



2018 INTEGRATED ANNUAL REPORT  
**SUSTAINABILITY REPORT**

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# SUSTAINABILITY ELEMENTS



5 PERCENT REDUCTION IN LTI'S COMPARED WITH 2017  
7 PERCENT REDUCTION IN SCOPE 1 CARBON DIOXIDE EMISSIONS  
HIGH SCORE RATING IN THE CDP (WATER DISCLOSURE PROJECT)  
GOOD SCORE RATING IN THE CDP (CARBON DISCLOSURE INDEX)  
NO SIGNIFICANT ENVIRONMENTAL INCIDENTS WERE REPORTED

## CHALLENGES ENCOUNTERED

- One fatality
- Depressed world sugar price
- Impact of prior year's drought
- Impact of imports on local markets
- Mitigation of exposure to increasing climate risk

## PRIORITIES FOR 2018/19

- Zero fatalities and improved safety performance
  - Efficient water resources management
- Monitor impact of drought and assist farmers to implement good farming practices
  - Training and support for small-scale farmers, including youth in rural sugarcane communities
  - Maximising capacity utilisation, improving efficiencies and reducing costs of operations
  - Improving ability to access attractive and strategically important markets

Tongaat Hulett's operations play an important role in the lives of more than 110 million people in Sub-Saharan Africa. The company is committed to enhancing its contribution to development, through an all-inclusive approach to growth while adhering to accountable and ethical practices. This report highlights what Tongaat Hulett seeks to achieve through its sustainability strategy, providing feedback on progress to date.



## ABOUT THIS REPORT

Tongaat Hulett believes that sustainable development is important to its stakeholders and this report provides feedback on progress in this respect. The company's sustainability initiatives take place within a broader context and are informed by various initiatives, including the United Nations Global Compact, UN Sustainable Development Goals (SDGs), the Global Reporting Initiative (GRI) Standards, the South African National Development Plan (NDP), the Broad-based Black Economic Empowerment Act's Code of Good Practices, King Code on Corporate Governance (King IV™) and stakeholder feedback. During the reporting period, there were no significant changes in the size, structure or ownership of the company. There were no significant changes in the scope, boundary or measurement methods applied in the report, and there have been no restatements of prior year data. Should you wish to share any reflections, queries or comments on this report, please contact: [info@tongaat.com](mailto:info@tongaat.com)



## APPROACH TO SUSTAINABILITY

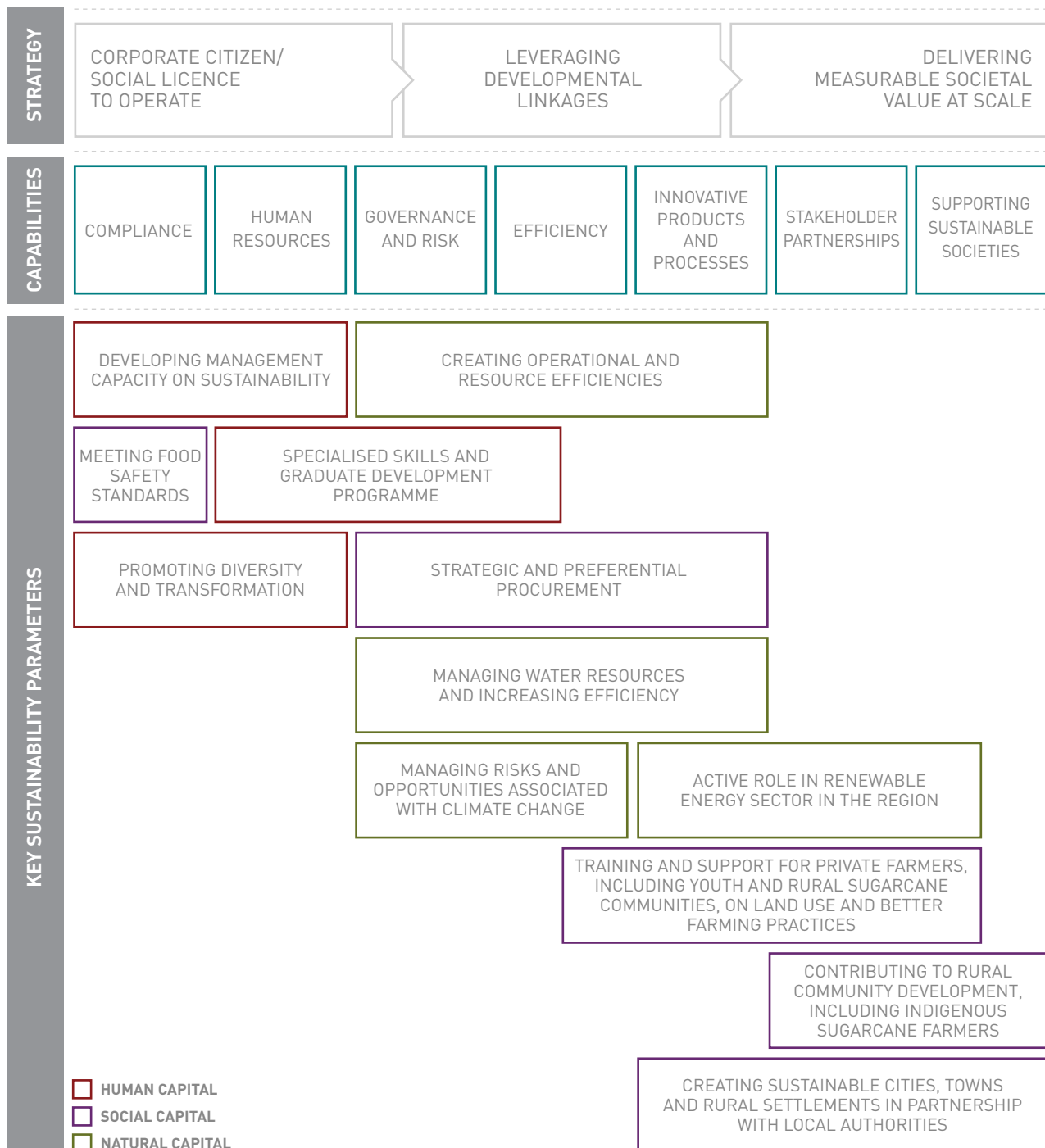
Agriculture and agri-processing are fundamental to the socio-economic development of Africa. Sugarcane is set to play an increasingly important role as the demand for clean and renewable energy expands. Tongaat Hulett seeks to respond positively to these opportunities, aligning with national developmental priorities including the NDP in South Africa, while ensuring the efficiency and accountability of its operations. The company continues to follow the medium-term sustainability strategy (2010 - 2020) as outlined on the following page.

Important priorities identified for 2018/19 include: zero fatalities; water management; and outreach to small-scale farmers, particularly youth.



## MEDIUM-TERM SUSTAINABILITY STRATEGY (2010 - 2020)

Tongaat Hulett's medium-term sustainability strategy consists of 12 key parameters that drive a shift from consolidation of current capabilities to delivering measurable value to society, at scale. These parameters cut across human, natural and social capital. They also require development of a wide range of internal capabilities, all of which build the organisation's resilience and ability to respond to the challenges and uncertainties inherent in today's operational environment. These include compliance, efficiency, governance and partnership. The company is in its ninth year of the strategy and continues to evolve and learn in response to feedback from the wide range of partners involved.





## LEVERAGE AREAS

- Strengthening the current base
- Expanding positive impact
- Delivering measurable value to society, at scale

## CAPABILITIES

- Compliance
- Human capital
- Governance and risk
- Efficiency
- Innovative products and process
- Stakeholder partnerships
- Supporting sustainable societies

## KEY SUSTAINABILITY PARAMETERS

- Developing management capacity on sustainability
- Creating operational and resource efficiencies
- Meeting food safety standards
- Specialised skills and graduate development programmes
- Promoting diversity and transformation
- Strategic and preferential procurement
- Managing water resources and increasing efficiency
- Managing risk and opportunities associated with climate change
- Active role in the renewable energy sector in the region
- Training and support for private farmers, including youth and rural sugarcane communities, on land use and better farming practices
- Contributing to rural community development, including indigenous sugarcane farmers
- Creating sustainable cities, town and rural settlements in partnership with local authorities

## RESPONDING TO THE SUSTAINABLE DEVELOPMENT GOALS

The United Nations published the 17 SDGs in 2015 creating a call to collective action that will transform the world by 2030. The SDGs provide an integrated view of development that is being used to inform implementation of Tongaat Hulett's inclusive growth and development strategy. While company operations contribute to many of the goals, the sustainability effort aligns most closely with the following:

- SDG 1 (no poverty)
- SDG 2 (zero hunger)
- SDG 3 (good health and wellbeing)
- SDG 4 (quality education)
- SDG 6 (clean water and sanitation)
- SDG 7 (access to clean energy)
- SDG 8 (sustained, inclusive and sustainable economic growth)
- SDG 11 (inclusive, safe, resilient and sustainable human settlements)
- SDG 12 (ensure sustainable production and consumption patterns)





## SUSTAINABILITY GOVERNANCE

Tongaat Hulett is committed to operating ethically as a responsible corporate citizen in each of its six countries of operation. The business endorses and applies the principles of transparency, effective communication and accountability as it engages with expectations of the investment community, private farmers, local communities, governments, consumers, suppliers and employees. Oversight of sustainability commitments rests with the Board and in particular the Risk, SHE, Social and Ethics Committee which comprises both executive and non-executive directors.

As signatories to the UN Declaration of Human Rights and participants in the UN Global Compact (since 2012), the company has zero tolerance to child labour and any inhumane treatment of employees, including any forced labour or physical punishment. Further information in accordance with the UN Global Compact principles, including labour, environment and anti-corruption, is included in subsequent sections of this report.

Tongaat Hulett also has a zero tolerance approach to theft, fraud, corruption and any violation of the law and unethical business dealing by employees or suppliers. These provisions are made explicit in the Code of Business Conduct and Ethics, which includes consideration of conflict of interest issues and encourages employees to report any conflict or perceived conflict of interest issues. The company has engaged an independent whistle-blowing service provider to report on any unethical and unlawful behaviour or non-compliance with the Code.

Provision of useful sustainability-related data remains an important element of the Tongaat Hulett strategy. The company continues to improve collection and management of non-financial data and will continue to seek assurance over the most material sustainability indicators. Independent third-party assurance over key social and environmental performance indicators is viewed as an important step in ensuring that stakeholders are afforded a fair presentation of the company's commitment to continuous improvement. Environmental Resources Management (ERM) has provided external assurance over selected sustainability content of the 2018 Integrated Annual Report, in accordance with the AccountAbility AA1000 Assurance Standard (Revised 2008). For the detailed assurance statement, please refer to: [www.tongaathulett.com/2018/ermassurance.pdf](http://www.tongaathulett.com/2018/ermassurance.pdf)



Tongaat Hulett's contribution to sustainable development underpins its commercial results, and is consistent with its partner-to-operate approach being integrated into its strategic positioning. It benefits shareholders, joint venture partners, neighbouring communities, suppliers, customers, employees, governments and society. The company participates in industry organisations, such as the UN Global Compact and attempts to promote change locally and set sustainability standards that reflect societal expectations and challenges. It also works with non-governmental organisations to better understand and meet its stakeholders' needs.





## EXISTING COMPANY MEMBERSHIPS, INDICES AND COMMITMENTS

- United Nations (UN) Global Compact
- National Business Initiative (NBI)
- World Wildlife Fund (WWF)
- Industry Task Team for Climate Change (ITTCC)
- CEO Water Mandate
- Alliance for Water Stewardship
- World Economic Forum (WEF)
- South African Sugar Association (SASA)
- FTSE/JSE Responsible Investment index
- Business Unity of South Africa (BUSA)
- Confederation of Zimbabwe Industries (CZI)
- Institute of Directors Zimbabwe (IoDZ)
- Zimbabwe National Chamber of Commerce (ZNCC)
- Zimbabwe Sugar Association (ZSA)
- Confederation of Economic Associations - Mozambique (CTA)
- Association of Mozambique Sugar Producers (APAMO)

Indicator	2015/16	2016/17	2017/18
<b>Social</b>			
Fatalities	5	3	1
LTI's	36	41	39
BBBEE Level	4	3	3
Occupational illness (with reversible effects)	10	12	7
Employees	31 230	30 512	31 355
<b>Environmental</b>			
Water intake (megalitres)	704 399	720 872	1 057 922
Carbon Footprint (tons)	1 150 284	1 137 295	1 089 459
Electricity generated (megawatt hours)	366 885	436 322	425 136
Environmental Incidents - level 1	416	425	300
Environmental Incidents - level 2	2	0	1
Environmental Incidents - level 3	0	0	0
Stakeholder Complaints	92	142	104
<b>Financial</b>			
Revenue (R billion)	16,676	17,915	16,982
Dividend (cents per share)	230	300	160
SED Contributions (R millions)	190,5	186,3	217,6
Training Spend (R million)	42,5	45,8	57,1

# HUMAN RESOURCES



## HUMAN CAPITAL

**31 355 PEOPLE** EMPLOYED COMPARED TO 30 512 IN 2017

**18 803 EMPLOYEES** ATTENDED TRAINING PROGRAMMES

**850 278 HOURS** OF TRAINING RECEIVED BY EMPLOYEES

### KEY ELEMENTS

Supplement existing strategic  
leadership bench strength

Accelerate employee transformation

R57,1 million spent on  
training and development

### KEY PRIORITIES GOING FORWARD

Current and future leadership development

Transformation

Artisan and technical skill upliftment

Accelerating change in the world is fundamentally transforming society, the broader economy and business. Within the business context, new technologies, new market entrants, new customer expectations and new business models are emerging. Tongaat Hulett operates in this interconnected VUCA (volatile, uncertain, complex and ambiguous) world and at a time where, in each of the countries in which it operates, existing societal systems are being robustly challenged. Leadership in the business and human resources understand the impact of socio-economic and political change and are embracing and developing new ways of thinking about the company, its talent, and their role in global social issues. In dealing with this dynamic the capabilities and thinking to drive Tongaat Hulett's culture, organisational design, people and leadership practices, agility and dynamism is being challenged and developed, so that organisational behaviour can follow.



Tongaat Hulett offers a compelling employee value proposition, appropriate to a business context that continues to evolve dynamically, to attract, engage, develop and retain top performing talent. It achieves this by competitively remunerating employees against appropriate benchmark norms, creating a challenging work environment for high performance and using its size and complexity for career development that is cross operational and cross functional.

## EMPLOYEE BASE

Tongaat Hulett employed a total of 31 355 employees at the end of March 2018, compared to 30 512 in 2017. During the peak sugar milling season the total number of permanent and seasonal employees was 40 382 (2016/17: 38 221). The breakdown of Tongaat Hulett's employee base as at 31 March 2018 is as follows:



## COMPREHENSIVE EMPLOYEE BREAKDOWN

	South Africa	Mozambique	Zimbabwe	Swaziland	Botswana	Namibia	Total
Full-time (permanent)	3 185	7 240	9 900	436	138	223	<b>21 122</b>
- Female	896	1 561	1 519	64	64	74	4 178
- Male	2 289	5 679	8 381	372	74	149	16 944
Fixed-term contractors	855	1 285	3 993	29	13	1	<b>6 176</b>
- Female	136	321	1 205	6	5	0	1 673
- Male	719	964	2 788	23	8	1	4 503
Seasonal and casual workers (non-permanent)	1 074	2 775	0	208	0	0	<b>4 057</b>
- Female	547	290	0	6	0	0	843
- Male	527	2 485	0	202	0	0	3 214
<b>Total</b>	<b>5 114</b>	<b>11 300</b>	<b>13 893</b>	<b>673</b>	<b>151</b>	<b>224</b>	<b>31 355</b>
Peak season total 2016/17*	5 788	14 918	16 044	1 112	119	240	38 221
Peak season total 2017/18*	5 909	15 476	17 506	1 116	151	224	<b>40 382</b>

\* Employee total at the peak of the sugar milling season

## EMPLOYEE TURNOVER

	Terminations	Average age	Percentage male	Percentage female
South Africa	377	44	64	36
Mozambique	241	37	77	23
Zimbabwe	284	54	84	16
Swaziland	15	52	87	13
Botswana	24	40	71	29
Namibia	4	43	100	0
<b>Total</b>	<b>945</b>	<b>45*</b>	<b>74</b>	<b>26</b>

\* Weighted average

	Recruitments	Average age	Percentage male	Percentage female
South Africa	948	33	63	37
Mozambique	78	37	82	18
Zimbabwe	6	41	83	17
Swaziland	10	28	60	40
Namibia	30	32	80	20
Botswana	37	27	81	19
<b>Total</b>	<b>1 109</b>	<b>33*</b>	<b>65</b>	<b>35</b>

Roles in Tongaat Hulett are constantly under review by business unit leaders supported by Human Resources as opportunities present. This involves revisiting key job outputs and organisational structures to determine future focus areas, the relevance of roles and where appropriate their design and skill requirements. This process impacts the employee base and the concomitant people costs, recruitment for employment equity decisions, talent retention, bench strength and succession planning processes.

Tongaat Hulett seeks to remunerate its employees in a manner that is aligned to or above industry norms in the countries in

which it operates, which can include retirement benefits (pension or provident fund), death and disability benefits, medical aid, and share options. When structuring packages for part-time employees, who are not eligible to receive certain of these benefits, this is taken into account, and their packages include payments in lieu of these benefits. All Tongaat Hulett employees receive maternity benefits aligned to local legislation.

The below table details Tongaat Hulett's existing skills, as well as recruitments and terminations of these employee categories over the past financial year.

	31 March 2018	Average Age as at 31 March 2018	Exited (1 April 2017 to 31 March 2018)	Exited - Male	Exited - Female	Appointed (1 April 2017 to 31 March 2018)	Appointed - Male	Appointed - Female
<b>Graduates/Diplomates</b>								
South Africa	673	41	36	16	20	54	24	30
Zimbabwe	440	44	11	9	2	3	2	1
Mozambique	185	37	10	7	3	15	11	4
Swaziland	22	44	0	0	0	6	6	0
Botswana	7	38	1	1	0	1	1	0
Namibia	7	36	1	1	0	0	0	0
<b>Total</b>	<b>1334</b>	<b>42</b>	<b>59</b>	<b>34</b>	<b>25</b>	<b>79</b>	<b>44</b>	<b>35</b>
<b>Artisans</b>								
South Africa	87	39.8	5	5	0	4	4	0
Zimbabwe	169	44	1	1	0	0	0	0
Mozambique	143	39	15	15	0	7	7	0
Swaziland	20	44	0	0	0	0	0	0
Botswana	3	49	0	0	0	0	0	0
Namibia	0	0	0	0	0	0	0	0
<b>Total</b>	<b>422</b>	<b>41</b>	<b>21</b>	<b>21</b>	<b>0</b>	<b>11</b>	<b>11</b>	<b>0</b>

## PEOPLE DEVELOPMENT

### LEARNING AND DEVELOPMENT PHILOSOPHY

The wide range of roles that exists across Tongaat Hulett's operations requires a focused approach to development interventions. Unique, specialised industry related skills, competencies and experience are critical to the success of the operations and are not readily available in the labour market. Underpinning this reality is the importance placed on ongoing performance management processes, which vary based on employees' job grades, roles and responsibilities. The setting of individual employee KPI's include ongoing learning and development opportunities required to achieve these KPIs. This informs employee development plans and budgets.



## CAPABILITY BUILDING MODEL

The following capability model succinctly describes the nature, purpose and scope of Tongaat Hulett's learning and development interventions.

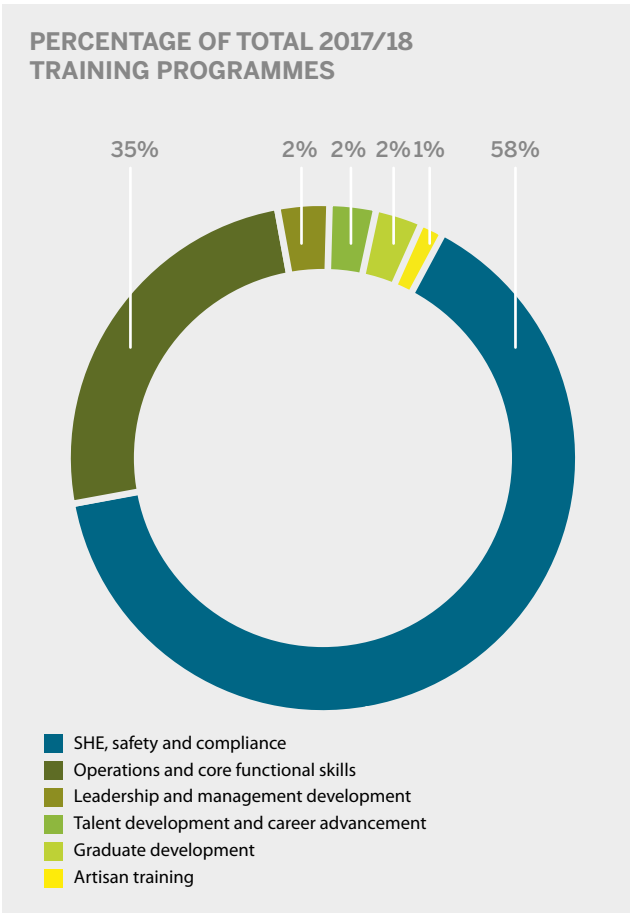
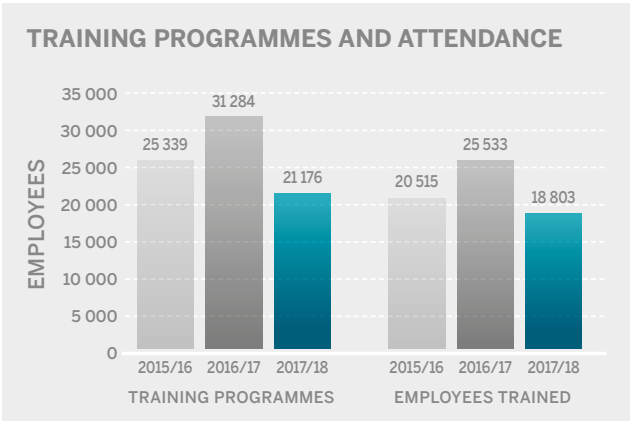
PROGRAMME	PURPOSE	IMPLEMENTATION	INITIATIVE
<b>LEADERSHIP DEVELOPMENT</b>	Aimed at developing an adequate pool of competent and engaged leaders to meet the organisation's present and future needs	<p>Leadership and management development programmes</p> <ul style="list-style-type: none"> <li>• 363 people trained</li> <li>• 2% of total 2017/18 programmes</li> </ul> <p>Talent development and career advancement</p> <ul style="list-style-type: none"> <li>• 481 people trained</li> <li>• 2% of total 2017/18 programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Executive development</li> <li>• Senior management development</li> <li>• Management development</li> <li>• Supervisory development</li> </ul>
<b>FUNCTIONAL TRAINING</b>	Designed specifically for Tongaat Hulett functions and operations, such as milling, production and engineering	<p>Operations/core functional skills training</p> <ul style="list-style-type: none"> <li>• 7 444 people trained</li> <li>• 35% of total 2017/18 programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Production training</li> <li>• Discipline-specific technical training</li> <li>• Project management</li> </ul>
<b>WORK INTEGRATED LEARNING PROGRAMMES</b>	Structured programmes designed to expose individuals to institution-based learning and work exposure. This could be permanent employees or unemployed youth	<p>Graduate development programmes, entry-level skills training</p> <ul style="list-style-type: none"> <li>• 445 people trained</li> <li>• 2% of total 2017/18 programme</li> </ul> <p>Artisan Training</p> <ul style="list-style-type: none"> <li>• 199 people trained</li> <li>• 1% of total 2017/18 programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Engineer in training (EIT) programme</li> <li>• Apprenticeships</li> <li>• In-service training</li> <li>• Life skills</li> <li>• Graduate programmes/placements</li> <li>• Work experience</li> </ul>
<b>SUSTAINABILITY INITIATIVES</b>	Training programmes designed to develop personal effectiveness, life skills and skills essential to the organisation	<p>Safety and compliance training and certification</p> <ul style="list-style-type: none"> <li>• 12 244 people trained</li> <li>• 58% of total 2017/18 programmes</li> </ul>	<ul style="list-style-type: none"> <li>• SHE training</li> <li>• Wellness programmes</li> <li>• Legal compliance training</li> <li>• Diversity inclusion programmes</li> </ul>
<b>TRAINING NEEDS ANALYSIS/ASSESSMENT</b>			
Functional competency acquisition framework/career ladders/foundational learning and competency/material development/blended learning			

During the year under review 18 803 employees (2016/17: 25 533) attended a total of 21 176 training programmes (2016/17: 31 284) through an investment by Tongaat Hulett of R57,1 million (2016/17: R45,8 million). The total number of training hours for the period equalled 850 278 and 2 699 females and 16 104 males were trained.

Certain operations offered transition assistance programs to facilitate continued employability and the management of career endings resulting from retirement or termination of employment. The main programme offered during the previous year was Retirement Counselling which was attended by 973 employees.



Some of the metrics used to measure the extent of the learning and development interventions across the company are shown in the diagrams below.



## TRAINING PROGRAMMES ACROSS ALL COUNTRIES

Programme categories	Number of employees who attended training from 1 April 2017 to 31 March 2018	Percentage of total 2017/2018 training programmes
<b>Safety and compliance training and certification</b>		
SHE	7 232	34,15
Driver - forklift/crane/tractor	1 324	6,25
First aid	1 011	4,77
Advanced accident and emergency care	159	0,75
Food safety	1 024	4,84
Defensive driving	718	3,39
Occupational Health and Safety legislation	453	2,14
Alco meter use (Alcohol detecting machine)	16	0,08
Fire fighting	307	1,45
<b>Total</b>	<b>12 244</b>	<b>57,82</b>
<b>Operations/core functional skills training</b>		
Agricultural skills	4 931	23,29
Engineering and technology	276	1,30
Information technology	164	0,77
Admin/business skills/finance	333	1,57
Human resources	900	4,25
Small growers programme (CRDU programmes)	67	0,32
Process training/boiler attendant programme	171	0,81
Commercial and marketing	92	0,43
Manufacturing and production	53	0,25
Medical	457	2,16
<b>Total</b>	<b>7 444</b>	<b>35,15</b>
<b>Leadership and management development programmes</b>		
Supervisory skills	288	1,36
Senior management development programme	38	0,18
Management development programme	37	0,17
<b>Total</b>	<b>363</b>	<b>1,71</b>
<b>Talent development and career advancement</b>		
Life skills	162	0,77
Other interventions, specific to groups/individuals	319	1,51
<b>Total</b>	<b>481</b>	<b>2,27</b>

Graduate development programmes, entry-level skills training		
Programme	Number of participants	
Engineers in training (EIT)	16	
Agronomist trainees	3	
Agriculture farm manager training	18	
Agriculturist-in-training	23	
Strategic sourcing trainees	2	
Production	9	
In-service trainees	34	
SHE trainees	4	
Apprenticeships (various trades e.g. electrical, millwright, fitters, etc.)	101	
Learnerships	41	
Graduate trainees	17	
Communications and marketing	2	
Student development programme	0	
General learners/trainees	65	
Workplace experience	15	
Bursaries	22	
Company assisted study aid schemes	73	
<b>Total</b>	<b>445</b>	<b>2,10%</b>

Artisan training - specialised trades	Number of participants	
Artisans-in-training	53	
Artisan development	122	
Artisan aid development programme	24	
<b>Total</b>	<b>199</b>	<b>0,94%</b>





## CASE STUDY

# EXPANDING TECHNICAL SKILLS

Tongaat Hulett is committed to growing its employee culture of continuous learning and development. An example of this commitment is the supervisory development programme which was run by its starch operation.

The programme was run over a period of 12 months from August 2016 to July 2017 and participants were required to attend weekly training presentations. The objective of the programme was to build supervisory capacity that enables and encourages high performance, as well as improving organisational structures. The programme consisted of nine course modules, ongoing presentations and assignments, where selected candidates were given Business Improvement Projects as part of ensuring skills application in the work environment. This required that the candidates use existing work-related challenges that needed solutions. During the programme they were partnered with line managers and mentors who were required to provide ongoing support and guidance.

Programme participants from all five of Tongaat Hulett's starch mills were selected from disciplines in the production and technical

environment. The candidates selected were in the engineering, materials, production, laboratory and sales and marketing fields and varied in gender and race. Further considerations during the candidate selection phase included supervisors in mission critical positions; scarce occupations whose skills are needed for the achievement of the company's strategic goals; existing supervisors with technical expertise requiring coaching skills for knowledge transfer to their younger team members; supervisors who were recently appointed and employees who showed potential to be supervisors in the future. The programme has been successfully rolled out as evidenced by the fact that many existing supervisors have now increased their scope of work, some participants are now in acting supervisory roles and other participants have taken on more creative roles within their areas of the business.

In addition to the supervisory development programme, Tongaat Hulett's starch operation also rolled out a production learnership apprentice programme with the objective of building a pipeline of critical and scarce skills that is racially and gender diverse to support operational excellence. The 24 candidates were selected from all 4 of the operation's mills with 4 from the Bellville mill, 10 from the Germiston mill, 5 from the Kliprivier mill and 5 from the Meyerton mill. Since the conclusion of the programme, 5 candidates have been appointed to permanent positions at Tongaat Hulett.





## CURRENT AND FUTURE LEADERSHIP

Tongaat Hulett is driving an intensive cycle of building leadership bench strength, succession planning and talent management. Specifically, recent emphasis has been to:

- Encourage its leadership pool to further develop their skills, particularly focused on upskilling for the changing dynamics both today and into the future.
- Robustly assess selected executive leadership team members together with a review of the talent within operations' executive teams.
- Accelerate the developmental progression of talented individuals that are outside the "current leadership pool" or are more junior in the pool.
- Retain, as far as possible, talented key pre-retirement senior executives.
- Supplement the leadership bench strength with external appointments in such a way that positively impacts on the above, with these new individuals making a successful transition into Tongaat Hulett.

In line with these top-level processes, targeted external talent recruitment of high-calibre executive talent is currently underway in South Africa and Zimbabwe. Reorganisation initiatives have also taken place internally within the sugar operations of Mozambique and at the land conversion and development operation to strengthen the executive leadership bench strength. Additionally, a robust assessment of selected executive leadership team members has taken place, together with a review of the talent within operations' executive teams.

The company continued to support the customised, action learning and block release Tongaat Hulett Business Leadership Development Programme (SMDP and MDP) in conjunction with

the Stellenbosch University Business School. The faculty for this programme is drawn from academics, a cross-section of industry experts and Tongaat Hulett executive leadership participating as guest speakers, executive champions and mentors. The programme places a high level of importance on company business improvement projects.

### FUNCTIONAL TRAINING

The business's core and critical operational skills development has continued with a significant emphasis on skills gap assessments and targeted interventions to uplift artisan skills across both the sugar and starch operations.

### WORK INTEGRATED TRAINING

Experientially based learning programmes provide an extensive skills pipeline for the business to develop and grow its core competencies in engineering, production, agriculture and finance. In the year under review, certain graduate development programmes have targeted unemployed youth in strategic partnership with various training institutions as part of Tongaat Hulett's broader social and community response, affording these learners much-needed work place experience to improve their employability. For example, in South Africa, the sugar operations partnered with both the Owen Sitole College of Agriculture and the Umfolozi Technical and Vocational Education and Training (TVET) College on KwaZulu-Natal's north coast to provide workplace experiential learning to agricultural and engineering students for six to twelve month periods. In addition, working with the training faculties, the company has assisted in ensuring that training programmes are better aligned to actual workplace needs, bridging the gap between education and the workplace.

In support of the graduate training and development programme, the company's assisted study scheme provides bursaries to financially constrained and high potential youth, who attain a qualification within a specific study discipline. Once the learners have completed their studies, the programme provides workplace experiential learning, including a mentorship element.



## CASE STUDY

### ADELAIDE CHIKUNGURU

Tongaat Hulett is committed to maintaining and growing its current pool of highly skilled, engaged leaders to address the company's existing and future leadership needs. This commitment to growing leadership talent is clearly demonstrated in the support that the business continues to provide to Adelaide Chikunguru, who is based at the company's Zimbabwean operations.

During her formative years, Adelaide had ambitions of serving in the legal arena as a judge. Despite this earlier career goal, after completing her schooling, she enrolled for a Bachelor of Social Science. She further augmented her studies with a BSc (Hons) in Media and Society Studies in 2003 and an MSc in Media and Society Studies in 2008.

Prior to joining Tongaat Hulett's Zimbabwean operations, Adelaide was employed by the Zimbabwe Broadcasting Corporation (ZBC) and Mike Hamilton Public Relations Consultants. Her experience also included a three-year period as the Corporate Relations Executive for NetOne (Zimbabwe) and a four-year stay at Ogilvy & Mather (Tanzania) as a General Manager.

Adelaide was appointed as the Corporate Affairs and Communications Manager for Tongaat Hulett's Zimbabwean operations in 2011. Her responsibilities entailed communicating

with key internal and external stakeholders, stakeholder relationship management as well as managing the company's SED programmes targeted at external communities. Over time, Adelaide has found that her social science and development background provided a good foundation for dealing with the complex nature of the stakeholder relationship matrix, which she has now successfully navigated for several years in the midst of a rapidly evolving external operating context. In recognition of her contribution to the organisation, in 2016 Adelaide was given the opportunity to participate in Tongaat Hulett's MDP.

Today, Adelaide is driven by her future ambitions for the company, adding, "When I first started at Tongaat Hulett, there was little visibility of the corporate brand in Zimbabwe and over the years we have managed to establish awareness of the corporate brand and its secondary brands. There are many opportunities to establish a richer and more rewarding stakeholder relationship environment creating further goodwill for Tongaat Hulett as well as value for our multiple stakeholders. I am privileged that through my work at Tongaat Hulett, we have been touching and transforming lives, providing communities with endless opportunities and possibilities."

Adelaide confirmed that she regularly recommends Tongaat Hulett as the employer of choice in Zimbabwe. She believes that the sugar industry is dynamic and challenging with significant opportunities for growth and development. In addition, Tongaat Hulett's profile in the SADC region, as well as its diverse range of industries in agri-processing and land conversion, provide significant opportunities for ongoing career development.

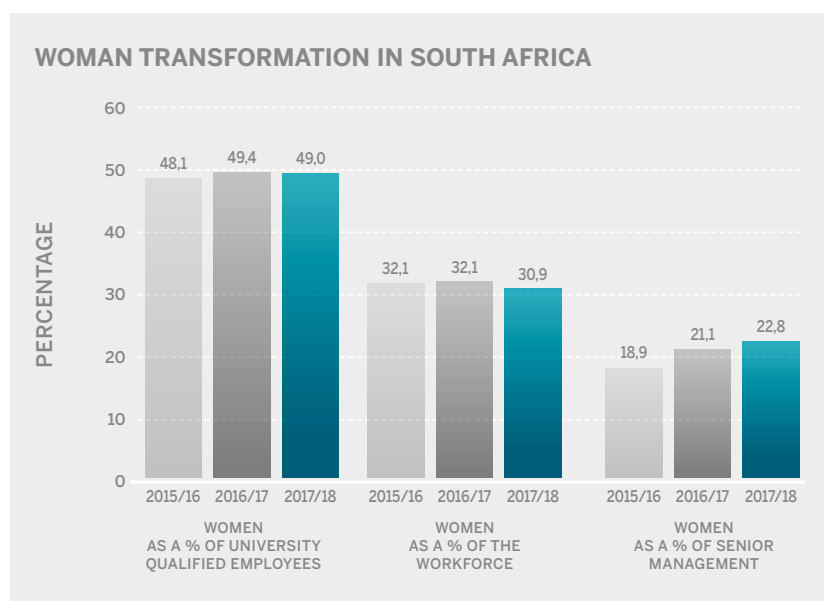
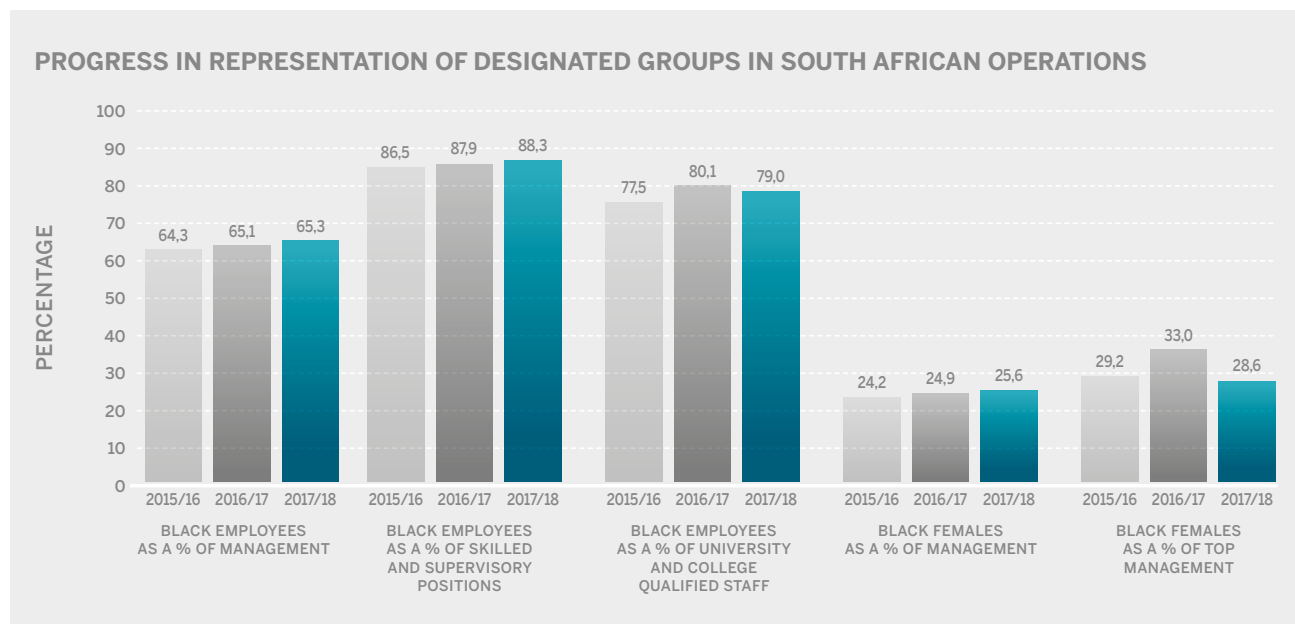
## ACCELERATING EMPLOYEE TRANSFORMATION AND LOCALISATION

In each of the countries in which the business operates the transformation of the workforce continues to be prioritised through the improvement of management representation of previously disadvantaged individuals, localisation of skills and the general upliftment of women. In South Africa, steady progress has been achieved in increasing the representation of African skilled employees, management and leadership, together with improving the representation of persons with disabilities. In South Africa during the year under review, some 13 top and senior management level employees joined Tongaat Hulett, of which some 62 percent were either black females or black males. The progress in representation of designated groups in South African operations is shown diagrammatically below:

During 2017/18, a total amount of R45,7 million was spent on training and development in South Africa, of which R40,7 million was spent on employees from disadvantaged groups. In Mozambique the localisation of skills and the upliftment of women remains a key focus area. As a consequence, the expatriate community which forms a small core (0,7 percent) of the Mozambican workforce has reduced by 26 percent from 110 to 81 employees. In Zimbabwe, the emphasis on gender diversity has been supported by the preferential appointment of women in most available mid to senior level positions.

### PERSONS WITH DISABILITIES

While some work environments across Tongaat Hulett's operations are less accessible to persons with disabilities, whenever possible, persons with disabilities are considered in employment decision making. Tongaat Hulett employed a total of 71 persons with disabilities, across all operations, as at the end of March 2018. In South Africa, the total was 57, increased from 50 in 2017.



Transformation plays a key role in achieving SDG 10, which focuses on the reduction of inequality with goal 10,2 looking to, “by 2030 empower and promote the social, economic and political inclusion of all irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.”





## HR MANAGEMENT INFORMATION SYSTEMS

The multi-phased rollout of the SAP ERP system across Tongaat Hulett was successfully completed with the Human Capital Management (HCM) module going live at the outstanding operations in Botswana, Mozambique and Namibia. The reviewing and streamlining of current HCM and payroll business practices and roles in the new SAP ERP system environment has been ongoing in pursuit of operational efficiencies and building a “one company” philosophy.

## HUMAN RIGHTS

As a signatory of the Universal Declaration of Human Rights and a member of the UN Global Compact, the company commits to respect internationally recognised human rights standards. This includes a commitment to avoid causing or contributing towards adverse human rights impacts through company 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. Examples of Human Rights infringements that Tongaat Hulett aims to prevent includes child labour, forced and compulsory labour, unsafe and unhealthy working environments and constraints to employee's freedom of association, both within the company and in its supply chain.

During the past year the company undertook a review of its human rights practices throughout the organisation. Instances where human rights could potentially be impeded were identified, for example in the supply chain area. It was determined that while the company had generally good human rights practices, certain policies and procedures could be improved for more effective

monitoring and management. Tongaat Hulett is in the process of actioning these changes, with the following already implemented:

- The amendment of the Code of Business Conduct and Ethics, to include a human rights provision.
- Drafting and dissemination of the guidelines for human rights in the supply chain policy.
- Introduction of a supplier human rights review process as part of tenders and on-boarding of new suppliers.
- Better alignment of Safety, Health and Environment (SHE) practices and their role in maintaining human rights in the lives of our employees and communities through updates to Tongaat Hulett's SHE policy guideline.
- A review of human resources policies across certain operations to ensure compliance with human rights guidelines. This resulted in the amendment of certain policies and initial planning of processes for measuring and monitoring key indicators linked to human rights.

This process will continue, with human resources policy reviews still required for some operations, which should include the implementation of measuring and monitoring processes. In addition, the supply chain function is investigating mechanisms to begin auditing existing suppliers of various sizes to ensure human rights compliance. SHE teams will also be taking steps to educate farmers supplying sugarcane to Tongaat Hulett sugar mills on human rights, including key topics such as child labour.

## FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Freedom of association and collective bargaining is a basic human right that the business seeks to build and maintain with its employees and their union representatives. Tongaat Hulett bargains collectively with the unions, listed below, in the six countries in which it operates, with collective bargaining agreements covering a total of 22 504 employees (2016/17: 26 084) in manufacturing and agricultural operations. In certain instances, these collective bargaining agreements stipulate the minimum notice which will be provided to employees and their

Country	Recognised Unions
South Africa	African Meat Industry and Allied Trade Union (AMITU) Food and Allied Workers Union (FAWU) South African Equity Workers Union (SAEWA) The Association of Mineworkers and Construction Union (AMCU) United Association of South Africa (UASA)
Zimbabwe	Sugar Milling and Allied Workers Union of Zimbabwe (SMAWUZ) Sugar Production and Milling Workers' Union of Zimbabwe (SPMWUZ) Zimbabwe Hotel and Catering Workers Union (ZHCWU) Zimbabwe Sugar Milling Industry Workers' Union (ZISMIWU)
Mozambique	Sindicato Nacional dos Trabalhadores da Industria Do Açúcar e Afins (SINTIA)
Swaziland	Swaziland Agricultural Manufacturing and Allied Staff Association (SAMASA) Swaziland Agriculture and Plant Workers Union (SAPWU)
Botswana	Cashiers Shop Assistant and Allied Workers Union (CASAWE)
Namibia	Namibian Food and Allied Workers Union (NAFAU)

elected representatives prior to the implementation of significant operational changes that could substantially affect them. This period depends on the country in which employees are based, ranging from four to twelve weeks.

During the past year the Department of Labour in South Africa cancelled the registration of the National Sugar and Refining and Allied Industries Employees Union (NASARIEU) and the Association of Mineworkers and Construction Union (AMCU) emerged in the sugar milling industry.

Following strike action at the Zimbabwean operations in 2016 and an ongoing wage arbitration process, interventions to restore and strengthen the employer-employee relationship and the working environment have been instituted.

Tonga Hulett Starch settled a wage dispute after a 22-day strike following a protracted period of industrial peace, maintaining production at reduced levels and retaining key, blue chip, global customers. The strike, initiated by FAWU members falling within the Bargaining Unit, was triggered by an impasse in wage negotiations. The industrial action was resolved, in cooperation with FAWU national leadership structures, and a mutually agreeable settlement was reached. A total of 296 employees participated in the strike, being 44 percent of the starch operation's employee complement, costing the company R8,84 million.

At the Mafambisse operations, 388 cane cutters, about three percent of the Mozambique operation's employee complement, embarked on a two-day strike. This was triggered by insufficient understanding of the new staggered rest day and payment system, which was implemented at the beginning of 2017. This

had been communicated as part of the induction process at the beginning of the season. The impasse was resolved through additional communication sessions between management and these employees where the new system was further explained and clarified. This strike cost the company some R2,38 million.

## DISCIPLINARY AND GRIEVANCE PROCEDURES

Tonga Hulett's structured disciplinary and grievance procedures fairly and transparently regulate misconduct, incapacity and conflicts in the workplace in a manner that maintains the dignity and basic human rights of the employees, aided by the involvement of local shop stewards and union representatives. These processes are well documented and aligned with both international best practice and local legislation. As part of the disciplinary procedure, employees are timely notified, have the right to representation and are afforded the opportunity to call and cross-examine witnesses. The grievance procedure, in response to legitimate complaints by employees, seeks to fairly resolve grievances as close to their point of origin as possible, and within a reasonable timeframe.

## ANTI-BRIBERY AND CORRUPTION

As articulated in the Code of Business Conduct and Ethics, Tonga Hulett is committed to a policy of fair dealing, honesty and integrity in the conduct of its business. All employees are signatories of this Code and non-compliance may result in disciplinary action, including dismissal. The Deloitte Tip-Offs Anonymous service provides employees, in all operating countries, the opportunity to report any unethical behaviour by management, employees, contractors or other third parties.





# STAKEHOLDER RELATIONSHIPS



## SOCIAL AND RELATIONSHIP CAPITAL

**R217,6 MILLION** INVESTED IN SED INITIATIVES

**R103,6 MILLION** INVESTED IN HEALTHCARE RELATED ACTIVITIES

**R20,8 MILLION** INVESTED IN EDUCATION

### KEY ELEMENTS

R217,6 million spent on SED Initiatives (2016/17:  
R186,3 million)

2017 Investment Analyst Society Awards Winner:  
Consumer Products Sector

### KEY PRIORITIES GOING FORWARD

Zero fatalities and improved safety performance

Implementing the SANS 16001 on  
wellness management systems

Tongaat Hulett recognises the important contribution that stakeholders make to the ongoing success of the organisation. The company has long-standing relationships with multiple stakeholders and aims to achieve outcomes that represent a “win all” for every key stakeholder involved in various engagements. The process to increase Tongaat Hulett’s understanding of its stakeholders is ongoing and includes identifying important clusters based on the degree to which they influence or are impacted on by the business, and documenting the various proactive engagements that are already in place as the business seeks to further strengthen these relationships. These details are outlined on the following page.



	Nature of engagement	Priorities for stakeholders	Outcomes
<b>Shareholders, investors, banks and analysts</b>	<ul style="list-style-type: none"> <li>Multiple regular meetings with CEO, CFO and key executives</li> <li>Roadshows locally and abroad</li> <li>Annual and interim results presentations and publications</li> <li>Annual general meeting</li> <li>Interactions managed by the Tongaat Hulett investor relations team and key executives</li> </ul>	<ul style="list-style-type: none"> <li>Clear communication of the company's strategy and prospects going forward</li> <li>Return on investment and growth in value</li> <li>Appropriate capital allocation between equity and debt</li> </ul>	<ul style="list-style-type: none"> <li>Tongaat Hulett continues to improve on reporting its strategy and prospects</li> <li>Improved understanding of the business's ability to create long-term value among investors and analysts</li> <li>Generate positive cash flows to be applied to dividends and repayments of debt</li> </ul>
<b>Government authorities and regulators in the region</b>	<ul style="list-style-type: none"> <li>Partnerships on joint projects</li> <li>Forums discussing existing and emerging initiatives</li> <li>Ad hoc meetings</li> <li>Compliance monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Compliance across operations with local, provincial and national regulations</li> <li>Effective partnerships towards achieving articulated government objectives, projects and policies</li> <li>Demonstrable company support towards sustainable socio-economic growth in the region</li> </ul>	<ul style="list-style-type: none"> <li>Tongaat Hulett has systems in place to ensure compliance with regulatory frameworks</li> <li>Ongoing partnership with relevant government agencies on various initiatives including sugar expansion in rural communities, contributing to the increase in small and medium-scale indigenous farmers in both sugarcane and maize, and land conversion activities</li> </ul>
<b>Private farmers</b>	<ul style="list-style-type: none"> <li>Groups are organised per logistical areas of operation</li> </ul>	<ul style="list-style-type: none"> <li>Maximum return in terms of revenue received for sugarcane and maize</li> <li>Support from the company towards the long-term sustainability of private sugarcane farmers</li> </ul>	<ul style="list-style-type: none"> <li>Access to maximum quality seed cane and cost savings on key inputs such as fertiliser and herbicides</li> <li>Tongaat Hulett works to unlock grant funding from relevant authorities</li> <li>Sustainable integrated farming model for staple foods implemented across SADC region</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>Regular and ad hoc local forums with traditional and community leaders</li> <li>Development of small-scale private farmers in the communal areas identified for sugarcane expansion</li> <li>Regular interaction at local level through socio-economic development (SED), provision of basic needs and services</li> <li>Regular interaction at local level through the Enterprise Development (ED) initiatives implemented in partnership with community</li> </ul>	<ul style="list-style-type: none"> <li>Access to sustainable jobs and economic opportunities</li> <li>Affordable education, training and access to healthcare and basic amenities</li> <li>The conservation of the community's way of life, culture and environment</li> <li>Provision of access to opportunities through ED initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Additional direct and indirect jobs</li> <li>SED investment addressing a broad range of needs in Mozambique, South Africa, Swaziland and Zimbabwe</li> <li>Health programmes for all employees extend to communities, including counselling, screening and treatment for both HIV/AIDS and malaria</li> <li>Ongoing schooling and infrastructure development projects involving local communities</li> <li>Working with community to identify opportunities for ED that facilitates development of relevant and sustainable businesses in rural communities</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Regular collaboration on topics of employee protection, diversity and performance management</li> <li>A variety of internal communication channels, including the company intranet, internal newsletters and briefings</li> </ul>	<ul style="list-style-type: none"> <li>Stable employment relationships and job security</li> <li>A working environment that guarantees health, safety, fairness and equal opportunity</li> <li>Opportunities for upward and sideways movement within the organisation</li> <li>Freedom of association and the right to collective bargaining</li> <li>Training and development</li> </ul>	<ul style="list-style-type: none"> <li>Sound corporate governance practices aligning remuneration with performance</li> <li>Managers across operations interact with trade unions in an open and constructive manner</li> <li>Ongoing healthcare and wellness programmes across rural operations, particularly in Mozambique, Swaziland and Zimbabwe</li> </ul>
<b>Customers, suppliers and service providers</b>	<ul style="list-style-type: none"> <li>Regular interaction on procurement processes, responsible sourcing standards and supply chain management</li> <li>Regular interactions with customers on various matters</li> </ul>	<ul style="list-style-type: none"> <li>Local procurement</li> <li>High-quality products at competitive prices that attract consumers and encourage brand loyalty</li> <li>Access to quality housing and property solutions</li> <li>Product innovation and growth of the business</li> <li>Professional and mutually beneficial trade relationships and robust supply chain mechanisms</li> <li>Product responsibility and food safety</li> </ul>	<ul style="list-style-type: none"> <li>Tongaat Hulett continuously improves the quality, taste and innovative features of products at reasonable prices</li> <li>The land developments undertaken by Tongaat Hulett have catered for all levels of society with housing solutions being developed for low, middle and high-end income earners, while taking cognisance of emerging market developments e.g. retirement sector</li> <li>Land developments undertaken take cognisance of the evolving needs of society i.e. business, recreation, leisure etc.</li> <li>The company operates under the relevant regulations, standards and laws to ensure the quality and safety of all its products</li> </ul>



## SOCIO-ECONOMIC DEVELOPMENT

Societal dynamics can play an increasingly significant role in organisations, particularly those multinationals that are based in Africa. Tongaat Hulett understands this reality and has over many years articulated its commitment to working with its key stakeholders with the following objective in mind: "Value creation for all stakeholders through an all-inclusive approach to growth and development". Tongaat Hulett's SED programme, which incorporates application of the SDGs, is one of the strategies to strengthen and build improved relationships with government and society, specifically those stakeholders that are most impacted by the company's activities. The principles which it embraces in its approach to SED include:

- Corporate governance - the business continues to adhere to legal and accepted business practices.
- Corporate social responsibility - the company demonstrates responsibility to society by minimising any negative impact and extending philanthropic and charitable inputs to the communities that it operates in.
- Social sustainability and innovation - Tongaat Hulett is developing innovative practical approaches to transform society and the environment thereby uplifting communities.

The business exceeded its commitment of allocating one percent of annual headline earnings to SED for the 12 months to 31 March 2018. For the period, Tongaat Hulett invested R217,6 million in its SED initiatives (2016/17: R186,3 million), including the cost of company-sponsored occupational and primary healthcare services. Operations in Zimbabwe, Mozambique and Swaziland accounted for 92 percent of the total amount invested in SED initiatives. Key elements of SED spend for the period were as follows:

### HEALTHCARE

- With most operations in rural areas, a significant amount is invested in running healthcare facilities for employees and local communities.
- R103,6 million was invested in health-related activities.

### BASIC NEEDS

- Tongaat Hulett continues to invest in basic needs and social development, which includes food security projects and the provision of basic materials, to uplift communities around company operations.

### SPORTS, ARTS AND CULTURE

- The company acknowledges the important role that arts, sports and culture can play in the development of successful rural communities. R15,9 million was invested in these initiatives during the year. In Zimbabwe and Mozambique soccer plays a significant role in communities and Tongaat Hulett sponsors various teams in these operations.

### EDUCATION

- R20,8 million was invested in education initiatives across the company. This included the purchase of exercise and textbooks and new chairs in the estate schools in Mozambique, Swaziland and Zimbabwe. During the period schools managed by the company in Zimbabwe had 14 787 pupils enrolled.



## FOOD SECURITY

The world's food systems play a central role in the well-being of ecosystems and human societies, and are a key driver of economic livelihoods. They contribute to most of the SDGs. However, today's food systems will not be able to feed the world's growing population both nutritiously and sustainably. Most smallholder farmers in Sub-Saharan Africa are challenged by a lack of technical farming skills, capital and adequate mechanisation. In addition, they farm on small parcels of land that are often degraded and have no access to irrigation. Tongaat Hulett understands the crucial role that agriculture can play in improving food security, and ensuring environmental safety. Its strategy is underpinned by the following parameters:

### CHANGE OF ATTITUDE IN AGRICULTURE

- Agriculture will thrive when governments, businesses, policymakers, civil society and farmers (commercial and smallholder) jointly develop solutions to improve food security.

### LAND REFORM AND WATER STORAGE CAPACITY

- Beneficiaries to be selected based on farming experience and provided with proper and adequate support, including partnerships with organised agriculture.

### GREATER INVESTMENT IN AGRICULTURE

- Increase expenditure aimed at improving agricultural infrastructure, research and development, and education and training for smallholder farmers.

## MAKE AGRICULTURE AN ATTRACTIVE CAREER OPTION FOR YOUNG PEOPLE

- Develop innovative tools and measures that will ensure that all farmers, and particularly smallholders, can improve their competitiveness. In addition, ensure that young people are made aware of farming as a business career option that offers opportunities to engage in all areas of the value chain.

## PROMOTING SUSTAINABLE AGRICULTURE

For agriculture to be sustainable, land and water must be used efficiently to reduce negative impact on the environment and ensure resilience to climate change. Tongaat Hulett believes that better farming practices will halt, and in some instances, reverse the negative process of soil degradation. Fertile soil is the foundation of sustainable agriculture, but poor farming practices and extreme weather lead to soil erosion and infertility.

The company applies a range of conservation methods and complements agricultural extension projects with a portfolio of partnerships in advanced crop science and land-use strategies to ensure that every field is environmentally assessed before planting. In selected areas, depending on soil conditions and other agronomic influences, a range of cover crops are used to improve soil conditions and nitrogen prevalence for the subsequent sugarcane crop. Sustainable farming solutions include not tilling the land, crop rotations, bringing vegetation back to degraded land and planting vegetation around fields to prevent erosion.





## CASE STUDY

# TONGAAT HULETT PARTNERS WITH GUDO COMMUNITY IN ZIMBABWE

Maintaining and consistently improving stakeholder relationships remains an integral part of Tongaat Hulett's business model through its SED activities. According to SDG 3, ensuring healthy lives and promoting the well-being for all, at all ages, is essential to sustainable development. Tongaat Hulett understands the importance of this approach and is actively involved in healthcare related SED activities in the communities that surround its sugarcane growing operations. An example of this commitment is demonstrated through the company's Zimbabwean operations who have partnered with the local authorities and community in Gudo, 97 km from Chiredzi, to construct the Gudo Clinic, that will benefit an estimated 10 000 families.

The Gudo community was in desperate need of a healthcare facility as during the rainy season the area is prone to outbreaks of malaria. Based on its geographical location, it lies very close to Save River which floods during the rainy season and as a result creates basalt soils thus making access to health centres in the neighbouring towns difficult to reach if not impossible. Initially in 2013, Tongaat Hulett was approached by the Chief of Gudo to assist his community with the completion of a clinic which they had started to build but failed to complete. Tongaat Hulett took over the project at window level. The actual value of the clinic including the nurse house and mother's shelter, once completed, is US\$185 000.

The project has now been completed and is ready to hand-over to authorities. This clinic will provide health services to mothers requiring maternal healthcare and children under five requiring vaccinations and nutrition. The wider communities from Chipinge and Chiredzi would access out-patient health requirements and for complicated cases, these would be transferred to Chiredzi District Hospital. In conjunction with the construction of the clinic and nurse house, Tongaat Hulett has donated furniture consisting of 12 beds and mattresses, 16 bedside lockers, 16 cardiac tables, 6 relocation stretchers, 56 blankets, 28 pairs of sheets and 20 pillows and pillow cases.

In accordance with SDG 6, on ensuring access to water and sanitation for all, Tongaat Hulett also assisted the Gudo community with borehole drilling thus the provision of water.



## CASE STUDY

### MOZAMBIQUE WATER SUPPLY

Tongaat Hulett's Mozambique operations at Xinavane and Mafambisse are located fairly close to the cities of Maputo and Beira respectively. Given the large rural communities that surround these operations there remains multiple opportunities to significantly contribute to the ongoing development of both the people and the areas. The initiatives that Tongaat Hulett continues to undertake in these operations are in accordance with the SDG 6 which states that, "Access to safe water and sanitation and sound management of freshwater ecosystems are essential to human health and to environmental sustainability and economic prosperity."

At the Xinavane operation initiatives around the supply of safe drinking water commenced in 2008, while the following initiatives commenced in 2015. The communities and schools benefitting from the interventions made are detailed below:

- In schools, water supply systems were set up that not only benefit the learners but also the community. At Timanguene, the water system benefits about 455 learners and 405 families.
- At Chichuco primary school a borehole was opened to supply water to about 200 learners and the community.
- At Mucuvulane community a borehole was opened supplying water to about 400 families.
- At Macaene-Masintonto Tongaat Hulett opened boreholes to supply water to a community of about 150 families.
- In Chalate the water system benefits 200 learners and a part of the neighboring community.
- In Agraria de Magude school a borehole has been opened that benefits 300 learners and it is used for the irrigation of vegetables that feed the learners.

- A borehole was opened at the administrative post of Josina Island befitting 200 families. This project has had a significant impact because the diseases caused by the consumption of impure water and the attack of crocodiles in the rivers have been greatly reduced.
- Tongaat Hulett also provides clean drinking water to a number of healthcare facilities including Xinavane Rural Hospital, and three health centers at Chichachanduco, Mbondoia and Macaene.

In addition to the initiatives undertaken for surrounding communities, Tongaat Hulett continues to supply safe drinking water to its employees. Quarterly water test undertaken to ensure the ongoing safety of water that is consumed by the residents located in the multiple company residential areas. In addition to its initiatives around safe drinking water, the Xinavane operation has provided a sewage plant located in the estate with the purpose of ensuring the health and well-being of employees and community. The company covers all the costs associated with the management and maintenance of the sewage plant.

Tongaat Hulett Mafambisse operation has undertaken a number of initiatives to improve the quality of water available to rural communities with the implementation of environmentally safe sanitation programmes, and for the 2016/17 reporting period this includes:

- Opening of a borehole in Mafambisse Mutua
- Training of community leaders in environmental sanitation
- Supply of materials for the construction of improved latrines in Lamego
- The repair of 15 boreholes in schools and the community of Mafambisse

The Muda Nhansato community lives on the margins of the Muda River. The community obtained its water supply from the river and residents were regularly exposed to the risk of crocodile attacks. In order to facilitate and guarantee access to safe water for human consumption, Tongaat Hulett has built a borehole that benefits 798 community members and has rehabilitated another 15 boreholes that benefit approximately 7 500 people in Mafambisse.



## CASE STUDY

# JOBS FUND PARTNERSHIP ENDS ON A HIGH

Tongaat Hulett believes in partnering with stakeholders to address the socio-economic challenges in the areas in which the company operates. The recently completed Jobs Fund partnership assisted in addressing these challenges and meeting several of the SDGs in northern KwaZulu-Natal, which has high rural unemployment and poverty rates.

Tongaat Hulett, in partnership with the Jobs Fund created 3 019 new jobs in less than four years, against an initial commitment to create 2 874 jobs through the life of the project. The project assisted in the creation of 27 cooperatives, with more than 3 000 members, and encompassed areas overseen by 15 different traditional councils.

Some 10 972 hectares of rain-fed sugarcane were planted since commencement on 1 August 2014. The project initially planned to plant 12 000 hectares of dryland sugarcane, but this was adjusted downwards to 10 600 hectares (9 600 and 1 000 hectares of dryland and irrigated sugarcane, respectively) after the region experienced the worst drought in over 100 years during 2015 and 2016, which constrained planting activities in those years. In spite of this reduced planting area, the partnership was still able to exceed original projections of both the number of jobs created and the number of beneficiaries trained.

The R305 million initiative, supported by the Department of Economic Development, Tourism and Environmental Affairs, the KZN Provincial Planning Commission and the Ingonyama Trust Board, was jointly funded by Tongaat Hulett (R155 million) and The Jobs Fund (R150 million). In addition, Tongaat Hulett has spent R103,2 million on in-kind contributions, which included community social facilitation work, overall project management and SED initiatives.

The in-kind SED contributions addressed issues such as food security, education and training, access to water for communities and livestock and cattle management. These initiatives were implemented through a range of partnerships with multiple stakeholders including community members, Municipalities, Traditional Councils, the KwaZulu-Natal Department of Education, and the KwaZulu-Natal Department of Agriculture and Rural Development. Some R5 million was spent on bursaries and training-related programmes over the project period.

Training formed an important element of the project and 1 285 local community members were trained, exceeding the revised estimate of 1 095 individuals by 17 percent. The training ranged from multi-year tertiary qualifications in farm management, to certificate courses and on-the-job training initiatives - which covered a wide range of roles from manager and supervisor level to planters, weeders and harvesters. Partnerships to address skills upliftment and training included the Owen Sitole College of Agriculture, the South African Sugar Research Institute and the Mfolozi Technical Vocational Education and Training (TVET) College.





## CASE STUDY

# FOOD SECURITY THROUGH LAND CARE

Tongaat Hulett's commitment to creating value for all stakeholders through an all-inclusive approach to growth and development is being demonstrated through an innovative project that applies numerous SDGs. The pilot project demonstrates climate smart urban farming's potential to address the multiple challenges facing urban development in eThekweni Municipality, including pollution, unemployment and poverty.

As a result of coastal topographies, around 40 percent of land remains undeveloped as unmanaged open spaces, a site for pollution and informal settlement with limited access to services, resulting in increased pollution risk to open spaces, rivers, estuaries and the ocean. Urban farming is already widespread in these open space areas, but is generally done unsustainably, and often in wetland areas which are environmentally sensitive. The contaminated rivers mean that river water used in irrigation threatens safe and secure food supply for these communities. The model affirms the importance of looking after the land in order for the land to produce safe food.

Communities living in neighbourhoods along river catchments are assisted to form cooperatives and trained in land care through practical work, clearing alien vegetation, pollution, recycling, and propagating indigenous plants for restoration. Upon mastering this skill, they are then trained in organic farming, graduating as climate smart farmers, who are allocated a large open space area to manage as a concession for farming a limited footprint area for their benefit. To ensure that they are successful, unemployed environmental and agriculture graduates are appointed as extension officers to

provide technical support and links to the local commercial markets (hospitality and supermarkets) are facilitated. These climate smart farmers are producing to supply and not to sell, thus ensuring that they are protected from price competition with volume commodity producers. The initiative results in a win-win as the environment, neighbouring communities and graduates all benefit.

The AgriHub is run as an enterprise, responsible for managing both supply and demand for a specific area. It provides technical skills transfer and inputs to these farmers. A 12-month internship programme, guided by an agricultural scientist mentor, trains agricultural graduates in extension services while environmental interns are mentored by environmental consultants. Upon completing internships, graduates feed into government's land reform programmes which will benefit from this new breed of climate smart farmers supporting land reform beneficiaries.

The pilot project addressed oHlanga river pollution in a seven kilometre area, from the estuary to inland Ottawa/M41, resulting in the collection of 300 tons of waste, and established the Ottawa AgriHub. The project was implemented by Tongaat Hulett in partnership with eThekweni Municipality under the Department of Environmental Affairs' National Resource Management Programme.

The project is now being rolled out as part of the Government Radical Agrarian Socio-economic Transformation (RASET) programme where each river catchment will have several river valley small organic farming cooperatives all linked to an AgriHub.



## CASE STUDY

# MOZAMBIQUE SMALL-SCALE GROWER TRAINING

Tongaat Hulett has set itself the objective of contributing towards the creation of successful, sustainable small-scale sugarcane farmers. With sugarcane farming not being a traditional farming activity in Mozambique, local farmers generally lack the required knowledge and expertise. Due to the reality that most local farmers were previously subsistence farmers, they also require additional training in farming as a business. These skill shortages can influence productivity, viability and the sustainability of the small-scale grower associations that have been created. To address these requirements Tongaat Hulett has developed a farmer training and skills development programme to meet the training and development needs of these emerging farmers.

Participants of the first programme, which comprised 64 young trainees, 22 of whom were female, graduated in April 2018. They were chosen from small-scale grower associations, with one participant selected for every 40 hectares under cane. Tongaat Hulett thus far invested Mt 33 478 533 in this comprehensive four-year programme, which covers theory, practical and business management. The programme is presented by estate personnel and external institutions such as universities, research, and training institutions, from Mozambique and abroad. External institutions who present selected programme modules include Universidade Eduardo Mondlane, Instituto Agrario de Boane, and Mananga Training and Development Centre in Swaziland.

The programme, which commenced in 2014, was initially designed to be a two-year course, but after the initial period it was determined that participants required additional practical experience in the production environment. The programme was thus extended to include two years of practical farming experience on the participant's association's farm. Training modules include:

- basic business management;
- soil and water management;
- crop nutrition;
- crop physiology;
- crop husbandry;
- labour management and control; and
- pest and diseases control.

Commenting on the success of the programme, Antonio Timane from the Hoyo Hoyo Association said, "We had teachers from Universities and at beginning of the training it was difficult to understand. We were training in all aspects of sugar cane growing and now we are ready to work and produce sugarcane."



## CASE STUDY

### HIPPO VALLEY ESTATES WINS BUSINESS ACTION ON HEALTH AWARD

Tonga Hulett recognises the impact HIV/AIDS, TB, malaria and non-communicable diseases (NCDs) have on its business, its employees and the surrounding communities. The company's wellness and disease management programme at its Hippo Valley operation in Zimbabwe was recently recognised by being named overall winner of the GBCHealth Business Action on Health Awards in the Workforce and Workplace Engagement category. This multifaceted programme addresses a range of elements of SDG 3, "Ensure healthy lives and promote well-being for all ages," including addressing maternal mortality, childhood mortality, HIV/AIDS, TB, malaria and premature mortality caused by NCDs. In addition, it also addresses sexual and reproductive health and the achievement of universal health coverage which includes access to quality healthcare services and safe, effective essential medicines and vaccines.

GBCHealth is a coalition of companies and organisations committed to investing their resources to make a healthier world for their employees, for the communities in which they work and for the world at large. The Workforce and Workplace Engagement category award recognises a corporate workplace programme that is continuing to evolve by integrating new approaches, health issues and leaders to more effectively protect and improve the health and well-being of their employees. The award was presented on 5 April 2018 at the West African Corporate Malaria Award Ceremony in Accra, Ghana at an event attended by the First Lady of Ghana, Rebecca Akufo-Addo.

Ian Mathews, Director, Strategy and Communications at GBCHealth commented, "Hippo Valley's health program was found to be exemplifying the powerful impact that the private sector can make on health and we couldn't be prouder to share in this well-deserved moment." Hippo Valley's wellness and disease management programme's specific mandate is to promote and improve good health of its employees, their dependents and the surrounding community. This is achieved by way of prevention, mitigation, care and support through:

- a public health approach to communicable diseases such as Malaria, TB and HIV/AIDS;
- maternal and child health management for its employees and their dependents;
- occupational health management through health surveillance (following hygiene surveys);
- case management of acute and chronic medical conditions in the 60-bed medical centre; and
- diagnostic services provided through the laboratory and radiology departments.

The population covered by the health programme ranges between 18 000 and 26 000 people. Services are provided to permanent and temporary employees, who belong to an internal health insurance where they pay a nominal fee (less than \$2 per member/month). Some of the health services are also extended to the surrounding community. Several public health programs such as TB, HIV/AIDS, and malaria are provided through public-private partnership between Hippo Valley, the Ministry of Health and Child Care, and non-governmental organisations (NGOs). These partnerships have included the provision of training and educational materials for peer workplace educators, healthcare professionals and community members, the provision of medications and funding to procure anti-retroviral treatment (ART) drugs for the 3 000 people currently accessing this treatment; the largest number of patients on treatment in the private sector.

The HIV/AIDS programme has contributed towards significant improvements in the management of the disease and a marked reduction in new infections. The prevalence has reduced from 34,6 percent in 2003 to 21 percent in 2016. The provision of free ART has seen many people who had become very ill, recover and return to work. This has helped people appreciate testing and counselling as the gateway to care and support and the visible health improvements have helped to address discrimination.

In 2015, Hippo Valley carried out a baseline health and wellness survey which paved the way for the implementation of South African National Standard (SANS16001:2013) Wellness and Disease Management System. This provides a framework for a standardised approach to assessing the level of risk and formulating objectives and targets for managing both communicable and non-communicable diseases. It was the first Zimbabwean company to implement this standard. Following the survey, the company noted high levels of previously undiagnosed diabetes mellitus and hypertension and has identified these, together with HIV, as the top health risks with impact to the business. The company is in the process of formulating and implementing a set of strategies to address this.





## SUPPLY CHAIN

In line with the philosophy of "Sustainable value creation for all stakeholders through an all-inclusive approach to growth and development", Tongaat Hulett continues to work closely with the various governments and other stakeholders in countries where the business operates. Supply chain has proven to be a great conduit in addressing the socio-economic dynamics in each of these countries, in efforts to improve the quality of lives and promote economic development.

In South Africa, Tongaat Hulett Limited is aligned with the national B-BBEE agenda and has contributed towards changing the socio-economic landscape over the years. This is evidenced by the attainment of a Level 3 B-BBEE status in the latest verification of June 2017, which was a notable improvement from the previous performance of Level 4 B-BBEE status - with the business once again achieving full points for SED and ED. Both the revised Property sector and Agricultural (AgriBEE) sector codes have been gazetted. Therefore, the land conversion and agricultural operations, will be verified against these codes in the upcoming BEE audit process, which commenced in May 2018. While these revised sector codes are more onerous, highly stringent and are being conducted against a backdrop of more difficult economic conditions globally,

the business has been hard at work to ensure B-BBEE performance is improved, or at least maintained.

The Enterprise and Supplier Development (ESD) element consists of Preferential Procurement, ED and Supplier Development. This aims to strengthen and increase local procurement, particularly from Black Owned (BO) and Black Women Owned (BWO) entities, to help broaden South Africa's industrial base. The Tongaat Hulett ESD strategy, is designed to diversify the supplier base with a special focus on localisation. A key objective is also to actively support Qualifying Small Enterprises (QSEs) and Exempt Micro Enterprises (EMEs) through transformative procurement programmes, as well as through monetary and non-monetary/in-kind contributions. This is being done by creating opportunities for QSEs, EMEs, 51 percent BO (or above), 30 percent BWO (or above) and Youth Owned businesses. In support of the Preferential Procurement (PP) sub-element, the business has made significant strides in increasing spend with small, medium and micro enterprises (SMMEs) as well as local suppliers and introducing a number of BO and BWO into the Tongaat Hulett supply chain.

## SAFETY, HEALTH AND ENVIRONMENT

Over the years, Tongaat Hulett has achieved good progress along the ZERO HARM journey and has strengthened stakeholder partnerships in this campaign. Without compromising on the effectiveness of existing occupational SHE initiatives targeted at protecting people in the workplace and preventing harm to the neighbouring environment, the company recently adopted an additional strategic thrust of taking SHE campaigns outside the boundaries, beyond its operations into the surrounding communities. The objective of these initiatives relates to ensuring the safety and health of all people as well as looking after the extended environment within Tongaat Hulett's stakeholder community.

The company's leadership are committed to sharing and protecting SHE values as demonstrated by adherence to SHE principles, deployment of necessary resources and provision of guidance to stakeholders in an effort to realise the ZERO HARM goal. Satisfactory progress is currently reflected by Tongaat Hulett's safety and health performance which still compares favourably with leading benchmarked companies across the world, particularly in terms of LTIFR, primary and public health care.

## SAFETY

Regrettably, a single work-related fatality was suffered during the year 2017/18. There was a reduction in the number of fatalities recorded during the year when compared to the three suffered in 2016/17 and the five in 2015/16. However, given that Tongaat Hulett's ZERO HARM campaign is targeted at completely eliminating fatalities as a top priority, one fatality is one too many. It is therefore deeply concerning to have had a fatality experience in the year.

Fatality risk control protocols are established and being monitored at the highest level as part of the organisation's key safety focus areas.

The company's safety performance in terms of serious injuries that result in loss of time improved in 2017/18 when compared to the previous year. A LTIFR of 0,083 per 200 000 hours worked,



was achieved in 2017/18 reflecting an improvement from 0,093 achieved in 2016/17. The 39 lost time injuries represented a reduction by 2 when compared to 41 recorded in the previous year. This reduction is satisfactory when considering that employee hours worked in 2017/18, of 94 290 022 hours, was 7 percent higher than 87 951 776 hours worked in the prior period representing a higher risk exposure to employees in the current year.

Total Recordable Cases Frequency Rate (TRCFR) and Total Injury Frequency Rate (TFIR) were at 1,37 (2016/17: 1,46) and 2,61 (2016/17: 3,41) respectively. This performance reflects an improvement in total injury performance including minor injuries that required mild medical treatment without experiencing loss of time. The reporting of minor first aid cases however, declined slightly.

## FOOD SAFETY

Sugar or sucrose is a natural plant product. It is produced by the sugarcane plant in much the same way that other plants, such as fruit and vegetables, produce sugars. Neither white nor brown sugar contains additives or preservatives of any kind, although the excessive consumption of any food stuff, no matter how harmless, is not conducive to good health. Sugar is a natural and healthy contributor to the enjoyment of food as part of a balanced diet.

Tongaat Hulett's longstanding reputation of being a producer of high-quality products continues to grow and is acknowledged by its stakeholders, which include customers, regulatory authorities and third-party auditing bodies within and outside the food industry. Such a reputation is protected and strengthened through adherence to structured food safety processes that include managing maize and sugarcane requirements on a non-genetically modified basis and applying a sophisticated identity preservation system. Compliance with these systems and processes is monitored through several annual customer audits that apply global audit protocols. In addition, ongoing attention is paid to the requirements of FSSC 22000 (a Food Safety System Certification used by food manufactures which is aligned with ISO 22000 and includes Good Manufacturing Practices), ISO 22000 and ISO 9001, in terms of quality and food safety standards.

## HEALTH

Tongaat Hulett has 40 382 employees (peak milling season) working at 27 locations in 6 countries in Southern Africa. Health issues across the region where the business operates are therefore varied. Tongaat Hulett's thrust on sustainability requires sound management of business risks, including those posed by ill health among its employees and people from surrounding communities. These risks can result in increased absenteeism, increased production costs and reduced productivity. Managing all health-related risks is therefore imperative to maintain a healthy workforce. An example of the activities undertaken by the business in ensuring the health and well-being of its staff is detailed above.

For the year under review, elements of key health focus areas within Tongaat Hulett operating areas entailed:

- HIV/AIDS management
- Wellness and disease management
- Occupational health programmes with emphasis on managing risks of noise induced hearing loss
- Malaria case control

### HIV/AIDS AND TB MANAGEMENT

HIV/AIDS continues to be the leading common health issue significantly affecting the Tongaat Hulett stakeholder community. The UN AIDS 90-90-90 target calls on the global community to reach the following goals:

- 90 percent of people living with HIV should be diagnosed by 2020;
- 90 percent of diagnosed people should be on ART by 2020; and
- 90 percent of people on treatment should have fully suppressed viral load by 2020.

It is widely agreed that if all these targets can be met, AIDS related deaths can be dramatically reduced and new infections are expected to decline. Tongaat Hulett has committed to internalise and drive the above targets as far as reasonably possible. All





operations now offer HIV counselling and testing services either internally or through service providers. Statistics for 2017/18 show that out of 21 174 employees registered in the company's health database, at least 16 895 (79,8 percent) now know their status. From the 4 343 HIV positive employees, 3 946 (91 percent) are on ART. The challenge has been to determine the last "90 percent" of the above target i.e. majority percentage of HIV positive employees on ART who have full viral suppression. This challenge is presented by the fact that the company has data for employees on its internal treatment programme only. In South Africa, some employees are accessing ART from private and state facilities and hence their results are not known to the company. Key statistics of the HIV/AIDS management programme for the 2017/18 fiscal year are:

- Employees currently receiving company-provided ART: 3 720 (2016/17: 3 919)
- Voluntary counselling and testing (VCT) uptake: 75,0 percent (2016/17: 88,8 percent)
- Employees knowing their status: 79,8 percent (2016/17: 91,8 percent)
- Number of new employees confirmed HIV positive on testing: 460 (2016/17: 642)
- Number of employees currently HIV positive: 4 343 (2016/17: 4 752)
- HIV prevalence: 21,0 percent (2016/17: 22,7 percent)
- Cost of ART: R1,6 million (2016/17: R1,9 million)
- Seasonal employees/contractors VCT uptake: 7 798 (2016/17: 7 930)

- Seasonal employees/contractors on ART: 1 150 (2016/17: 1 144)

In 2017/18, some operations went through a periodic transition of changing third party independent partners who take the responsibility of facilitating and managing annual wellness day/ HIV testing campaigns. The timing of the transition process resulted in some key performance indicators for 2017/18 declining when compared to the previous year. This transition has now been completed and the negative impact emanating thereof will be addressed in 2018/19. Nevertheless, the management programme for HIV/AIDS is showing a positive effect with:

- The majority of people knowing their HIV status.
- A relatively lower number of new infections.
- More employees being on ART
- A reduction of treatment defaulters being realised.

Notwithstanding the comprehensive programme to manage HIV/AIDS implemented by Tongaat Hulett to date, HIV/AIDS will continue to be a significant threat for the foreseeable future which calls for current campaigns to be maintained.

## WELLNESS MANAGEMENT

Health is now recognised as being more than the absence of disease. Tongaat Hulett recognises that wellness issues such as mental health, stress and NCDs are contributing to the burden of disease among people. The SANS 16001 management system is a wellness and disease management system for managing non-occupational ailments that include NCDs. Tongaat Hulett began the roll-out of SANS 16001 implementation as part of its strategic





response to dealing with wellness issues affecting employees at its three pilot operations (Hippo Valley Estates in Zimbabwe, Voermol Feeds and Maidstone Sugar Mill in KwaZulu-Natal, South Africa). The systems certification pilot project was successfully completed in 2017/18 with all three operations achieving certification. Tongaat Hulett therefore takes a lead as one of the first agro-based companies in Southern Africa to implement the SANS 16001:2013 wellness and disease management system. Experience gained at the three pilot sites is now being applied to align other operations with the standard targeting certification at a later date.

## MALARIA

Regrettably, a single death from malaria was reported in 2017/18. Investigations concluded that the deceased employee contracted malaria while he was away from company premises and returned to the company hospital with advanced malaria that sadly claimed his life. The number of cases of malaria recorded for the year at 3 207 represented a 72 percent increase from the 1 869 recorded cases in 2016/17. The significant increase was attributed to high rainfall experienced in the region which increased pockets of stagnant water and therefore mosquito breeding sites. Current malaria control programmes are being revisited with a view to strengthen them where opportunities exist and to explore the possibility of enhancing public-private partnerships in the same programme.

Malaria is endemic in many of the areas where Tongaat Hulett operates and poses one of the biggest public health problems in those areas. The high temperatures which make for ideal sugarcane growing also make it an ideal breeding environment for the

malaria vector, mosquitoes. The 2017/18 year saw the wider part of Southern Africa experiencing an outbreak situation with an almost 400 percent increase in malaria cases being recorded at Tongaat Hulett Zimbabwe operations only. This followed the heavy rains Zimbabwe experienced in early 2018.

Integrated malaria control programmes that include vector control, awareness, personal protection, diagnosis and treatment continue. However, the effectiveness and adequacy of these control programmes are being investigated.

## OCCUPATIONAL HEALTH RISK MANAGEMENT

The main occupational health risk for Tongaat Hulett is that of noise induced hearing loss as this adversely affects the livelihood of employees after they leave employment. As part of managing this risk, the company focuses on early identification of those at highest risk and taking necessary precautionary measures before the severity of hearing loss increases. Various other occupational health risks are monitored through periodic medical surveillance programmes to ensure employees are not showing signs of over exposure to inherent risks.

In 2017/18, there was no occupational health related fatality (2016/17: 0) nor were there any occupational health cases with irreversible health effects (2016/17: 0). A total of 7 occupational health cases with reversible health effects (2016/17:12) were registered in the year representing an improvement from the previous years' reported cases.



# INTELLECTUAL PROPERTY



## INTELLECTUAL CAPITAL

14 REGISTERED PATENTS

369 REGISTERED TRADEMARKS

51 REGISTERED DOMAINS

### KEY ELEMENTS

Market-leading brands

Patents

Intellectual property

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### KEY PRIORITIES GOING FORWARD

Retention of third party certification

Growing market share responsibly through  
innovation and the development of  
high-quality products

Tongaat Hulett's intellectual property is protected through employment contracts and confidentiality agreements and/or license agreements with external parties. These agreements establish ownership of and rights to trademarks, copyright, trade secrets, innovations and inventions resulting from any dealings with the company. In the sugar operation, a portfolio of patents is managed by a knowledge management specialist in consultation with patent attorneys. Protection of patentable ideas is achieved by immediately obtaining provisional patents, with targeted national and international patenting.



Tongaat Hulett holds 14 patents registered in Australia, Brazil, China, Colombia, Indonesia, India, Mauritius, Mexico, South Africa and the USA. It is a proprietor of 369 registered trademarks in Australia, Botswana, Lesotho, Namibia, New Zealand, Philippines, South Africa, South Korea, Swaziland, Taiwan and the United Arab Emirates. The company has 51 domain names registered to it.

### THIRD-PARTY CERTIFICATIONS

SHE and food safety performances are benchmarked against global best practices to promote continuous improvement and stakeholder satisfaction. Operations subscribe to various internationally-recognised management systems and/or specifications that include NOSA, OHSAS 18001, ISO 14001, ISO 9001, FSSC 22000 and ISO 22000.

All operations retained certification to either NOSA 5 Star systems or OHSAS 18001 covering occupational health and safety. All 19 main operations are now certified to the ISO 14001 environmental management system. All starch operations, the refinery, and pack stations for Xinavane, Triangle and Namibia operations retained certification for FSSC 22000 or ISO 22000 on food safety management systems.







## PRODUCT RESPONSIBILITY

Tongaat Hulett complies with the relevant safety, health, environmental and quality legislation in each of the countries in which it operates, while striving to implement industry best practice. The production facilities have been certified under the ISO 9001:2008 quality management system. In South Africa, the operations have adopted Hazard Analysis Critical Control Points (HACCP), where appropriate. Downstream products supplied to the pharmaceutical industry are required to meet the standards of the Food and Drugs Act.

Tongaat Hulett ensures that appropriate information is provided to its customers. All product labels contain information about the product in compliance with the respective country legislation and labelling regulations.

## BRANDS

Several Tongaat Hulett brands hold prominent positions in their respective markets in different product categories and geographic locations. The company's objective is to grow its market share responsibly through innovation and the development of high-quality products. The following table provides a summary of the business's major food and animal feed brands:

	<b>Hulett's®</b> White sugar Brown sugar	Market leader in South Africa Over 120 years in the market
	<b>Hulett's Sunsweet®</b> White sugar Brown sugar	Market leader in Zimbabwe
	<b>Voermol Feeds®</b> Animal feeds	Market leader in the molasses and pith-based animal feeds industry in South Africa
	<b>Blue Crystal®</b> White sugar Brown sugar	Market leader in Botswana
	<b>Marathon®</b> White sugar Brown sugar	Market leader in Namibia
	<b>Amryal® Hydex® Vaalgold®</b>	Leading starch and glucose brands





# ENVIRONMENT



## ENVIRONMENTAL CAPITAL

**7 PERCENT** DECREASE IN SCOPE 1 EMISSIONS

**174 228** METRIC TONS OF CARBON DIOXIDE SEQUESTERED IN 2017/18

**425 136** MWH ELECTRICITY GENERATED BY TONGAAT HULETT SUGAR MILLS

FEATURED ON 2017 CDP WATER A-LIST

### KEY ELEMENTS

Reduced total emissions by 4 percent

9th consecutive years of participating in  
CDP Carbon, 5 years in CDP Water

Improvement in Water Resources Management

### KEY PRIORITIES GOING FORWARD

Improving soil health and promoting  
sustainable agriculture

Energy efficiency

Emissions reduction

Smart irrigation solutions

As a major user of land, biodiversity and water, Tongaat Hulett's agri-processing and land development operations are significantly impacted by natural systems and, in turn, impact the environment and local communities. As a responsible corporate citizen, Tongaat Hulett seeks to demonstrate its commitment to sound environmental stewardship, within a context of sustainable and ethical practice. Compliance with legal requirements is a minimum requirement, with operations striving to establish and comply with local and international best practices. In line with this approach, the company aims to retain certification to ISO 14001 Environmental Management System standard across all its operations.

With the increasing demand to grow more food, the responsibility lies with agriculture and agri-processing businesses to look after the soil in areas in which they operate. Since healthy soil forms the foundation of food production in successful agriculture, unproductive soil can be rehabilitated through the adoption and implementation of more environmentally friendly approaches. This is promoted by the three main interlinked principles of Conservation Agriculture: minimal soil disturbance, permanent soil mulch cover and crop diversification.

## CLIMATE CHANGE

According to the United Nations Food and Agriculture Organisation, there is no doubt that climate change impacts food security. Overhauling farming and food systems will be complex due to the vast number of stakeholders involved, the multiplicity of farming and food processing systems and differences in ecosystems. The effects of climate change on agricultural production and livelihoods will vary across countries and regions. Tongaat Hulett recognises the need to adapt to the physical impacts of climate change, which may affect operations, particularly through the availability of water and the occurrence of extreme weather events. The company continues to engage with experts on several innovative initiatives, including programmes to improve irrigation efficiency and more drought-resistant crop varieties.

Sub-Saharan Africa will experience the largest increase in the number of poor people, partly because its population is more reliant on agriculture. Therefore, success in transforming food and agricultural systems will largely depend on supporting smallholders in adapting to climate change. Tongaat Hulett relies on agricultural products produced in varying agro-ecological and socio-economic conditions. Solutions are tailored to these conditions, but overall, significant improvements in food security, as well as resilience to climate change is achieved by introducing sustainable agricultural practices.

Tongaat Hulett's approach to dealing with the impacts of climate change includes increasing resource-use efficiency, reducing fossil fuel usage and avoiding direct environmental degradation, enhancing productivity sustainably and reducing dependence on external inputs. Improved crop production and fertiliser management offer the greatest potential to reduce nitrous oxide emissions, while also reducing input costs. Increasing stocks of soil organic carbon improve crop yields and build resilience to drought and flooding, but also sequester carbon. The company participates in public environment forums and, during the past year, this included Business Unity of South Africa (BUSA), the Industry Task Team on Climate Change (ITTCC), parliamentary discussions and the Department of Environmental Affairs (DEA) on Carbon Budget and Carbon Tax alignment.

### CARBON MANAGEMENT

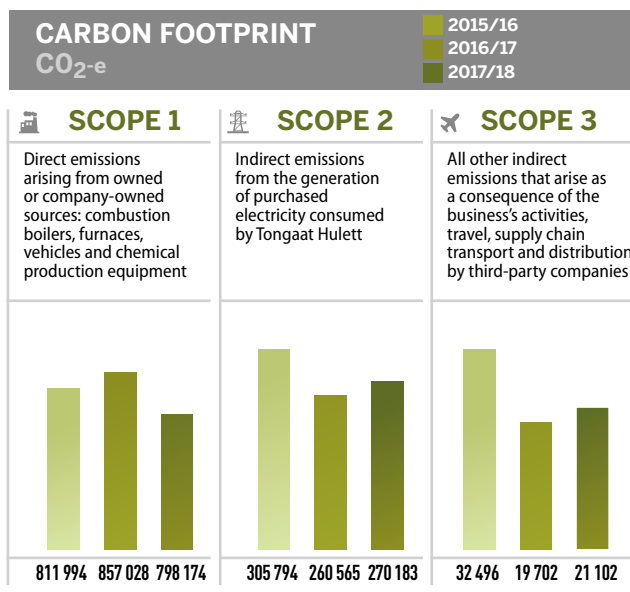
As part of its broader response to climate change, Tongaat Hulett participated in the CDP (formerly Carbon Disclosure Project) for the ninth consecutive year. The CDP is an independent initiative that encourages transparency on climate change-related issues, with an emphasis on emissions disclosure. The company's carbon footprint analysis was conducted per the Greenhouse Gas (GHG) Protocol, published by the World Business Council for Sustainable



Development (WBCSD) and the World Resources Institute and has reported Scope 1 and 2 GHG data in compliance with ISO14064:3. Terra Firma Solutions has provided limited assurance on Scope 1 and 2 GHG data in accordance with ISO14064:3. Details of the company's current actions are provided in the public response to the CDP, available at [www.cdp.net](http://www.cdp.net). Tongaat Hulett tracks and monitors its GHG emissions, seeking through ongoing efforts to improve the accuracy and reporting of its carbon footprint.

During the year, business operations emitted 798 174 metric tons of CO<sub>2</sub> equivalent (CO<sub>2</sub>-e) Scope 1 emissions (2016/17: 857 028). The company purchased electricity that emitted 270 183 metric tons of CO<sub>2</sub>-e (2016/17: 260 565). The total Scope 3 emissions were 21 102 metric tons CO<sub>2</sub>-e covering business travel, comprehensive supply chain transport and distribution by third-party companies (2016/17: 19 702). In the 2017/18 reporting period, employees booked 2 970 business trips, flying more than 4 137 823 million kilometres, resulting in 763 metric tons CO<sub>2</sub>-e being emitted from business travel. The total Scope 1, Scope 2 and Scope 3 carbon emissions for the period under review was 1 089 459 metric tons CO<sub>2</sub>-e and the turnover was R16,982 billion, which equates to 64 grams of CO<sub>2</sub> emitted per Rand generated. The GHG emissions have been verified by a third-party service provider.





Overall, compared to 2017, Scope 1 emissions decreased by 58 854 tons CO<sub>2</sub>-e (7 percent). Scope 2 emissions increased by 9 618 tons CO<sub>2</sub>-e and compared to 2017 (4 percent), compared to 2017, Scope 3 emissions increased by 1 400 tons CO<sub>2</sub>-e (7 percent).

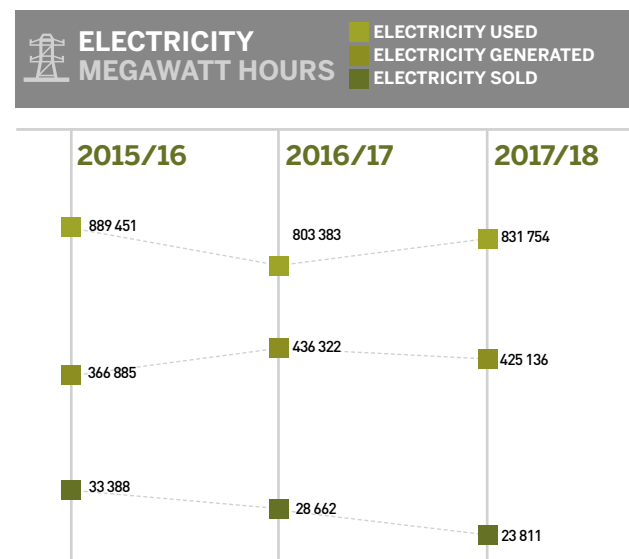
Total emissions from South African operations, calculated at 673 714 metric tons CO<sub>2</sub>-e, includes emissions of 344 983 metric tons CO<sub>2</sub>-e emanating from the South African sugar operations. Tongaat Hulett completed a study with the assistance of global carbon experts, which found that the company's sugar farms sequester carbon at a rate of 12 tons per hectare per annum from sugarcane produced. Using this rate, Tongaat Hulett's

14 519 hectares (grown from company-owned and leased land) equates to 174 228 metric tons CO<sub>2</sub>-e sequestered in this financial year. The South African sugar operations could benefit from the carbon capture and storage of CO<sub>2</sub> in the growing of sugarcane if the National Treasury allows for sequestered emissions to be deducted from the company's carbon footprint. Therefore, 499 486 metric tons would have been subject to carbon tax in this financial year.

## ENERGY

Energy efficiency is one of the region's challenges compounded by the need for an affordable, sustainable energy supply. The most practical and immediate route to success is not the building of new power-generating plants, but the use of less energy from the national grid. The introduction of a suitable regulatory framework for the provision of privately-produced alternative electricity to the national grid in South Africa could potentially result in Tongaat Hulett expanding the business's ability to generate electricity from bagasse, a renewable resource produced as a co-product of the sugar production process. In the short to medium term, this would involve infrastructure development projects across the company's sugar mills to significantly increase electricity generation from bagasse.

For the year ended 31 March 2018, Tongaat Hulett used a total of 831 754 MWh (2016/17: 803 383 MWh) of electricity across all its operations and offices. It generated 425 136 MWh (2016/17: 436 322 MWh) from its sugar mills, predominantly from bagasse, and sold 23 811 MWh (2016/17: 28 662 MWh) to the national grid. Other sources of fuel that are used include coal, 275 206 tons (2016/17: 300 268 tons), diesel, 13,3 million litres (2016/17: 10,9 million litres), petrol, 0,906 million litres (2016/17: 0,857 million litres), gas, 463 247 GJ (2016/17: 472 349 GJ) and wood, 3 050 tons (2016/17: 23 199 tons).



## AIR QUALITY

The deliberate strategy of burning bagasse ahead of coal as a fuel by sugar mills significantly improves the quality of emissions in terms of particulate matter, noxious gases, and carbon and sulphur oxide. Wet scrubbing technology continues to be used by most operations to remove fly-ash from the flue gas to ensure that emissions meet acceptable air quality standards. Tightening regulatory constraints and changing societal expectations in





relation to air emissions present challenges and opportunities for the business. While some emissions will always be inevitable because of the very nature of manufacturing operations, the company realises the need to improve performance. A high-level working group has been established to review emissions improvement options in preparation for further stringent emission standards which are expected to come into effect in 2020.

The primary use of coal as a fuel to fire boilers at the refinery in South Africa presents challenges in improving the quality of emissions. To address this, the company has developed an improved process technology solution which could be applied at that operation. In 2017, the company approved R90 million capital for the implementation of phase 1 of this technology solution. Implementation of phase 1 is due for completion by June 2018 and it is expected to deliver a significant reduction in emissions. This technology implementation is aligned with the refining operation's commitment towards reducing emissions and achieving its compliance objectives as agreed with the authorities.

## **BIODIVERSITY AND LAND MANAGEMENT**

Soil health plays a critical role in maintaining biodiversity. Experts warn that 33 percent of world soil is already moderately to highly degraded due to erosion, nutrient depletion, acidification, urbanisation, and chemical pollution, putting future supplies of food, water and energy at risk. Tongaat Hulett continues to rehabilitate currently unproductive land to agriculture, while also securing additional sugarcane supply to its mills. A total of 7 612 developable hectares of land in KwaZulu-Natal has been identified for conversion, at the appropriate time, in support of growth and development of the region. This conversion is carefully

managed and coordinated in line with broader government objectives and spatial policies. A major element of this conversion includes the rehabilitation of the affected ecological systems through a range of biodiversity improvement practices. The business works to avoid and minimise biodiversity loss and land disturbance, while improving its biodiversity management practices. This approach, which has been well established over many years, focuses on implementing the mitigation hierarchy of avoidance, minimisation, restoration, and offsets where appropriate.

## **WATER RESOURCE MANAGEMENT**

As an agriculture and agri-processing business, water is a vital part of Tongaat Hulett's daily operations. Climate change, with its consequent impacts on water availability and water quality, continues to impact on several regions in which Tongaat Hulett and its suppliers operate. Water pollution has the potential to increase operational costs and compromise the quality of products. It is therefore in Tongaat Hulett's interest to ensure sustainable management of shared water resources in the regions where it operates and procures.

Water is an essential input in the business, all operations are affected by uncertainties and challenges associated with water consumption. According to the 2030 Water Resources Group projections, without improvements in the way water is managed and used, the world could face a 40 percent supply gap by 2030. To this end Tongaat Hulett is partnering with other stakeholders in the uMhlathuze Water Stewardship Programme. The uMhlathuze region of the Pongola-Umzimkhulu Catchment Management Area is facing significant water stress. This is impacting economic activity



## CASE STUDY

# NEED FOR COLLECTIVE ACTION

The uMhlathuze Water Stewardship Partnership (UWASP) convenes key government, private sector and civil society stakeholders to actively collaborate on water security solutions for the uMhlathuze catchment in KwaZulu-Natal. Two people are employed full time (by the NBI and WWF-SA respectively), with further support and funding provided by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), a German Development Agency, International Water Stewardship Programme (IWaSP) and additional funding provided by Mondi and Tongaat Hulett. To date, UWASP has undertaken extensive stakeholder engagement with private and public partners to ensure that all can actively participate in the overall partnership and in specific projects of interest. A detailed partnership work plan and governance structure has been approved and implementation of five priority projects commenced in December 2017. The five priority projects address downstream water use efficiency opportunities; agricultural water stewardship practices; ecological infrastructure requirements (alien invasive plant clearing and wetlands); the development of local community environmental champions for pollution control; and enhanced management of the region's coastal lakes and surface water dam.

Progress on some priority projects is detailed below:

1. In February 2018 a study tour to the Inkomati Usuthu Catchment Management Agency (IUCMA) in Mpumalanga brought together the Department of Water and Sanitation (DWS) and sugar industry representatives (including SA Canegrowers and Tongaat Hulett) to explore the lessons learned in the IUCMA's water monitoring and metering systems. The implementation of a catchment management system and institutional support in the uMhlathuze catchment will benefit DWS's long-term management of the catchment and of Goedertrouw dam, including more effective water use management by the agricultural sector and downstream industry.

2. Scoping work to understand the interrelated waste and water challenges, interests and job creation opportunities for communities in informal areas around the coastal lakes of Mzingazi and Cubhu has commenced. These lakes supply water for domestic and industry users in the Richards Bay area. UWASP is in the process of formalising cooperation with the City of uMhlathuze (CoU) Municipality in order to work together on this community based project and other interventions.

3. A video of the value of the partnership to some of the beneficiaries (Richards Bay Minerals, Tongaat Hulett, Richards Bay Industrial Development Zone, DWS and Grindrod) has been produced through funding provided by the GIZ-IWaSP.

4. A strategic meeting between DWS and the CoU has been arranged to address the refurbishment of the Lake Mzingazi Water Treatment Works in order to better utilise this resource and decrease reliance on Goedertrouw dam.

5. Scoping of existing Alien Invasive Plant Clearing Initiatives and opportunities in the area has been completed and a workshop for all interested parties to improve alignment and coordination arranged.

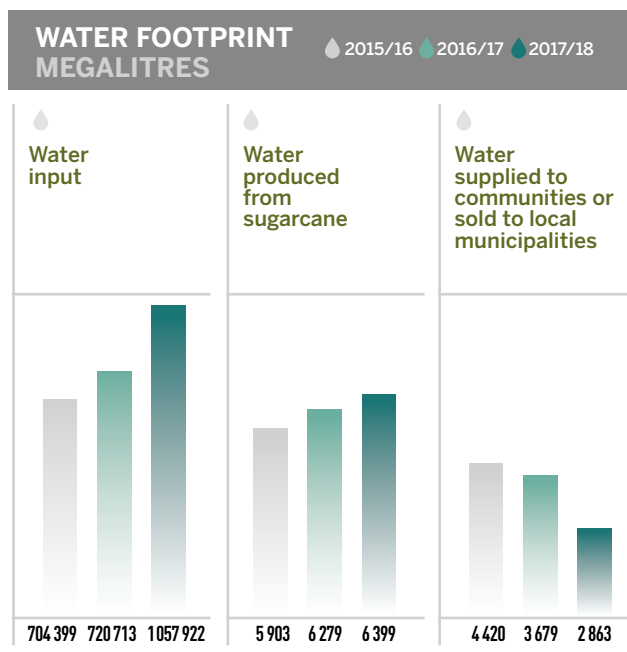
6. Ongoing investigations into the removal of water hyacinth and possible business opportunities for the existing UWASP projects is taking place.

7. Funding has been provided by GIZ-IWaSP for CoU officials to attend an international water loss conference with capacity development opportunities in Cape Town. Water balance and reticulation work in informal areas has been identified with CoU for GIZ- IWaSP to provide support.

8. A Memorandum of Understanding (MoU) between the partnership and the CoU has been developed and is currently being processed in order to proceed with working on projects with CoU staff.

9. Possible wetland rehabilitation sites on sugarcane land have been identified with land managers and basic assessments of rehabilitation requirements has been arranged.

10. Capacity development and mentoring needs and opportunities with key DWS KZN staff and young professionals, related to the management of Goedertrouw dam, have been identified. A MoU will be developed with DWS in order to proceed.



and livelihoods, particularly within the Richards Bay industrial complex and is also affecting agricultural and forestry activities in the middle and upper reaches of the catchment. In the context of the critical drought situation in South Africa, uMhlathuze is one of the most affected areas.

Input water sources include water abstracted from rivers, water available in sugarcane and water purchased from municipal sources. Most sugar mills operate in remote locations and therefore assist in the provision of potable water to local communities. For the reporting year ended 31 March 2018, the total water input was 1 057 922 megalitres (2016/17: 720 713) of which 6 399 megalitres (2016/17: 6 279) was produced from sugarcane and 2 863 megalitres (2015/16: 3 679) was supplied to communities or sold to local municipalities.

## EFFLUENT MANAGEMENT

A philosophy of "target zero effluent" disposal is subscribed to across all operations. This entails a journey involving upgrading production processes and infrastructure and shifting operational culture, aiming to reduce effluent discharge as a priority before treating and reusing the minimal amount that must be discharged. The quality of effluent being discharged is subjected to ongoing internal and third-party monitoring processes to ensure it meets minimum specifications set by statutory authorities. Water that is produced as part of the sugar milling process is largely used for the irrigation of sugarcane on adjacent estates while effluent produced at the central sugar refinery is disposed of into the municipal sewer for treatment. The quantity and quality thereof is monitored to ensure compliance with the relevant specifications. The remaining mills are progressing with environmental management programmes to adopt best practices and ensure legal compliance as a minimum. The Maidstone mill, in South Africa, is currently developing a Request for Proposal for the building of an effluent treatment plant, to treat effluent to the standard required for discharge to watercourses.

## WASTE MANAGEMENT

In line with the "ZERO HARM" principle, Tongaat Hulett manages waste from its operational processes with a "target zero hazardous waste" mindset. Efforts are directed towards reducing the amount

of hazardous waste being generated. Waste management plans follow a hierarchy of control steps to reduce, re-use and recycle waste before earmarking for ultimate disposal. Operations based in South Africa, Mozambique, Botswana, Namibia and Swaziland make use of registered waste companies that collect non-valuable hazardous waste from operations and dispose of it at designated hazardous landfill sites. Zimbabwe-based operations have constructed hazardous disposal sites that are registered by the regulatory authority and are subject to annual statutory and third-party audits.

During the 2017/18 reporting period, 11 579 tons of general waste (2016/17: 10 211 tons), 5 616 tons of scrap metal (2016/17: 3 080 tons) and 539 tons of hazardous waste to landfill (2016/17: 413 tons) was generated and disposed of in accordance with applicable legislation.

## ENVIRONMENTAL INCIDENTS AND COMPLIANCE

There was no level 3 incident recorded with significant impact on the physical/biological environment with extensive or long-term impairment of ecosystem function or surface/ground water resource (2016/17: 0 Level 3 incident). There were no non-monetary sanctions for non-compliance with applicable environmental regulations registered in the year. Established community liaison forums between Tongaat Hulett and interested parties addressed environmentally-related complaints raised during the year.

A single level 2 incident, with moderate impact on the physical environment was recorded at one of the operations following a spillage of a chemical onto the ground (2016/17: 0 Level 2 Incidents). Immediate corrective action was taken to contain spillage and clean up the contaminated area. The incident was reported to local environmental health inspectorate.

A total of 300 level 1 environmental incidents were recorded in the year resulting in minor impact on the physical environment but with no significant impairment of ecosystem function, surface or ground water resource (2016/17: 425). The majority of these incidents were related to product or substance spillage/leakage mainly at sugar and starch operations.

A total of 104 level 1 stakeholder complaints were recorded in the year (2016/17: 142). The majority of these complaints were related to odour emissions being caused by disruptive production processes. In most cases, these complaints were immediately responded to and addressed while in other cases action is continuously being taken to address underlying issues.

## INDEPENDENT THIRD-PARTY ASSURANCE

Environmental Resources Management (ERM) has provided independent third-party assurance over selected sustainability content of the 2018 Integrated Annual Report. The assurance was conducted in line with the AccountAbility AA1000 Assurance Standard (Revised, 2008) (Type 2 Moderate level). The engagement was conducted using the AA1000 AccountAbility Principles Standard (2008) criteria and those of the GRI Standards. For the detailed assurance statement refer to: [www.tongaathulett.com/2018/ermassurance.pdf](http://www.tongaathulett.com/2018/ermassurance.pdf)