

AUDIT AND COMPLIANCE COMMITTEE STATUTORY REPORT

The Audit and Compliance Committee is pleased to report as follows for the financial year ended 31 March 2016:

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 auditors 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 Gavin Kruger as the designated auditor, for the 2016/17 financial year. During the 2015/16 financial year, the Committee and the Board approved the replacement of the designated auditor for the audit of the Tongaat Hulett 31 March 2016 financial year, and thus appointed Mr Gavin Kruger to replace Mr Wentzel Moodley, due to ill health.
- 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, and monitored compliance with the company's policy on non-audit services provided by the external auditor.

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.

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 65 of this integrated annual report.

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 has monitored the company's compliance processes with regard to legal, regulatory and corporate governance requirements. The committee has also 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.

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 Mr Murray Munro, in terms of the Listing Requirements of the JSE and satisfied itself that his 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.

Internal Audit

The work performed by internal audit was in accordance with the internal audit plan for the year ended 31 March 2016 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, which follows a risk-based approach, for the financial year commencing 1 April 2016.

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.

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.

Approval of integrated annual report

At its meeting held on 18 May 2016, the committee recommended the integrated annual report, which includes the annual financial statements, for approval by the Board of directors, taking into account the combined assurance model adopted by the company.

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 in the corporate governance section.

Matters to be approved at the annual general meeting

- **Election of Audit and Compliance Committee Members**
In terms of section 94 (2) of the Companies Act, shareholders of the company are required to elect members of the Audit Committee at each annual general meeting. The Nomination Committee recommends that J John, SM Beesley, F Jakoet and RP Kupara be appointed as members of the Audit and Compliance Committee. The abridged profiles of the proposed members appear on page 60.
- **Appointment of independent external auditors**
As required by section 90 (1) of the Companies Act, the shareholders of the company are required to approve the appointment of the independent external auditors on an annual basis. The committee has recommended to the board, which in turn has recommended to the shareholders, that Deloitte & Touche be appointed as the company's independent auditors for the year ending 31 March 2017, with Mr Gavin Kruger as designated auditor.



On behalf of the Audit and Compliance Committee

J John

Audit Committee Chairman

Amanzimnyama
Tongaat, KwaZulu-Natal

26 May 2016