

CORPORATE GOVERNANCE

The Board of Directors recognises the inextricable link between effective governance, sustainable organisational performance and creating long-term value for all stakeholders. The Board is therefore committed to transparency, accountability, integrity and ethical leadership.

Tongaat Hulett continues to apply the principles of the King Report on Governance for South Africa and the King Code on Governance Principles 2009 (King III), and the recommendations relevant to its business. Tongaat Hulett's King III compliance register is available on the website www.tongaat.com. It includes detail of how each principle has been applied and is reviewed on an annual basis to ensure that the disclosures are current and remain relevant.

Corporate governance initiatives during the year included the review of the effectiveness of the Board's governance structures, a review of the Corporate Governance Manual (which includes the Board charter, terms of reference of Board committees, Code of Business Conduct and Ethics, and the company's established policies and practices on matters such as safety, health and environment, the partnership with surrounding communities on socio-economic development initiatives and programmes on successful rural living, Broad Based Black Economic Empowerment transactions and employment equity).

This corporate governance report has been aligned to King III, the Companies Act, the Listings Requirements of the JSE Limited (JSE) and other pertinent statutes and regulatory requirements guiding the Board's and company's conduct for the period under review.

BOARD OF DIRECTORS

Charter

The Board has an approved charter which records the Board's continued objective to provide responsible business leadership with due regard to the interests of shareholders and other stakeholders, whilst reflecting a demonstrable concern for sustainability as a business opportunity that guides strategy formulation. The various communities and the environment within which the company operates have continued to benefit from this insight. The Board charter articulates and addresses, inter alia, the role of the Board as the custodian of corporate governance, the fiduciary duties and responsibilities of the Board and individual directors toward the company, the approval of strategy and annual business plan, the governance of risk and information technology and succession planning.

Board composition

Tongaat Hulett has a unitary Board structure, which at 31 March 2014 comprised nine non-executive and two executive directors, drawn from a broad spectrum of the business community. Collectively, the directors possess a wide array of skills, knowledge and experience, and bring independent judgment to Board deliberations and decisions, with no one individual or group having unfettered powers of decision-making. Mr Bruce Dunlop, who was an Executive Director, retired from the Board on 31 August 2013.

BOARD OF DIRECTORS			BOARD COMMITTEES		
Name	Year Appointed	Audit and Compliance	Remuneration	Nomination	Risk, SHE, Social and Ethics
Independent Non-Executive Directors					
JB Magwaza (Chairman)	1994		Member	Chairman	
F Jakoet	2008	Member			Member
J John	2007	Chairman			
R Kupara	2009	Member			
A Maleiane	2009				
N Mjoli-Mncube	2008		Member	Member	Chairman
SG Pretorius	2011		Chairman	Member	
Non-Executive Directors					
CB Sibisi	2007				Member
TN Mgoduso	2010				Member
Executive Directors					
PH Staude (CEO)	1997				Member
BG Dunlop (retired 31 August 2013)	1997				
MH Munro	2003				Member

See page 56 to 57 for director profiles.



The Board has mandated the following four committees, each with a Board approved terms of reference, to support it in the execution of its governance responsibilities:

- Audit and Compliance
- Nomination
- Remuneration
- Risk, SHE, Social and Ethics

The roles of the Independent Non-Executive Chairman, J B Magwaza, and the Chief Executive Officer, P H Staude, are separate with a clear division of responsibilities.

The Board has delegated the authority to run the day-to-day affairs of the company to the Chief Executive Officer and other senior executives. In addition to written Board resolutions, levels of authority and materiality delegated to management are approved by the Board and are clearly recorded in the Authorities Framework contained in the Corporate Governance Manual, which is utilised by all operations within Tongaat Hulett.

In accordance with the company's memorandum of incorporation, directors are required to retire either by rotation at intervals of three years or at the close of business of the next annual general meeting (AGM) after a director attains the age of seventy years. Directors retiring by rotation who avail themselves may be re-elected at the AGM at which they retire. New directors may only hold office until the next AGM, at which they will be required to retire and offer themselves for election.

At the conclusion of the next AGM the Chairman of the Board J B Magwaza, will retire from the Board, having reached the mandatory retirement age. At the AGM held in 2012, the shareholders approved that the term of office of Mr Magwaza, who was 70 at the time, be extended for a further period of up to two (2) years as his ability, knowledge and wisdom were still required at a pivotal time for the business. A succession process was concluded and the Board appointed Bahle Sibisi as Non-Executive Chairman with effect from 30 July 2014. The Board also appointed Jenitha John, who is an independent non-executive director and currently chairman of the Audit and Compliance Committee, as Lead Independent Director as required by the JSE Listings Requirements and the King Code, in situations where the Chairman of the Board is not independent. This appointment is also with effect from 30 July 2014.

Retiring at the next AGM by rotation are Fatima Jakoet, Nonhlanhla Mjoli-Mncube and Thandeka Mgoduso, who being eligible and available, will seek re-election as directors.

There are no term contracts of service between any of the directors and the company or any of its operations.

Board induction and development

On appointment, new directors have the benefit of induction activities aimed at broadening their understanding of the company and the markets within which it operates. The Company Secretary ensures that directors receive accurate, timely and clear information. The Chief Executive Officer and key executives hold detailed discussions with new directors on business performance, strategic objectives and key themes. This, together with business reports of prior Board and committee meetings,

discussions with heads of operations accompanied by site visits of the mills, agriculture and development sites, provides new directors with sufficient exposure of the company's operating dynamics. Directors are also encouraged to update their skills, knowledge and experience through participation in relevant programmes as deemed appropriate from time to time.

Board evaluation

The formal self-evaluation process of the Board and its committees, the assessment of the Chairman's performance by the Board and the assessment of the performance of individual directors by the Chairman, which are conducted annually, are an integral element of the Board's activities to review and improve its performance continually. During the period under review, this evaluation process included assessing the independence of non-executive directors as envisaged in King III. Of the nine non-executive directors, seven are considered independent, whilst two are not considered independent by virtue of their involvement in the company's black economic empowerment equity participation structure. In arriving at this conclusion, consideration is given amongst others, to whether the individual non-executive directors are sufficiently independent of the company so as to effectively carry out their responsibilities as directors, that they are independent in judgment and character, and that there are no instances of conflicts of interest in the form of contracts, relationships, share options, length of service or related party disclosures that could appear to affect independence. The outcome of the Board evaluation process for the period under review has been positive and an ongoing element of the Board's focus will be the Board composition, including the possible enhancement of the existing skills-set on the Board.

The Board meets at least five times a year, with special or additional meetings convened as circumstances dictate. Comprehensive Board documentation is prepared and distributed in advance of each meeting, with an opportunity to propose additional matters for discussion at meetings. Independent professional advice is available to directors in appropriate circumstances at the company's expense.

Company Secretary

All directors have access to relevant information and to the advice and services of the Company Secretary, M A C Mahlari, who was appointed in December 2009. Ms Mahlari holds a BA, LLB, has over 10 years' experience as a Company Secretary and has worked in various private commercial law practices. After assessing the Company Secretary in accordance with the JSE Listings Requirements, the Board concluded that Ms Mahlari is suitably qualified, competent and meets the appropriate requirements in terms of experience to carry out the functions of Company Secretary of a public listed company. Furthermore, the Board is satisfied that Ms Mahlari maintains an arm's length relationship with the Board of directors. She is not a director of the company, nor does she enjoy any related or inter-related relationship with any of the directors or executives of the company that could give rise to a conflict of interest.

CORPORATE GOVERNANCE CONTINUED

Board and committee composition and attendance for the year ended 31 March 2014.

Director	Board		Audit and Compliance		Remuneration		Nomination		Risk, SHE, Social and Ethics	
	A	B	A	B	A	B	A	B	A	B
JB Magwaza (Chairman)	5	5			3	3	1	1		
PH Staude (CEO)	5	5							2	2
BG Dunlop (1)	5	3								
F Jakoet	5	4	3	2					2	2
J John	5	5	3	3						
R Kupara	5	5	3	2						
A Maleiane	5	5								
TN Mgoduso	5	4							2	2
N Mjoli-Mncube	5	5			3	3	1	1	2	2
MH Munro	5	5							2	2
SG Pretorius	5	5			3	3	1	1		
CB Sibisi	5	5							2	2

A: Indicates the number of meetings held during the year while the director was a member of the Board and / or committee.
B: Indicates the number of meetings attended during the year while the director was a member of the Board and / or committee.
1: Retired from the Board with effect from 31 August 2013

BOARD COMMITTEE STRUCTURES AND RESPONSIBILITY

In accordance with the Board charter, the Board has reserved certain matters for its exclusive mandate and has approved and delegated authority for specific matters to various committees, all of which have formal terms of reference. Through transparency, disclosure, review and regular reporting by the committees, the Board is able to receive assurance that, inter alia, key risk areas, operational, financial and non-financial aspects relevant to the company's various businesses are monitored. The formal terms of reference and the delegated authority regarding each committee are set out in the Corporate Governance Manual, and are summarised as set out below.

Remuneration Committee

The Remuneration Committee, which meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The current members are S G Pretorius (Chairman), J B Magwaza and N Mjoli-Mncube. P H Staude, as CEO, and C Mokoena as the HR Executive, attend by invitation and M A C Mahlari is the secretary. The Remuneration Committee had three meetings during the period under review. The record of attendance is contained above. The report of the Remuneration Committee commences on page 68.

Nomination Committee

The Nomination Committee, which comprises only independent non-executive directors, meets as required. Its current members are J B Magwaza (Chairman), N Mjoli-Mncube and S G Pretorius. P H Staude, as CEO, attends by invitation and M A C Mahlari is

the secretary. This committee's terms of reference ensure that for Board appointments a rigorous, fair and open nomination and appointment process is followed to provide a balance of appropriate skills, knowledge and experience in the boardroom and support strong corporate performance. The committee makes recommendations to the Board on the size, composition and demographics of the Board, particularly in relation to the balance between executive, non-executive and independent directors, ensuring that there is a diversity of experience and backgrounds to create a cohesive and effective Board. The committee also gives consideration to succession planning, and ensures that processes and plans are in place for orderly succession and for appointments to the Board and senior management. During the period under review, the Nomination committee discussed and recommended the appointment of Bahle Sibisi as the successor to the Chairman of the Board. The Committee also had a detailed discussion regarding the directors who would retire by rotation at the next AGM, and recommended the re-election of these directors to the Board.

Audit and Compliance Committee

The Audit and Compliance Committee is constituted as a statutory committee of Tongaat Hulett in respect of its duties prescribed by the Companies Act, and as a committee of the Board in respect of all additional duties assigned to it by the Board. The committee was appointed by the shareholders at the last AGM and comprises three non-executive directors of the company, all of whom are independent and possess the necessary skills, knowledge and expertise to direct the committee constructively in the execution of its responsibilities. The current members are J John (Chairman), F Jakoet and R P Kupara. The Chief Executive Officer, P H Staude, the Chief Financial Officer, M H Munro, the



Head of Internal Audit, D K Young and representatives of the internal and external auditors attend by invitation. The Company Secretary, M A C Mahlari, is the secretary for this committee. The committee meets at least three times a year.

The Audit and Compliance Committee's terms of reference, which have been updated in line with King III and the Companies Act and approved by the Board, include the overall objective of the committee to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and controls, the assessment of going concern status, ensuring that pertinent compliance and relevant risk management processes are in place, reviewing the work performed by the external auditors and the internal audit function, and to review interim financial information and annual financial statements which are provided to shareholders and other key stakeholders.


The committee provides a forum through which the external and internal auditors report to the Board. It is responsible for the appointment and review of internal and independent external auditors, the maintenance of a professional relationship with them, reviewing accounting principles, policies and practices adopted in the preparation of public financial information and examining documentation relating to the interim and annual financial statements. In addition, it reviews procedures and policies of internal control, including internal financial controls and internal audit reports. The adequacy and capability of Tongaat Hulett's external and internal audit functions are also subject to continuous review. The committee further considers the independence and objectivity of external auditors.

Management is focused on continuous improvements to systems of internal control. An external quality assurance review of the internal audit function was performed in 2013, which concluded that the Tongaat Hulett internal audit function "generally conforms" to the standards recommended by the Institute of Internal Auditors, which is the highest rating in terms of the standards of the Institute of Internal Auditors. The status of "generally conforms" continues to be applicable for a period of five years from the date of validation in terms of the standards of the Institute of Internal Auditors.

The external and internal auditors have unrestricted access to members of the Audit and Compliance Committee and its Chairman at all times, ensuring that their independence is in no way impaired. Both the internal and external auditors have the opportunity of addressing the committee and its Chairman at each of the meetings without management being present. The Audit and Compliance Committee determines the purpose, authority and responsibility of the internal audit function in an Internal Audit Charter, which is in line with King III and approved by the committee and the Board. The charter sets out the terms of reference of Tongaat Hulett's internal audit function, its reporting line to the Chairman of the committee, the working relationship with the Head of Internal Audit and the fact that the internal auditors have unrestricted company wide access to all functions, records, property and personnel. The committee also reviews the scope and coverage of the internal audit function. While the

internal audit function has been outsourced to a professional firm of registered accountants and auditors, co-ordinated by the Head of Internal Audit, the company's independent external auditors do not assist in the performance of any internal audit assignments.

The nature and extent of all non-audit services provided by the independent external auditors are approved and reviewed by the committee, to ensure compliance with the company's policy on non-audit services.

The committee is also responsible for ensuring that the combined assurance model espoused in King III is applied to provide a coordinated approach to all assurance activities. Tongaat Hulett has adopted a Combined Assurance Strategy and Plan that provides a framework for the various assurance providers to provide assurance to the Board, through the Audit & Compliance and Risk, SHE, Social & Ethics Committees, that all significant risks facing the company are adequately managed and that assurance activities are integrated and coordinated in the most efficient and proficient manner. The Combined Assurance Strategy and Plan is discussed further on page 65 in the Risk Management Process section of the integrated annual report. 

The committee's focus on regulatory compliance is ongoing in line with the regular updates to the regulatory environment. The framework of high priority laws and regulations applicable to Tongaat Hulett's operations has continued to be refined during the year with the aim of strengthening the culture of legal awareness and compliance. The Board-approved compliance policy confirms and firmly entrenches Tongaat Hulett's commitment, through the combined efforts of various role players, to implement controls and processes to manage regulatory compliance across all operations. Management continuously assesses and reviews statutory and regulatory requirements and risks, and identifies appropriate processes and interventions to enhance compliance with applicable legislation. No material infractions have come to management's attention during the period under review that indicates non-compliance with pertinent legislation and codes of good practice.

As part of an effort to review and ensure optimal performance and delivery of its mandate, the committee conducted an assessment of its performance for the period, with input from internal and external auditors, considering such factors as its composition and authority, the execution of its role and responsibilities, its working relationship with both internal and external audit and its statutory obligations towards the company and its shareholders. The outcome of the assessment process has been positive, reflecting that the committee meets best practice, and is functioning effectively and efficiently.

Each major operational area has its own audit and compliance meeting processes which subscribe to the same company audit philosophies and reports and leads to the Tongaat Hulett Audit and Compliance Committee.

The Audit and Compliance Committee is pleased to report as follows for the financial year ended 31 March 2014:

1. Statutory duties

The committee confirms that it performed the following statutory duties as required by the Companies Act and in accordance with its terms of reference:

- Nominated for appointment as external auditor of the company at the AGM, Deloitte & Touche, a registered auditor accredited to appear on the JSE List of Accredited Auditors who, in the opinion of the committee is independent of the company, and Mr Wentzel Moodley as the designated auditor, for the 2014/2015 financial year;
- Determined the fees to be paid to the external auditor and agreed to the terms of their engagement and audit plan in consultation with executive management;
- Ensured that the appointment of the external auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors, including consideration of criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors;
- Determined the nature and extent of any non-audit services that the auditor may provide to the company;
- Pre-approved any proposed agreement with the external auditor for the provision of non-audit services to the company.

The committee confirms that it did not receive any concerns or complaints relating to the accounting practices and the internal audit of the company; the content or auditing of the company's financial statements; the internal financial controls of the company or any other related matter during the period under review.

2. Terms of reference

The Audit and Compliance Committee has adopted and operates within formal terms of reference that have been approved by the Board of directors. The committee confirms that for the period under review, it discharged its duties and responsibilities in accordance with the terms of reference. The summary of the role of the committee is as articulated on page 61 of this integrated annual report.



3. Duties assigned by the Board

During the period under review, the committee performed its duties and responsibilities assigned to it by the Board in accordance with the terms of reference. The committee specifically reviewed the financial statements of the company and was satisfied that they comply with International Financial Reporting Standards. The committee reviewed the assessment by management of the going-concern statement of the company and concluded to the Board that the company will be a going concern in the foreseeable future.

4. Expertise and experience of Financial Director and the finance function

During the period under review, the committee considered the expertise and experience of the Tongaat Hulett financial director in terms of the Listing Requirements of the JSE and satisfied itself that the financial director's expertise and experience meet the appropriate requirements. The committee also evaluated the competence of the finance function as required by King III and concluded that the expertise, resources and experience of the finance function of all operations, reporting into the financial director of Tongaat Hulett, meet the appropriate requirements.

5. Internal Audit

- The work performed by internal audit was in accordance with the internal audit plan for the year ended 31 March 2014 and included the review of general and application computer controls on the systems used for financial reporting purposes. In addition, the committee approved internal audit's coverage and work plan for the financial year commencing 1 April 2014.
- The Head of Internal Audit has direct access to the committee primarily through the Chairman of the committee. During the period under review, the Head of Internal Audit had the opportunity to address the committee without the executive management of the company present.
- Tongaat Hulett's internal audit function, which is supported by its internal audit service provider, KPMG, has as required by its mandate, performed a review of the effectiveness of the company's internal control environment, including its internal financial controls, IT controls as they pertain to financial reporting and the effectiveness of its risk management process. Based on the results of these reviews, the internal audit function has confirmed to the Audit and Compliance and Risk, SHE, Social and Ethics Committees and to the Board that no evidence came to light that the internal control environment and risk management process for the company were ineffective. In addition, nothing indicated a material weakness in internal financial controls, whether from design, implementation or operation (individually or in combination with other weaknesses).

The Audit and Compliance Committee is of the view, based on the representations made by internal audit, that the internal financial controls in place for the company were not ineffective during the period under review.

6. Sustainability and governance reporting

The committee has considered the sustainability and governance information as disclosed in the company's integrated annual report to ensure its reliability and consistency with the annual financial statements. The committee also considered the various reports of the external assurance service providers and is satisfied that

the information is reliable and consistent with the financial results and other operational information at the disposal of the committee. Furthermore, the committee assessed and satisfied itself of the independence of the external assurance service provider for the Sustainability report.

7. Approval of Integrated Report

At its meeting held on 13 May 2014, the committee recommended the integrated annual report for approval by the Board of directors, taking into account the combined assurance model adopted by the company.

8. Attendance

The Audit and Compliance Committee had three meetings during the period under review. The record of attendance of members of this committee is contained above.

Risk, SHE, Social and Ethics Committee

The committee is constituted as a statutory committee in respect of its obligations prescribed by the Companies Act, and as a committee of the Board in respect of all additional duties assigned to it by the Board.

The committee, comprising non-executive and executive directors, is chaired by an independent non-executive director, and meets at least twice a year. Its members are N Mjoli-Mncube (Chairman), P H Staude (CEO), F Jakoet, T N Mgoduso, C B Sibisi and M H Munro (in his capacity as Chief Risk Officer). Several members of the company executive and senior managers (responsible for SHE, broader sustainability aspects, socio-economic development, stakeholder engagement and ethics, amongst others) attend this meeting by invitation. M A C Mahlari is the secretary. The chairman of the committee reports to the Board on all matters discussed by the committee within its mandate as well as providing minutes of all its activities and decisions taken.

The purpose and functions of the committee are to assist the Board to discharge the statutory requirements of the Companies Act articulated under regulation 43(5), covering amongst others, areas of social and economic development, corporate citizenship, environment, health and employee and public safety, consumer relationships, labour and employment equity. The committee has additional responsibilities assigned to it by the Board which include the total process of risk management and governance, including amongst others overseeing the development and regular review of a policy and plan for risk management for approval to the Board; reviewing the implementation of the risk management strategy and policies by means of risk management systems and processes.

During the period under review, the committee carried out a self-evaluation of its performance. The results of the self-evaluation process reflected that the committee was satisfied with how it executed its responsibilities and fulfilled its mandate during the period under review.

The Risk, SHE, Social and Ethics Committee submits its report to the shareholders as required by the Companies Act and recommended by King III, illustrating how it discharged its statutory responsibilities and acted in accordance with the requirements of its terms of reference for the period to 31 March 2014:

1. Statutory duties

Social and economic development

Tongaat Hulett is a signatory to and participant of the United Nations Global Compact, a corporate citizen initiative espousing principles in the areas of human rights, labour, environment and anti-corruption. In the previous year, the committee reviewed the company's standing in terms of the ten principles articulated in the Global Compact, noting that it is a voluntary initiative to promote sustainable development and good corporate citizenship through a set of values based on universally accepted principles. It provided a good networking opportunity for the company, and a forum for exchanging key learning and experiences. The committee recorded its satisfaction that the ten principles were receiving due and appropriate attention by the company on an ongoing basis. During the period under review, the committee monitored the socio-economic development initiatives undertaken by the company, within the business objective of contributing to the creation of successful rural communities. A full report of Tongaat Hulett's focus on social and economic development, particularly within the context of its relationship with private farmers, surrounding communities across all areas of operation and the link to the business' various stakeholder relationships can be found in the sustainability report.

The company is committed to economic sustainability and to this end, continues to assess its business approach to empowerment and preferential procurement, taking into account employment equity, skills development and broad-based black economic empowerment within the South African context. The company's B-BBEE rating audit was conducted for the period under review and Tongaat Hulett was categorised as being a Level 3 contributor. More information in this regard is contained in the sustainability report.

Good corporate citizenship

During the period under review, the committee monitored the company's standing and commitment in terms of being a responsible corporate citizen. This included the committee reviewing in great detail the company's stakeholder value creation framework which is linked to the strategic objectives of the company. The framework covers inter alia, the company's objective to assist with the development of small-scale private farmers, partnering with key stakeholders to progress renewable energy initiatives and creating successful rural communities within Tongaat Hulett's cane catchment. The committee also assessed the

company's proactive stakeholder engagement interface and other processes in place which ensure that the appropriate communication strategy for each stakeholder grouping is identified and successfully implemented, thereby contributing to the maintenance and development of strong and effective stakeholder relationships. Tongaat Hulett continues to be regarded as a responsible corporate citizen and the committee is satisfied that this element continues to receive the appropriate attention of the committee. A full report of the various initiatives led by the company and the positive impact on surrounding communities can be found in the sustainability report.

Safety, health and environment (SHE)

During the period under review, the committee discharged this responsibility and considered the company's performance in terms of safety, health and the environment, as can be seen in paragraph 3 below.

Consumer relationships

Through the Audit and Compliance committee, a compliance review with Consumer Protection laws was conducted on a company-wide basis across all countries of operation in the previous year. The committee was satisfied that appropriate systems and processes were in place in terms of sale agreements, marketing material, packaging and labeling, as well as the commercial conduct of the company to ensure compliance with these laws. Monitoring of this aspect continues at the various operations and instances of potential non-compliance will be addressed by the Audit and Compliance committee. Through the establishment of customer care lines, operations are able to monitor customer relationships and any potential complaints that may arise.

2. Terms of reference

The committee has adopted and operates within formal terms of reference that have been approved by the Board. The committee confirms that for the period under review, it discharged its duties and responsibilities in accordance with these terms of reference. The summary of the role of the committee is as articulated on page 63 of this integrated annual report.

3. Duties assigned by the Board

During the period under review, the committee fulfilled its responsibilities assigned to it by the Board in accordance with its terms of reference. The committee assisted the Board to fulfill its risk governance and SHE objectives by ensuring, amongst others, that the company has implemented effective policies and plans for risk management, safety, health and environment that enhance the company's ability to achieve its strategic objectives. The committee also ensured that disclosures and communication between the Board and the Audit and Compliance Committee regarding risk management processes and activities pertaining to safety,

health and environment were comprehensive and adequately facilitated. Whilst the committee had specific duties relating to risk governance, the role of the Audit and Compliance Committee was retained in terms of some aspects of risk management, including financial reporting risks, internal financial controls and fraud and IT risks relating to financial reporting. The committee performed its responsibility of overseeing the performance of the company against its set safety, health and environment targets and objectives, and considering reports relating to substantive SHE risks and liabilities that could potentially face the company.

4. Relationship with other Board committees

The committee acknowledges the inextricable link between certain of its responsibilities with those of other committees of the Board. Some of these include the relationship with the Audit and Compliance Committee, which retains the responsibility for risk management as it relates to financial reporting risks, internal financial controls and fraud and IT risks relating to financial reporting.

Further, the company's standing on the recommendations espoused in the Organisation for Economic Cooperation and Development (OECD) regarding corruption and employment equity, are reviewed and covered by the Audit and Compliance Committee (which ensures the company has adopted effective systems of internal control, has an independent external auditor and operates within an approved code of ethics, amongst others) and the Remuneration Committee (which considers the company's employment equity report).

5. Sustainability reporting

The committee reviewed and accepted the framework for the sustainability report contained in this integrated report, noting the various themes of the report including Social Performance (social and relationship capital), Environmental Stewardship (natural capital). Human Capital, Manufactured Capital and Intellectual Capital, noting key elements of the International Integrated Reporting framework. As detailed above, the Audit and Compliance Committee has considered the sustainability and governance information as disclosed in the company's integrated annual report to ensure its reliability and consistency with the annual financial statements. The Audit and Compliance Committee also considered the various reports of the external assurance service providers to ensure that the information is reliable and consistent with the financial results and other operational information at the disposal of the committee. Furthermore, the Audit and Compliance Committee assessed and satisfied itself of the independence of the external assurance service provider for the Sustainability report.

6. Attendance

The committee had two meetings during the period under review. The record of attendance is contained on page 60.



Risk management process

While the Board is ultimately responsible for risk management, company management has designed and implemented a risk management framework and has committed the company to a process of risk management that is aligned to King III and to the company's corporate governance responsibilities. This commitment is reflected in management's continued attention to the importance of effective risk management in ensuring that business objectives and strategies are met and that continued, sustained growth and profitability is achieved. The framework, which incorporates the risk management policy, strategy and plan, aims to ensure that risk management processes are embedded in critical business activities and functions, and that risks are undertaken in an informed manner and pro-actively managed in accordance with the business risk appetite. This includes identifying and taking advantage of opportunities as well as protecting intellectual capital and assets by mitigating adverse impacts of risk.

The risk management review process seeks to achieve the correct balance between the issues that are specific to, and appropriately managed in, an operational area and those issues that are significant enough or cross cutting enough to be considered, and managed in an appropriate way, on a Tongaat Hulett wide basis. The approach to risk management includes being able to identify, describe and analyse risks at all levels throughout the organisation, with mitigating actions being implemented at the appropriate point of activity. The very significant, high impact risk areas and the related mitigating action plans are monitored at an executive level. Risks and mitigating actions are given relevant visibility at various appropriate forums throughout the organisation.

Tongaat Hulett has documented its approach towards Information and Communication Technology (ICT) in various documents such as the ICT governance framework (including the company's policy and charter), disaster recovery plans, business continuity plans, acceptable use policy and a record of the approach to the protection and control of ICT documentation. The IT systems and application controls in the multiple computer systems in the various operations are, inter alia, subject to internal audit processes on an ongoing basis, integral to the audit of the overall control environment.

The current business environment is recognised as having many changing and challenging elements, particularly in the context of the volatile global economy and specific localised dynamics. Most of Tongaat Hulett's business platforms and operational areas are not considered to be in a static, steady state. Consequently, rather than relying purely on periodic reviews, there is a continued and increasing adoption of a project management approach and use of project management skills in various management processes, including risk management. The ongoing, routine risk management processes are thus coupled with change management and specific, task based, project driven risk management initiatives.

company-wide systems of internal control exist in all key operations to manage and mitigate risks and a Combined Assurance Strategy and Plan has been implemented to further enhance the co-ordination of assurance activities. Tongaat Hulett's Combined Assurance Plan provides a framework for the various assurance providers to work together to provide assurance to the Board, through the Audit and Compliance and Risk, SHE, Social and Ethics Committees, that all significant risks are adequately managed. The Plan consists of "three layers of defense", being management, functional oversight and independent assurance providers, wherein the assurance on the risk management and related controls for the company is reported.

Appropriate business continuity plans and resources have been identified in order to ensure the implementation of recovery procedures, where potential risks have been identified as having the possibility of constituting a disaster.

The Tongaat Hulett internal audit function, which is supported by its internal audit service provider, KPMG, has performed a review of the effectiveness of the company's internal control environment, including its internal financial controls, and the effectiveness of its risk management process. The evaluation of the company's risk management processes included a review undertaken by KPMG. It noted Tongaat Hulett's positioning, for the review period, on the KPMG Risk Maturity Continuum as "mature" out of a possible range of "basic – mature – advanced". Consequently, the company's internal audit function has provided independent assurance to the Audit and Compliance and Risk, SHE, Social & Ethics Committees and the Board on the effectiveness of its risk management processes.

For the period under review, the Tongaat Hulett Board, assisted by the abovementioned committees, is of the view that the internal control environment and the risk management processes in place for the company are effective.

MANAGEMENT COMMITTEE

Executive Management Committee

The Executive Management Committee (consisting of senior Tongaat Hulett executives) deliberated on matters of strategy, budget and business planning, the effective operation of the business and on other key issues. The committee's focus is on the alignment of activities and initiatives throughout the company's operations.

During the year under the review, the members were PH Staude (Chairman), J D Bhana, R D S Cumbi, M Deighton, N P Dingaan, B G Dunlop, B R Gumede, M C Gwala, M M Jean-Louis, G P N Kruger, G Macpherson, V C Macu, M A C Mahlari, M N Mohale, S D Mtsambiwa, M H Munro and S J Saunders. The Company Secretary, M A C Mahlari is the secretary of this committee.

ACCOUNTABILITY AND INTERNAL CONTROL

The directors are required by the Companies Act to maintain records and prepare financial statements, which fairly present the state of affairs of the company as at the end of the financial year and the results of its operations for that year, in conformity with International Financial Reporting Standards. The financial statements are the responsibility of the directors and it is the responsibility of the independent external auditors to report thereon.

To enable the directors to meet these responsibilities, standards have been set, including the application of the company's Internal Control Framework. Tongaat Hulett Limited's Internal Control Framework is based on the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Integrated Framework, which has emerged as the leading framework that companies and auditors use to evaluate controls.

Systems of internal control are implemented to reduce the risk of error, loss or failure to achieve corporate objectives in a cost effective manner. These controls include the proper delegation of responsibilities within a clearly defined framework of prudent and effective accounting procedures and adequate segregation of duties. They are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring that the company's business practices are conducted in an appropriate manner, which is above reproach.

The company's internal audit function operates independently in all operations to appraise and evaluate the effectiveness of the operational activities and the attendant business risks. Where necessary, recommendations are made for improvements in the systems of internal control and accounting practice based on internal audit plans and reports which take cognisance of relative degrees of risk of each function or aspect of business.

Tongaat Hulett's internal audit function, which is supported by its internal audit service provider, KPMG, has as part of its mandate, performed a review of the effectiveness of the company's internal control environment, including its internal financial controls, and the effectiveness of its risk management process. Based on the results of these reviews, the internal audit function has confirmed to the Audit and Compliance and Risk, SHE, Social and Ethics Committees and the Board that no evidence came to light that the internal control environment, including its internal financial controls and the risk management process for the company were ineffective.

Comprehensive management reporting disciplines are in place, which include the preparation of annual budgets by all operating entities. The operating Boards approve individual operational budgets, while the company budget is reviewed and approved by the Tongaat Hulett Board. Monthly results and the financial status of the operations are reported against budgets and forecasts and compared to the results of the prior year. Profit projections and cash flow forecasts are regularly updated, taking into account various economic scenarios and working capital and borrowing levels are monitored on an ongoing basis.

CODE OF BUSINESS CONDUCT AND ETHICS

The company operates within a Code of Business Conduct and Ethics, which supports its commitment to a policy of fair dealing, honesty and integrity in the conduct of its business. The Code of Business Conduct and Ethics has been reviewed and approved by the Board, communicated and distributed to all employees across all levels in the company. The Code is based on a fundamental belief that all business transactions should be legal and conducted beyond reproach in the spirit of honesty and fairness. The company has a zero tolerance approach to any violation of the law or unethical business dealing by any employee. The Code also addresses conflict of interest situations and encourages employees to report on any conflict or perceived conflict of interest situation. This may arise due to employees being offered and receiving gifts in return for favours, employees not being independent from business organisations having a contractual relationship or providing goods or services to Tongaat Hulett, and employees' personal investments taking priority over transactions for the company and its clients.

Compliance by directors and all employees to the high moral, ethical and legal standards of the Code is mandatory, and if employees become aware of, or suspect, a contravention of the Code, they must promptly and confidentially report it to the Company Secretary or senior officials at management level. Tongaat Hulett has engaged the services of an independent whistle blowing service provider to provide mechanisms to report on unethical behavior or non-compliance with the Code. The Audit and Compliance Committee assists the Board in overseeing the consistent application of and compliance with the Code, whilst management ensures its implementation across all operations in a day to day context. Appropriate action is taken in respect of all reported instances of non-compliance with the Code by employees.

No material infractions of the Code have been reported during the period under review.

THIRD-PARTY MANAGEMENT

No part of the company's business was managed during the year by any third party in which any director had an interest.

RELATED PARTY TRANSACTIONS

The company has a process in place whereby the directors and key management have confirmed that, to the best of their knowledge, the information disclosed in Tongaat Hulett Limited's annual financial statements fairly represents their shareholding in the company, both beneficial and indirect, interest in share options of the company and the compensation earned from the company for the financial year. In addition, the directors and key management have confirmed that all interests have been declared.

INSIDER TRADING

No director, officer or employee may deal either directly or indirectly in the company's shares on the basis of unpublished price-sensitive information regarding its business or affairs. In addition, no director, officer or employee may trade in the company's shares during closed periods. Closed periods are from the end of the interim and annual reporting periods to the announcement of financial and operating results for the respective periods, and while the company is under a cautionary announcement.

GOING CONCERN ASSERTION

The directors confirm that they are satisfied that the company has adequate strategic, financial and operational resources to continue in business for the foreseeable future. The basis upon which this assessment is made is recorded at the time of approval of the annual financial statements. The Board continues to adopt the going concern basis for preparing the financial statements.

RELATIONSHIP WITH STAKEHOLDERS

The Chief Executive Officer, Chief Financial Officer and the Investor Relations and Communications Executive interface regularly with institutional investors on key strategic themes and the performance of the company, through various presentations and scheduled meetings as per the company's investor relations program. The current program includes management conducting roadshows in South Africa, the United Kingdom and the United States of America, in addition to its participation in selected national and international conferences. Through the company's website, a wide range of information is available to all shareholders and other stakeholders, including the integrated annual report, information on investor relations, and updates of the company's activities and its many initiatives to promote stakeholder value creation and sustainability. Tongaat Hulett remains committed to principles of transparency, and copies of presentations given to the investment community are available on the company's website. The company encourages the attendance of shareholders at AGMs and welcomes fruitful discussions and questions arising from the agenda and any additional issues of interest or concern to the shareholders.

