

# CHAIRMAN'S STATEMENT



Bahle Sibisi  
Chairman

The resilience of Tongaat Hulett was severely tested during the year, as the company endured challenging market conditions in the sugar operations after high volumes of imported sugar entered South Africa and competed with local production.

## OPERATING ENVIRONMENT

Overall, the financial results reflected a disappointing 37% reduction in headline earnings for the year. The starch and glucose operations delivered a pleasing performance with higher sales volumes and the benefit of lower maize costs contributing to improved profit. In the land conversation and development activities, significant progress was made towards bringing more land to a shovel-ready state which is necessary to unlock value through future sales. Tongaat Hulett continues on its journey to create value for all stakeholders through an all-inclusive approach to growth and development.

Notwithstanding the challenging environment, the Board continues to believe in and invest for the future. Root replanting increased beyond normal levels as climatic conditions improved in both Zimbabwe and South Africa; significant spend was allocated to infrastructure and the Development business to unlock further land sales and future cash flows. The refinery project in Mozambique was approved to enhance the value of the business and substitute imported sugar with locally produced refined sugar thereby contributing to the development of the downstream industry in Mozambique. Thus, as the Board, we remain confident about the strategic direction of the business and are focused on driving improved business and financial performance, with particular emphasis on generating positive cash flows and reducing debt levels.

## SUSTAINABILITY

The food industry is crucial in promoting sustainable development. The company is focusing on improving the efficiency of production processes in order to reduce greenhouse gas emissions and water consumption. Promoting more sustainable agricultural and farming practices for the businesses' strategic supply chain has received increased attention. Tongaat Hulett continues to actively participate in various sustainability reporting initiatives, including the UN Global Compact, CEO Water Mandate and the Alliance for Water Stewardship. The company also participates in the FTSE/JSE Responsible Investment Index series, CDP carbon disclosure, CDP water disclosure, and supports the United Nations Sustainable Development Goals (SDGs). The sustainability element of this report provides more detail of the company's ongoing commitment and various activities in this arena. By participating in these initiatives

and incorporating best practice principles into the strategies, policies and procedures, and embedding a culture of ethics and integrity in the company, the Board believes that people and the environment will greatly benefit, and the business will continue to be sustainable and primed for long-term success.

The business is aligned with the SDGs and believes that these complement its strategic goal of value creation for all stakeholders through an all-inclusive approach to growth and development. The SDGs set out a vision for ending poverty, hunger and inequality, and protecting the earth's natural resources by 2030. The 17 goals are closely interlinked and are being integrated into the Tongaat Hulett sustainability framework, with an emphasis on those where the company can make the most meaningful, positive impact.

Tongaat Hulett has established a major footprint in the SADC region and is increasing its presence in a number of countries in the region, laying the foundations for solid future development in other targeted markets.

With a footprint in six SADC countries, the company's role and responsibility in community upliftment and rural development continues unabated. The sustainability element of this integrated report addresses these and various other milestones achieved in the reporting period. Tongaat Hulett's commitment to social sustainability and innovation had a positive impact on the communities where the company operates and this continues to be a priority. Stakeholders are encouraged to view business performance holistically, both in financial, environment and social development terms, and assess how these concepts are integrated in meaningful outcomes-based governance, successful strategy implementation and business sustainability.

## STAKEHOLDER ENGAGEMENT

Tongaat Hulett strives to ensure that communication and engagement with stakeholders is effective and comprehensive, enabling stakeholders to make informed assessments about the performance of the company and its prospects in the long term. The Board appreciates that constructive and inclusive engagement will generally result in mutually beneficial outcomes, where both the company and respective stakeholders benefit. Tongaat Hulett

interfaces regularly, in an open and honest manner with the investment community, shareholders, governments, small-scale and commercial private farmers and their representative bodies, communities, employees and people impacted by company operations or expansion activities.

The company's commitment to fruitful, constructive, mutual value-adding engagement is increasing, particularly given the rapidly evolving context of the potential for key stakeholders to have a major impact on the success and risk profile of the business's operations. Consequently, given the ongoing nature of changes in the external operating environment, stakeholder engagement within the company has remained a structured and ever-evolving strategic imperative.

Various strategic engagements throughout the period included collaboration with multiple stakeholders to improve sugarcane supply to sugar mills, thus positively impacting on the socio-economic dynamics of the communities in which the company operates. Through constructive engagement with various governments at all levels where Tongaat Hulett has a geographical footprint, the visible beneficial outcome has been the support received on protecting domestic sugar markets, particularly in Mozambique and Zimbabwe. Meanwhile, in South Africa, the Department of Economic Development has supported the application by the South African Sugar Association for an increase in the US dollar-based reference price used in the calculation of import duties. These dynamics continue to highlight the growing importance of governments understanding the significant contribution that agro-processing companies like Tongaat Hulett make in the developmental agenda of countries in the SADC region, through rural job creation, economic growth and development.

The company takes pride in its various socio-economic development programmes, with many successful case studies highlighted in the social and relationship capital section of this integrated annual report. The company's key focus areas on SED initiatives continue to be healthcare (HIV/AIDS and malaria management among others), basic amenities (including food security projects), education, promoting sustainable agriculture, rural and urban development, healthcare, as well as sports, arts and culture activities.

## DIVIDEND

The Board declared a final gross cash dividend of 60 cents per share. The final dividend, together with the interim dividend of 100 cents per share, provides shareholders with a total dividend of 160 cents per share for the financial year ended 31 March 2018.

## CORPORATE GOVERNANCE AND GOOD FUNCTIONING OF THE BOARD

There were no changes to the Board during this period. The current composition of the Board, with its gender and race diversity, the appropriate skills mix, age, experience and regional diversity all enable an environment for robust, balanced discussions and sound decision-making.

The Board's next formal evaluation process will be externally facilitated, and this will apply to the Board as a unit, its committees, its Chairman and individual members of the Board.

The Board welcomed the enhancements to governance introduced by King IV™, and has ensured appropriate application of the principles and recommendations. The Board continues to provide effective and ethical leadership, and strives to ensure that the company is governed with diligence and integrity. Effective governance is the cornerstone for the long-term success of the company and the Board is satisfied with the proper functioning and effectiveness of its various committees.

At the next AGM scheduled on 8 August 2018, the Board will seek the re-election of SG Pretorius, who turned 70 in 2018. The Memorandum of Incorporation states that a director who has reached the mandatory retirement age of 70 is required to retire at the next AGM after attaining that age, and may be re-elected by shareholders for a specific term as determined by shareholders in a specific ordinary resolution. The company wishes to retain his services, experience, knowledge, skills and wisdom for a further period of up to two (2) years. Mr Pretorius also serves as the Chairman of the Remuneration Committee and is a member of the Nomination Committee.

## CEO SUCCESSION PLANNING

After 16 years at the helm as the CEO of Tongaat Hulett, Peter Staude has reached the age of 65 and is due to retire during the coming year. The Board is undertaking the necessary processes to deal with the retention as well as strengthening of the existing executive talent pool in the company. Peter has done a tremendous job as the CEO of Tongaat Hulett and we owe him a debt of gratitude for his considerable efforts and leadership of the company. It remains our primary objective as the Board to ensure a smooth transition to his successor at the appropriate time. Further announcements in this regard will follow.

## APPRECIATION

An important success factor that we value and appreciate is the continued support and confidence of shareholders including long term institutional investors as well as other stakeholders who are developmental partners in all the countries and communities in which we operate.

May I express my appreciation to the Board for its diligence, cooperation and wise counsel. The Board joins me in thanking the CEO, Peter Staude, his executive team and staff for their hard work in managing the business and positioning it for greater success in the future.



**CB Sibisi**  
Chairman

Amanzimnyama  
Tongaat, KwaZulu-Natal

24 May 2018