

AUDIT AND COMPLIANCE COMMITTEE STATUTORY REPORT

The Audit and Compliance Committee is pleased to report as follows for the financial year ended 31 March 2018:

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 G Kruger as the designated auditor, for the 2018/19 financial year. The Committee was satisfied with the quality of the external audit process and the team assigned to the audit. In arriving at the conclusion of independence, the committee considered multiple factors, good governance and quality control processes currently applied to Deloitte & Touche, including conducting the external auditor independence evaluation, the reviews conducted by IRBA on the designated auditor and the external audit firm, and the internal reviews conducted on the designated auditor. Furthermore, a rigorous partner rotation process is applied, which contributes to the independence assertion. The Committee remains cognisant of the developments in the Audit profession. No matters of concern were noted by the committee regarding the performance of the external auditors. The external auditors continue to have unrestricted access to the Audit Committee and its Chairman.
- Considered and noted the key audit matters as determined by the external auditors.
- 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. The audit fee for the year ended 31 March 2018 has been fully disclosed in note 18 of the annual financial statements.
- 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.

2. Terms of reference

The Audit and Compliance Committee has adopted and operates within formal terms of reference that have been recently approved by the Board of directors to align them with King IV™. 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 69 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 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 continue as a going concern in the year ahead.

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 Mr Murray Munro, in terms of the Listing Requirements of the JSE and satisfied itself that his expertise and experience meet the appropriate requirements. Mr Munro is an experienced and long serving CFO and executive director of the company. He holds BCom and CA (SA) qualifications and has held a number of executive financial, commercial, market and general management positions in various operations. The committee also evaluated the competence of the finance function as required by King IV™ and concluded that the expertise, quality, resources and experience of the finance function of all operations, reporting into the financial director of Tongaat Hulett, is effective and meets 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 2018 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 2018.

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.

Tongaath 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).

Management is focused on continuous improvements to systems of internal control. During the period under review, an external quality assurance review of the internal audit function that was performed 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 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. Integrated Reporting, Sustainability and Combined Assurance

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. The committee has ensured a robust process for the company's combined assurance model, the integrity of the information and reports, as well as the degree to which an effective control environment has been achieved. The committee is thus satisfied that the assurance coverage obtained from management, internal and external assurance providers for the year under review is sufficient and robust. Furthermore, the committee assessed and satisfied itself of the independence and competency of the external assurance service provider, ERM for the sustainability report for the year under review.

7. Approval of Integrated Report

At its meeting held on 16 May 2018, 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.

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 in the corporate governance section.

9. 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 AGM. 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 pages 64 to 65.

• 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 2019, with Mr G Kruger as designated auditor.

On behalf of the Audit and Compliance Committee



J John

Audit and Compliance Committee Chairman

Amanzimnyama
Tonga, KwaZulu-Natal

24 May 2018