

## Independent Assurance Statement To Tongaat Hulett Limited (Tongaat)



To the Board of Directors and Stakeholders of 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 Integrated Annual Report for the year ended 31 March 2018 ('the Report')**

### Engagement Summary

|                                     |   |
|-------------------------------------|---|
| Engagement Scope (Subject Matters): | <ol style="list-style-type: none"> <li>1. Whether Tongaat adheres, in all material respects, to the three AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness.</li> <li>2. Whether the 2018 data, for the period 1 April 2018 to 31 March 2018, for the following selected performance indicators, are fairly presented, in all material respects, with the reporting criteria: <ol style="list-style-type: none"> <li>a. Total volume of water used (kilolitres) (page 62);</li> <li>b. Total amount of waste generated (tonnes) (page 62);</li> <li>c. Total energy used (gigajoules) (page 60);</li> <li>d. Total number of environmental incidents (page 63);</li> <li>e. Lost-time injury frequency rate (page 52);</li> <li>f. Total number of recordable incidents (page 52); and</li> <li>g. Total number of fatalities (page 52).</li> </ol> </li> <li>3. Whether the disclosures on Tongaat's management approach for the topic of "Human Rights" as presented on page 44 of the Report are fairly presented in all material respects.</li> </ol> |
| Reporting Criteria:                 | <ul style="list-style-type: none"> <li>■ AA1000 AccountAbility Principles Standard (2008) criteria</li> <li>■ Global Reporting Initiative Sustainability Reporting Standards</li> <li>■ Tongaat's internal Safety, Health and Environment definitions (dated 01/07/2016)</li> </ul>   |
| Assurance Standard used:            | AA1000 Assurance Standard (2008) – Type 2   |
| Assurance Level:                    | Moderate assurance for all Subject Matters  |

**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 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.
- Interviews with relevant corporate level staff to understand Tongaat's sustainability strategy, policies and management systems, including stakeholder engagement and materiality assessment.
- Interviews with human rights issue owners at corporate level to obtain an overview of the management and reporting approach, including internal review processes and responsibilities.
- Interviews 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.
- Physical visits to review the control environment, source data and other evidence at the following site:
  - Voermol, South Africa
- Virtual reviews to verify source data for the following sites:
  - TH Developments, South Africa
  - Meyerton, South Africa (including a face-to-face interview with Meyerton personnel)
  - Xinavane, 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.
- An analytical review of the year-end data submitted by the sites listed above, and testing of the accuracy and completeness of the consolidated 2018 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, we identified deficiencies in the control environment at site level, which affect the reliability of the 2018 data for Subject Matters 2(a) Water Use, (b) Waste Generated, and (c) Energy Use. 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 2018 data for these three 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 2018 data for the remaining selected indicators, as listed under the scope above and presented on pages 52 and 63 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 44 of the Report, are not, in all material respects, fairly presented.

### **Our observations and recommendations**

We have provided Tongaat with a separate management report. Without affecting the conclusions presented above, we have the following key observations and recommendations:

#### ***In relation to the 'Inclusivity' principle:***

Tongaat has numerous stakeholder engagement activities in place 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. Additional dedicated resources at group level would support engagement within the company and with stakeholders. Consistent with the previous assurance recommendations, and while noting that a draft Stakeholder Engagement Policy has been drafted in the year under review, this policy should be approved by the Board, and Tongaat should formalise the existing Stakeholder Engagement Strategy for application across the company. This should ensure that outcomes of engagements influence the determination of material issues to be managed and reported on.

***In relation to the 'Materiality' principle:***

Tongaat has a mature risk management system in place, which covers relevant sustainability topics. Independent risk assurance is undertaken at operational and group levels, and the system is seen to influence company strategy. Consistent with the previous assurance recommendations, 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. In relation to the Report, additional detail on the materiality determination process should be provided, and while noting that a GRI Standards-guided materiality determination process was undertaken during the year under review, the company would benefit from formally documenting the process and outcomes in the Report.

***In relation to the 'Responsiveness' principle:***

Tongaat has developed numerous policies and procedures appropriate to stakeholder and organisational interests and expectations, and while the sustainability strategy developed in 2013 is not formally approved, SHE, social, and ethics related issues are included in the Annual Budget and Business Plan. There are mechanisms for stakeholder feedback including investor presentations, socio-economic development activities with communities at operations, meetings with government authorities, and the publication of an Integrated Annual Report and Sustainability Report. At Board level, the Social and Ethics, Risk and SHE functions are integrated into a single committee. The Board meetings, including the Audit and Compliance Committee, also cover sustainability issues. ERM recommends that Tongaat formally approves the sustainability strategy that has been compiled. It also recommends that Tongaat formalises and consistently applies the existing Stakeholder Engagement Strategy to ensure that feedback is provided to stakeholders on how the organisation responds to their interests and expectations.

***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. 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 SHE definitions, 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 two 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 considerable 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. This will require Tongaat to further formalise and structure its human rights management approach across the organisation, including formalising roles and responsibilities for human rights management, and begin measuring and reporting on relevant topic-specific disclosures.

### 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, 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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