relevant sustainability issues in the reporting period.
- Enquiries with relevant corporate level staff to understand Tongaat's sustainability strategy, policies and management systems, including stakeholder engagement and materiality assessment.
- Enquiries with human rights issue owners at corporate level to obtain an overview of the management and reporting approach, including internal review processes and responsibilities.
- Enquiries with relevant staff to understand and evaluate the data management systems and processes (including internal review processes) used for collecting and reporting on the data for the selected indicators.
- A review of the suitability of the internal reporting guidelines, including conversion factors used.
- Testing the processes and systems, including internal controls, used to generate, consolidate and report the selected sustainability information.
- In-person visits to review the control environment, source data and other evidence at the following sites:
 - Kliprivier, South Africa
 - Darnall, South Africa
 - Hippo Valley, Zimbabwe
- Virtual review to verify source data for the following site:
 - Tambankulu, Mozambique
- A review of selected evidence at corporate level related to the design, information collection, and production of the Report in accordance with AA1000 AS criteria as well as the principles of the GRI's Sustainability Reporting Standards.
- An analytical review of the year-end data submitted by the sites listed above, and testing of the accuracy and completeness of the consolidated 2019 Group data for the selected performance indicators.
- A review of the presentation of information relevant to the scope of our work in the Report to ensure consistency with our findings.

Basis for qualified conclusion

During the assurance process, and consistent with last year's conclusion, ERM identified weaknesses in documentation and in the control environment relating to the 2019 site level performance information associated with Subject Matters 2(b) waste disposed and 2(c) energy use indicators (diesel usage by contractors) as well as the consolidation thereof.

Recurrent deficiencies included inadequate source information for reported data (including estimates), differences between site and corporate data, data entry errors reflecting the manual nature of systems and ineffective management review. Considering the pattern of findings across the sites, we cannot exclude the possibility of material misstatements in the data for these indicators at sites that were not sampled as part of the *'moderate'* assurance engagement. We are therefore unable to conclude that the consolidated corporate 2019 data for these two indicators are fairly stated.

Our conclusions

AA1000APS (2008) Principles

Based on our activities, nothing has come to our attention to indicate that Tongaat does not adhere, in all material respects, to the AA1000APS (2008) principles of Inclusivity, Materiality and Responsiveness.

Selected performance indicators (qualified conclusion)

Based on our activities, and with the exception of the indicators covered by our qualification above, nothing has come to our attention to indicate that the 2019 data for the remaining selected indicators, as listed under the scope above and presented on pages 35, 36, 44, 45 and 46 of the Report, are not fairly presented, in all material respects, with the reporting criteria.

Human rights disclosures

Based on our activities, nothing has come to our attention to indicate that the disclosures on Tongaat's management approach for the topic of "Human Rights" on page 23 of the Report, are not, in all material respects, fairly presented.

Our observations and recommendations

Without affecting the conclusions presented above, we have the following key observations and recommendations:

In relation to the 'Inclusivity' principle:

Tongaat conducts numerous stakeholder engagement activities that are led by the Communications Department at group level, and by teams at operational level. The company links part of its success to socio-economic development, and mentions accountability to stakeholders in internal documents such as the Board Charter, Code of Business Conduct and Ethics, and Board meeting minutes. Several interventions were put in place to manage stakeholder impacts that could arise from the turnaround processes currently underway. Tongaat appointed a communications and public affairs consultancy to assist with the development and implementation of the company's turnaround strategies to key stakeholders.

In relation to the 'Materiality' principle:

Consistent with assurance observations over the past three years, the connection and influence of stakeholder perspectives and expectations on the determination of material issues is not made overtly clear, and the distinction between risks and material sustainability issues requires clarification and formalisation. Furthermore, additional detail on the materiality determination process should be provided in the Report.

During the year, Tongaat undertook a risk management review with a focus on short term risks to business performance and the delivery of business turnaround with the intent to transition to an enterprise-wide risk management system under the company's new leadership structures, vision and focus. As part of this update, Tongaat should specifically strengthen the integration and operationalisation of sustainability into the organisational processes.

In relation to the 'Responsiveness' principle:

During the year, the Stakeholder Policy that outlines the company's overarching approach to stakeholder engagement, and the coordination of such was formalised, and approved by the Risk, SHE, Social and Ethics Committee. Although Tongaat has policies and procedures in place to address stakeholder and organisational interests and expectations, the Report has not adequately addressed how Tongaat approach climate changes as well as ongoing issues related to child labour allegations.

Stakeholders are prioritised according to the level of influence they have on Tongaat Hulett and the escalation of stakeholder issues are primarily dependent on the degree to which the issue could impact Tongaat Hulett financially and reputationally. This approach is partially inward looking, and indicates a potential gap in the process to demonstrate how issues raised by stakeholders are given due consideration by the company.

Tongaat should consider matters that reflect the organisation's significant (external) economic, environmental and social impacts; and matters that substantively influence the assessments and decisions of stakeholders. This approach provides for the external impacts of the company to be considered in the identification and prioritisation of issues raised by stakeholders.

In relation to the selected performance indicators:

Due to the manual nature of the data management system, strengthening site-level controls and developing site-specific procedures for collecting and handling data is recommended at sites where these controls are currently not in place or require improvement.

Whilst Tongaat updated its internal Safety, Health, Environment, Quality and Food Safety Definitions document during 2019, this document does not include guidance on the method of collection, review and reporting of the selected performance information. Consistent with recommendations from the 2017 and 2018 assurance engagements, Tongaat should provide supplementary training to site staff on collecting and reporting on the selected performance information (particularly for environmental performance indicators), and such procedures should be documented in a reporting guideline incorporating Tongaat's internal Safety, Health, Environment, Quality and Food Safety Definitions document, that are aligned with the GRI Sustainability Reporting Standards for all material topics.

The controls related to the selected performance information would be improved by the implementation and roll-out of a structured data management system applied consistently across

the organisation. It is understood that this process is planned, however its roll-out has been delayed for three years.

In relation to the disclosures on management approach for human rights:

It is evident that the disclosures on Tongaat's management approach to human rights are still maturing, and that progress has been made in formalising the human rights management approach within the organisation. Progressive activities include policy reviews, update of the Code of Ethics, and efforts to screen suppliers in the procurement process. The disclosures would benefit from closer alignment with selected standards in the Global Reporting Initiative's (GRI) Sustainability Reporting Standards, including the reporting requirements for the management approach and its components. Consistent with 2018 recommendations, Tongaat should further formalise and structure its human rights management approach across the organisation, including assigning competent roles and responsibilities for human rights management, and begin measuring and reporting on relevant topic-specific disclosures. An important focus of the management approach should be to assess and address human rights risk in its supply chain, notably for sugarcane farmers supplying the company with sugarcane for processing.

The limitations of our engagement

The evidence gathering procedures for moderate assurance are more restricted than for high assurance and therefore less assurance is obtained with moderate assurance than for high assurance, as per AA1000AS (2008). It is important to understand our assurance conclusions in this context. Our independent assurance statement provides no assurance on the maintenance and integrity of the website, or other sustainability disclosures such as those included in the Integrated Annual Report 2019, including controls used to achieve this integrity and, in particular, whether any changes may have occurred to the information since it was first published.



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ERM Southern Africa (Pty) Ltd and ERM Certification and Verification Services (CVS) are members of the ERM Group. Our work complies with the requirements of ERM's Global Code of Business Conduct and Ethics (available at <https://erm.com/global-code>). Further, ERM CVS is accredited by the United Kingdom Accreditation Service and our operating system is designed to comply with ISO 17021:2011. Our processes are also designed and implemented to ensure that

the work we undertake with clients is free from bias and conflict of interest (refer to both the abovementioned Code of Business Conduct and Ethics, and the ERM CVS Independence and Impartiality Policy available at <http://www.ermcvs.com/our-services/policies/independence/>). ERM does not have any interest or shareholding in any form in Tongaat Hulett nor has any member of the ERM team that has been involved in this engagement held any position in Tongaat Hulett. Further, the ERM staff that have undertaken work on this assurance engagement provide no consultancy related services to Tongaat Hulett in any respect related to the subject matter assured.