

# 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 shown below.

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.



Operating country	Full-time (permanent)	Fixed-term contractors	Seasonal and casual workers (non-permanent)	Total	Employee total at the peak of the sugar milling season - 2017/18*
South Africa	3 185	855	1 074	5 114	5 909
Mozambique	7 240	1 285	2 775	11 300	15 476
Zimbabwe	9 900	3 993	0	13 893	17 506
Swaziland	436	29	208	673	1 116
Botswana	138	13	0	151	151
Namibia	223	1	0	224	224
<b>Total</b>	<b>21 122</b>	<b>6 176</b>	<b>4 057</b>	<b>31 355</b>	<b>40 382</b>

\*October 2017

## 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>

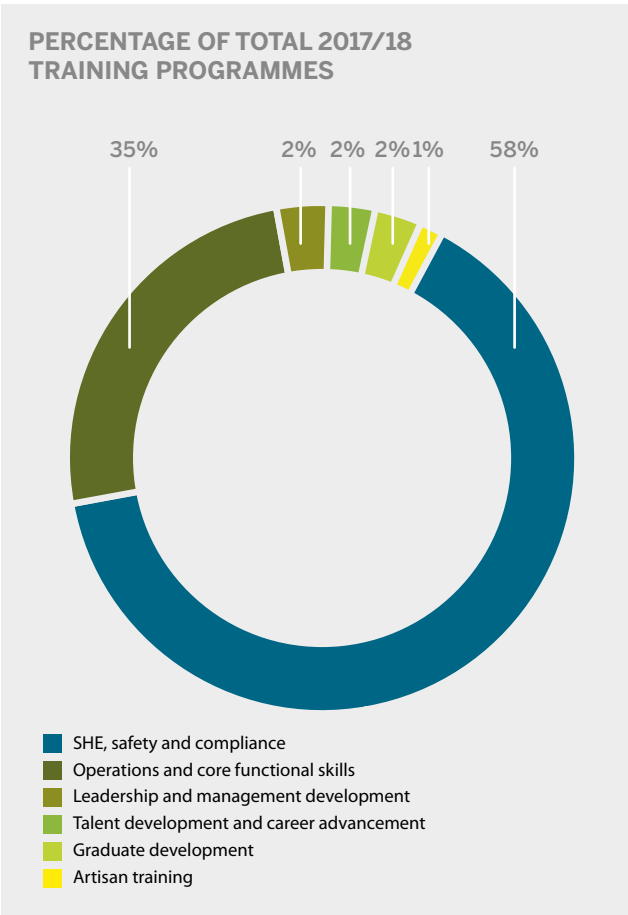
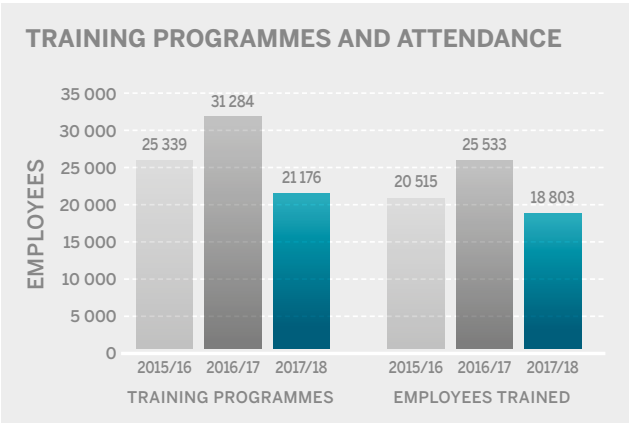
### TRAINING NEEDS ANALYSIS/ASSESSMENT

Functional competency acquisition framework/career ladders/foundational learning and competency/material development/blended learning





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



## 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.

To read more go to [www.tongaathulett.com/skills](http://www.tongaathulett.com/skills)

## 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.

To read more go to [www.tongaathulett.com/adelaide](http://www.tongaathulett.com/adelaide)

## ACCELERATING EMPLOYEE TRANSFORMATION AND LOCALISATION

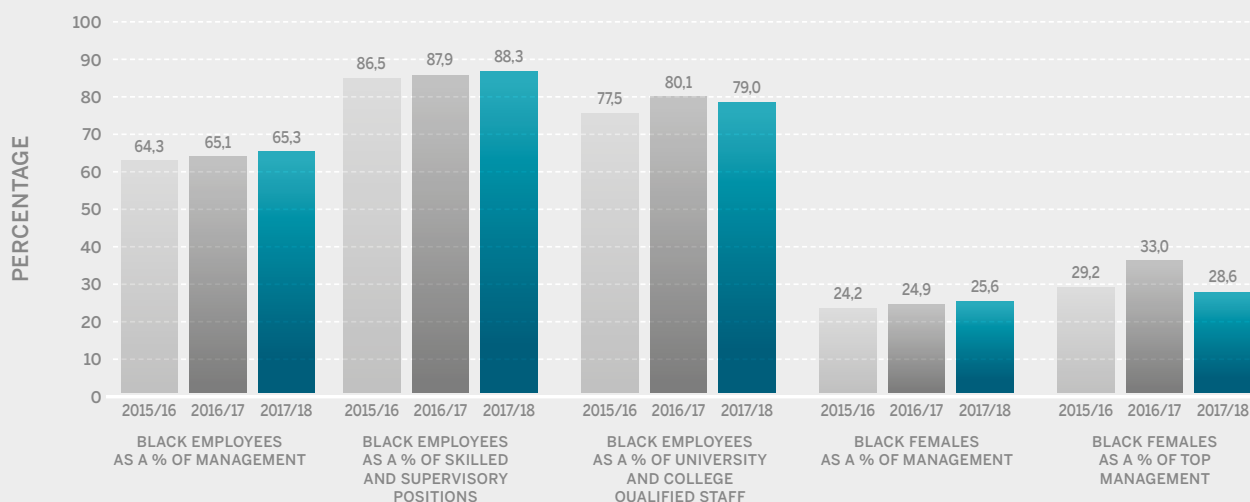
In each of the countries in which the business operates the transformation of the workforce continues to be prioritised through the improvement of management representation of previously disadvantaged individuals, localisation of skills and the general upliftment of women. In South Africa, steady progress 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.

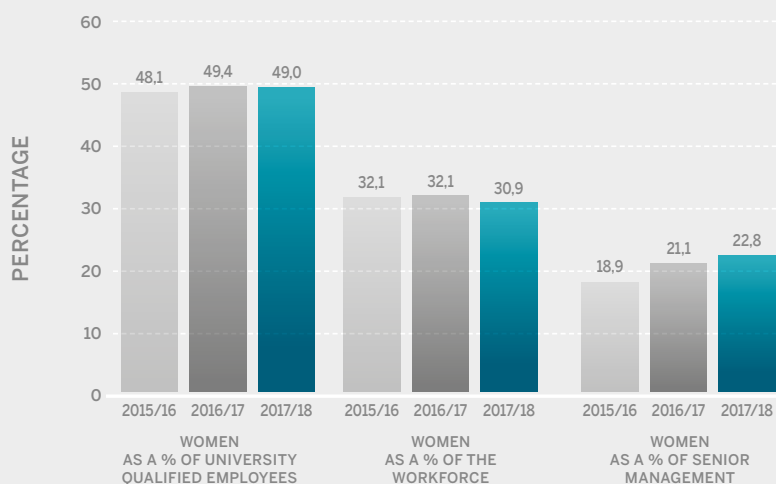
### PERSONS WITH DISABILITIES

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.

### PROGRESS IN REPRESENTATION OF DESIGNATED GROUPS IN SOUTH AFRICAN OPERATIONS



### WOMAN TRANSFORMATION IN SOUTH AFRICA







## 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.

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)

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.

Tongaat 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

Tongaat 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, Tongaat 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 SED, provision of basic needs and services</li> <li>Regular interaction at local level through the 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.



## CASE STUDY TONGAAT HULETT PARTNERS WITH GUDO COMMUNITY IN ZIMBABWE

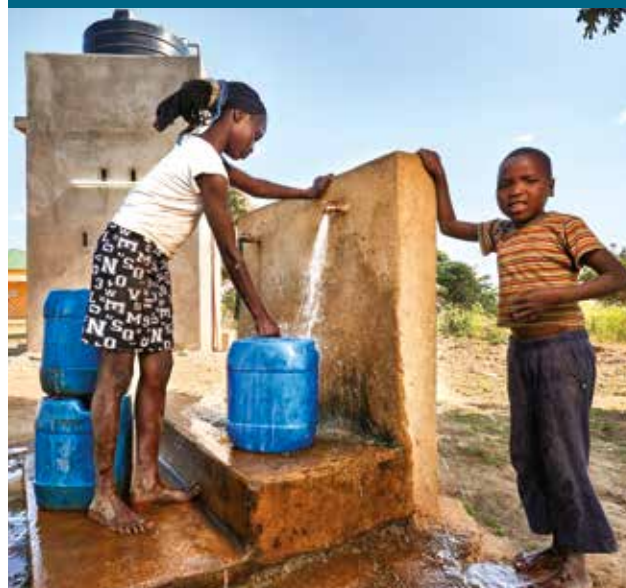


Maintaining and consistently improving stakeholder relationships remains an integral part of Tongaat Hulett's business model through its SED activities. According to SDG 3, ensuring healthy lives and promoting the well-being for all, at all ages, is essential to sustainable development. Tongaat Hulett 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.

To read more go to [www.tonga.com/gudo](http://www.tonga.com/gudo)



## CASE STUDY MOZAMBIQUE WATER SUPPLY



Tonga Hulett's Mozambique operations at Xinavane and Mafambisse are located fairly close to the cities of Beira and Maputo 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."

To read more go to [www.tonga.com/water](http://www.tonga.com/water)



## 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.

## 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.

**To read more go to [www.tongaathulett.com/jobsfund](http://www.tongaathulett.com/jobsfund)**

## 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.

**To read more go to [www.tongaathulett.com/foodsecurity](http://www.tongaathulett.com/foodsecurity)**

## 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 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.

**To read more go to [www.tongaat.com/ssgtraining](http://www.tongaat.com/ssgtraining)**



## 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.

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



Tongaat Hulett recognises the impact HIV/AIDS, TB, malaria and non-communicable diseases (NCDs) have on its business, its employees and the surrounding community. 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.



To read more go to [www.tongaat.com/award](http://www.tongaat.com/award)

## 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 antiretroviral therapy (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

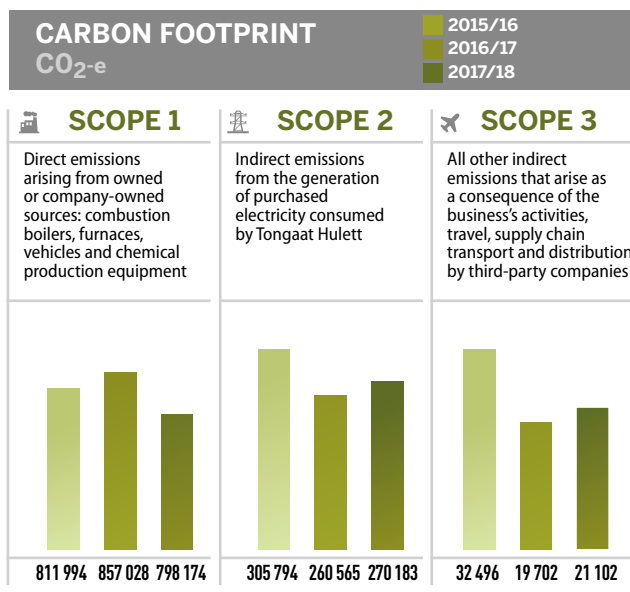
As part of its broader response to climate change, Tongaat Hulett participated in the CDP (formerly Carbon Disclosure Project) for the ninth consecutive year. The CDP is an independent initiative that encourages transparency on climate change-related issues, with an emphasis on emissions disclosure. 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).

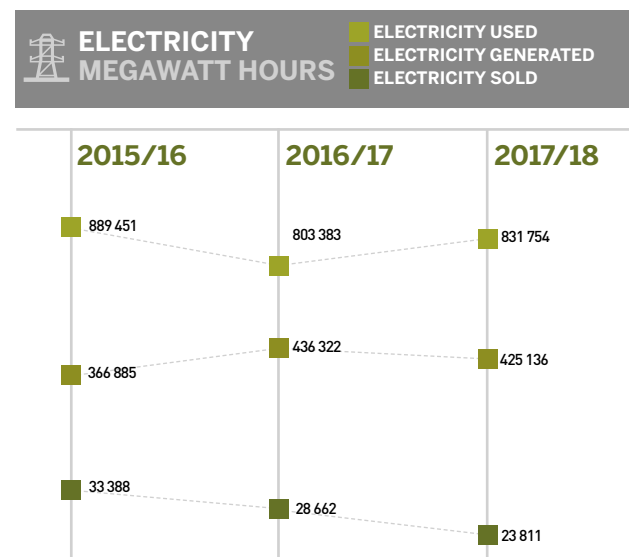
Total emissions from South African operations, calculated at 673 714 metric tons CO<sub>2</sub>-e, includes emissions of 344 983 metric tons CO<sub>2</sub>-e emanating from the South African sugar operations. Tongaat Hulett completed a study with the assistance of global carbon experts, which found that 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

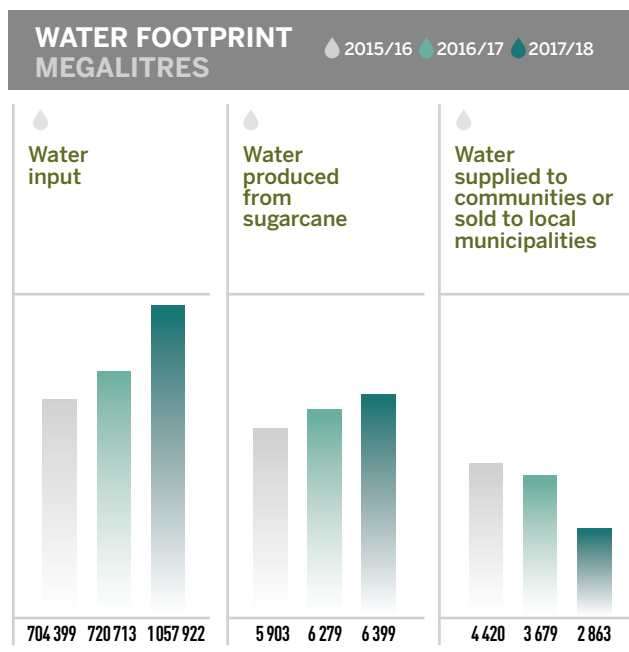
Soil health plays a critical role in maintaining biodiversity. Experts warn that 33 percent of world soil is already moderately to highly degraded due to erosion, nutrient depletion, acidification, urbanisation, and chemical pollution, putting future supplies of food, water and energy at risk. Tongaat 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



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

## 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 GlZ's International Water Stewardship Programme 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.

To read more go to [www.tongaathulett.com/uwasp](http://www.tongaathulett.com/uwasp)



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)

