

- 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 2018, 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 (5) 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 was recently updated in line with King IV™ 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, coordinated 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 IV™ is applied to provide a coordinated 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 coordinated 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.
- In line with Principle 12 of King IV™, the Board assumes responsibility for the governance of technology and information by setting direction for how technology and information should be approached and addressed in the company, and has delegated to the Audit and Compliance Committee the function of ensuring that technology and information are governed in a way that supports the organisation setting and achieving its strategic objectives, by amongst others, ensuring that direction is set for how technology and information should be approached and addressed in the organisation; and that management is delegated the responsibility of implementing and executing effective technology and information management. The company has an IT policy and charter that encapsulates current company ERP and Unified Communications developments and practices in line with recent technology upgrades. During the period under review, focus was on the recent migration of the organisation onto an integrated common platform and common business processes, resulting in standardised business processes and reporting across the organisation; the creation of common data management standards to support key business objectives; standardised platform and systems architecture to reduce support costs, leverage scale and reduce system downtime, and risks; and increased process efficiencies. Future areas of focus include a project that is currently underway to align the organisational structure across Tongaat Hulett with the new systems and business process architecture.
- The committee's focus on regulatory compliance, in line with Principle 13 of King IV™, 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 an updated compliance policy in 2018, which confirms and firmly entrenches Tongaat Hulett's commitment to compliance, through the combined efforts of various role players, to implement controls and processes to manage regulatory compliance across all operations. During the period under review, key areas of focus included ongoing assessment and review of legal, regulatory and corporate governance requirements and risks, and the identification of 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 during the previous reporting period, considering such factors as its composition and authority, the execution of its roles and responsibilities, its working relationship with both internal and external auditors and its statutory obligations towards the company and its shareholders. The outcome of the assessment process was positive, reflecting that the committee meets best practice, and is functioning effectively and efficiently. In 2018/19, the company will conduct an externally facilitated performance assessment, and an overview of the results and remedial action taken, will be reported accordingly.

Each major operational area has its own audit and compliance meeting processes which subscribe to the same company audit philosophies and reports and feeds into the Tongaat Hulett Audit and Compliance Committee.

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, SED, 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 and is seen to be a responsible corporate citizen, in line with Principle 3 of King IV™;
- 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 Organisation for Economic Cooperation and Development (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 and 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; and
- ensuring that there is meaningful engagement with the company's identified stakeholders.

The detailed report on measures taken to monitor corporate citizenship and how the company performed on its various projects relating to corporate citizenship is contained in the sustainability section of this integrated report.

During the previous reporting period, 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 next performance evaluation will be facilitated externally by a service provider, and an overview of the results and remedial action taken, will be reported accordingly.

The Risk, SHE, Social and Ethics Committee presents its report to the shareholders as required by the Companies Act and recommended by King IV™, illustrating how it discharged its statutory responsibilities and acted in accordance with its terms of reference for the period to 31 March 2018:

1. Statutory duties

Social and economic development (SED)

Tongaat Hulett's strategic goal is described as "value creation for all stakeholders through an all-inclusive approach to growth and development". It is within this context that the company's SED initiatives are utilised to partner with government and society in various operational areas, to create shared value, particularly in communities most impacted by business activities.

The company's key SED focus elements are in the area of, among others, healthcare - with communities in the rural areas benefiting most; food security projects; education initiatives as well as sports, arts and culture. During the period under review, the committee monitored the SED initiatives and contributions 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 SED policy, which confirms the philosophy of constructively contributing towards building and enhancing the quality of life of the communities in the Southern African regions where the company operates.

The strategic importance of the company's SED contribution and examples of recent achievements, particularly within the context of its relationship with private farmers, surrounding communities across all areas of operation and the link to the business' various stakeholder relationships, can be found in the sustainability elements section of the integrated report, as well as in the CEO's review.

The company is committed to economic sustainability and continues to assess its business approach to responsible strategic sourcing, empowerment and preferential procurement, taking into account employment equity, skills development and broad-based black economic empowerment (B-BBEE) within the Southern African context. The company is committed to meeting B-BBEE requirements in South Africa, and annually conducts a B-BBEE audit assessment through AQRate, an accredited institution. Further details on the company's B-BBEE rating, scorecard performance and certificate are discussed in the sustainability report, available on the website.

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 committee is satisfied that the ten principles are receiving due and appropriate attention by the company on an ongoing basis.

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 area.

The committee also assessed the company's proactive stakeholder engagement interface and other processes in place that 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 by demonstrating its commitment to philanthropic and empowerment initiatives 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 SHE targets and objectives, and considered various reports relating to SHE risks and opportunities that face the company.

The committee reviewed in detail all the fatality reports presented before it, whether work, non-work related, or third party. SHE initiatives and risk management protocols continue to receive key focus, with the CEO continuing to provide leadership and direction on strategic implementation of these initiatives not only within the company but extending the various programmes to include contractors, service providers and where applicable, surrounding communities.

The committee reviewed health management programmes including HIV/AIDS and TB management as well as malaria, noting that the company's performance monitoring and measurement criteria are aligned with the World Health Organisation's approach. The committee commended the company's implementation of SANS 16001 that would ensure a systematic integrated approach to managing NCDs. In line with the company's health strategic plan, three (3) pilot sites, including one in Zimbabwe, completed the Wellness and Disease Management System - SANS 16001 audit and were all recommended for certification. 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.

Zero tolerance on child labour, forced and compulsory labour

The committee confirms that 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.

The company also has a zero tolerance approach to child labour and inhumane treatment of employees, including any form of forced labour or physical punishment of employees.

The company commits to respect internationally recognised

human rights expressed in the International Bill of Human Rights and by the International Labour Organisation. This includes a commitment to avoid causing or contributing towards adverse human rights impacts through business activities, and seeking to prevent or mitigate adverse human rights impacts that are directly linked to Tongaat Hulett operations, products or services by business relationships.

Tongaat Hulett confirms its commitment to ongoing transparent engagement with stakeholders in response to specific human rights concerns that may be raised from time to time. Reporting in accordance with the Global Reporting Initiative's (GRI) Standards is covered in the company's integrated annual report.

Ethics governance

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. During the year under review, the Code of Business Conduct and Ethics (discussed in more detail under ethics management and governance), was reviewed and updated. The Code 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 recently been reviewed during the period under review and approved by the Board. The committee confirms that for the period, it discharged its duties and responsibilities in accordance with these updated terms of reference. The summary of the role of the committee is articulated on page 71 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 role and SHE objectives by ensuring, among others, that the company has implemented effective policies and plans for risk and opportunity management, and SHE 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 SHE, were comprehensive and adequately facilitated. While 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 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 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, among others.

The company complies with the Employment Equity Act and has implemented appropriate 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 among others. The human resources team drives these processes under the leadership of the CEO and reports to the Remuneration Committee, which reviews, assesses and endorses appropriate Employment Equity (EE) goals and targets. A detailed report on the company's human resources approach, including the company's efforts in accelerating employee transformation, appears in the sustainability elements of this integrated report.

5. Sustainability reporting

The committee reviewed and accepted the detailed sustainability report, available online on the company's website, 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 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. Effectiveness of committee and attendance

The committee had two meetings during the period under review as required by its terms of reference. The evaluation of the committee was conducted in 2017 and the Board is satisfied with the leadership provided by the committee Chairman and the diligence of its members. The record of attendance is contained on page 68.

ETHICS MANAGEMENT AND GOVERNANCE

CODE OF BUSINESS CONDUCT AND ETHICS

In line with Principle 2 of King IV™, as the highest governing authority in the company, the Board governs the ethics of the company in a way that supports the establishment of an ethical culture. The Board is committed to conducting business ethically, and has delegated to management the responsibility to implement and execute appropriate codes and practices. The company operates within a formal Code of Business Conduct and Ethics (the Code), which was reviewed and updated in 2018, and approved by the Board. The Code was communicated and distributed to all employees across all levels in the company, and to suppliers. 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 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.

Key areas of focus during the reporting period included revising and updating the Code to include the CEO's statement highlighting the company's commitment to integrity, ethics and honest behaviour; commitment to ZERO HARM in SHE practices; commitment to respecting human rights and highlighting the importance of whistle-blowing and revitalising awareness on the Tip-Off Anonymous Service. Other enhancements to the Code included highlighting the company's strong stance against intimidation, victimisation, retaliation or harassment of any stakeholders (including all employees, business partners and suppliers) who in good faith raise or report a concern that they reasonably believe is a violation of the Code or ethical behaviour.

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 and unlawful behaviour or non-compliance with the Code.