

combined efforts of various role players, to implement controls and processes to manage regulatory compliance across all operations. Management continuously assesses and reviews legal, regulatory and corporate governance requirements and risks, and identifies appropriate processes and interventions to enhance compliance with applicable legislation. No material infractions or fines have come to management's attention during the period under review that indicates non-compliance with pertinent legislation and codes of good practice.

- In order to ensure optimal performance and delivery of its mandate, the committee conducted an assessment of its performance for the period, 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 statutory report of the Audit and Compliance Committee is on page 92, and forms part of the annual financial statements.



### **RISK, SAFETY, HEALTH, ENVIRONMENT (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 current members are N Mjoli-Mncube (Chairman), PH Staude (CEO), F Jakoet, TN Mgoduso, SM Beesley and MH Munro (in his capacity as Chief Risk Officer). Various heads of operations and senior managers (responsible for SHE, broader sustainability aspects, socio-economic development, stakeholder engagement and ethics, amongst others) attend this meeting by invitation. MAC 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.

**Primary responsibilities and objectives of the committee include:**

- monitoring the social and economic development activities of the company;
- ensuring that the company is an active and socially committed corporate citizen;
- ensuring that there are processes in place to monitor consumer relationships and general compliance with consumer protection laws;

- monitoring the company's standing relative to the United Nations Global Compact principles, the OECD recommendations regarding combating corruption and the International Labour Organisation Protocol on decent working conditions for employees, and the company's contribution towards the education development of employees;
- ensuring that the company has implemented effective policies and plans for employee and public safety, health and environment that enhance the company's ability to achieve its strategic objectives, including the impact of the company's activities and products on the environment and society;
- monitoring the social performance and ethical governance and practices of the company;
- overseeing on behalf of the board the total process of risk management and governance, including amongst others reviewing the implementation of the risk management strategy and policies by means of risk management systems and processes;
- ensuring that there is meaningful engagement with the company's identified stakeholders.

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.

**The Risk, SHE, Social and Ethics Committee presents 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 its terms of reference for the period to 31 March 2017:**

#### **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. The company continues to adhere to the ten principles articulated in the Global Compact to promote sustainable development and good corporate citizenship, through a set of values based on universally accepted principles. The ten principles are 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. This is in line with the company's Socio-Economic Development Policy, which entrenches the philosophy of constructively contributing towards building and enhancing the quality of life of the communities in the Southern African regions where it operates. A full report of Tongaat Hulett's focus on, and contribution to, 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's various stakeholder relationships, can be found in the sustainability elements section of the integrated report.

The company is committed to economic sustainability and 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 Southern African context. In South Africa, the company annually conducts a B-BBEE audit assessment and in its most recent audit, the company was categorised as a level three contributor. More information in this regard is contained in the sustainability report and included on the website.

#### ***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 appropriate attention. A full report of the stakeholder relationships, various initiatives led by the company and the positive impact on stakeholder engagement can be found under the social and relationship capital element of the sustainability report.

#### ***Safety, health and environment (SHE)***

During the period under review, the committee performed its responsibility of overseeing the performance of the company against its set safety, health and environment targets and objectives, and considered various reports relating to SHE risks and opportunities that could potentially face the company. Safety, health and environment practices continue to receive key management focus, with the CEO continuing to provide leadership and direction on strategic implementation of SHE initiatives, not only within the company, but extending the various SHE programmes to include contractors, service providers and where applicable, surrounding communities. The company's comprehensive safety programmes, employee and community focused health initiatives and environmental stewardship are covered in detail in the social capital and natural capital elements of the sustainability report.

#### ***Consumer relationships, product labelling and communication***

Tongaat Hulett continues to adhere to consumer protection laws across all countries of operation. Appropriate systems and processes are in place to ensure successful consumer relationships, such as suitable terms of sale agreements, responsible marketing practices and material that comply with applicable requirements, packaging and labelling practices that reflect pertinent product information in compliance with labelling regulations, as well as the commercial conduct of the company to ensure compliance with these laws. Monitoring of these key issues 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.

#### ***Zero tolerance to child labour, forced and compulsory labour***

As a signatory to the Universal Declaration of Human Rights, the company is committed to supporting freedom of association and collective bargaining at its various operations, and has a zero tolerance to child labour and inhumane treatment of employees, including any form of forced labour or physical punishment of employees.

#### ***Ethics***

As a responsible and ethical corporate citizen, the company entrenches a culture of organisational integrity that supports an ethical corporate environment. The company is fully committed to ethical business practices and abides by a policy of fair dealing, honesty and integrity in the conduct of its business. The Code of Business Conduct and Ethics (discussed in more detail below under ethics management and governance), embodies the strategic ethical mindset of the organisation and highlights key principles and values.

#### **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 68 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.

#### 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 the prevention of corruption, are reviewed and covered by the Audit and Compliance Committee which ensures that the company has adopted effective systems of internal control, has an independent external auditor, operates within an approved code of ethics, and has implemented whistle-blowing processes that support the non-victimisation of whistle-blowers, amongst others.

The company has implemented employment equity policies that are based on the principle of creating equal opportunity for all within a diverse workforce with a substantial number of members of designated groups at all levels; supported by appropriate performance and talent management processes and activities, set recruitment targets, clear development and training programmes, and coaching and mentoring programmes amongst others. The Human Resources Executive drives these processes under the leadership of the CEO and reports to the Remuneration Committee and the Board.

#### 5. Sustainability reporting

The committee reviewed and accepted the detailed 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) and human capital, manufactured capital and intellectual capital, as articulated in the International Integrated Reporting framework. The committee reviewed the sustainability report as part of its role of assisting the Board to achieve better performance on sustainability matters, including the company's contribution to the development of communities in which its activities are predominantly conducted, sponsorships and socio-economic development (SED) programmes, relationships with key stakeholders, and the impact of the company's activities on the environment, employee health and public safety. 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. 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 were also considered. The independence of the external assurance service provider for the sustainability report was also assessed and confirmed.

#### 6. Attendance

The committee had two meetings during the period under review. The evaluation of the committee was conducted and the result of the assessment was positive. The record of attendance is contained on page 66.



## ETHICS MANAGEMENT AND GOVERNANCE

### CODE OF BUSINESS CONDUCT AND ETHICS

The company operates within a formal Code of Business Conduct and Ethics, which 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 theft, fraud, corruption and any violation of the law or unethical business dealing by employees and suppliers. 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.

### ETHICS MANAGEMENT REPORTING AND OVERSIGHT

The Audit and Compliance Committee assists the Board in overseeing the consistent application of and compliance with the Code through reports compiled by the corporate security manager and reported to the committee by internal audit. Incidents of fraud, corruption or unethical practices that are reported or detected through management controls are formally investigated, followed by formal disciplinary processes. In severe instances, criminal proceedings are instituted. Management is strict in ensuring the implementation of the Code across all operations in a daily context. Compliance by directors, all employees and suppliers 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 are urged to promptly and confidentially report it to the Company Secretary or senior officials at management level.

### WHISTLE-BLOWING SERVICE

As part of the fraud and corruption prevention approach, Tongaat Hulett has engaged the services of an independent whistle-blowing service provider to report on any unethical