

the rotating directors, ensuring that the current skills set was sufficient to increase the board's effectiveness. In addition to skills and experience, the Nomination Committee also considered other demographic aspects of the Board, including nationality, race and gender, given that the company operates in six SADC countries.

### **AUDIT AND COMPLIANCE COMMITTEE**

The Audit and Compliance Committee is constituted as a statutory committee 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 members of the committee were elected by the shareholders at the last AGM and include three non-executive directors of the Board, 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), SM Beesley, F Jakoet and RP Kupara. The Chief Executive Officer, PH Staude, the Chief Financial Officer, MH Munro, the Head of Internal Audit, DK Young and representatives of the internal and external auditors attend by invitation. The Company Secretary, MAC 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 are aligned with King III and the Companies Act and approved by the Board, include the following objectives and responsibilities:

- Assists 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 co-ordinated 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 and Compliance and Risk, SHE, Social and Ethics Committees, that all significant risks facing the company are adequately managed and that assurance activities are integrated and co-ordinated in the most efficient and proficient manner. The Combined Assurance Strategy and Plan is discussed further 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 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,