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**TongaatHulett®**

**SUSTAINABILITY  
REPORT  
2019**

## ABOUT THIS REPORT

While 2019 has turned out to be a year of many challenges, Tongaat Hulett continues its journey to create value by building a sustainable and resilient business that benefits its stakeholders and broader society. In our 16th year of sustainability reporting, we are guided by a range of sustainability protocols 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 feedback from our stakeholders. Tongaat Hulett also uses socio-economic development parameters developed by governments and the non-governmental sector in the different jurisdictions where we operate to contribute to national development efforts.

The company has embarked on a comprehensive turnaround strategy and process which may impact on the company's structure going forward. There have also been significant restatements of the size of the company. Details of this have been provided where appropriate and readers are invited to refer to the 2019 Annual Reporting Suite for more information. We also commissioned a 90 000 ton per year sugar refinery at Xinavane in Mozambique during the period.

Should you wish to share any reflections, queries or comments on this report please contact: [info@tongaat.com](mailto:info@tongaat.com)

Readers should note that through a series of events that have largely fallen outside of our control, the publication of this sustainability report has regrettably been delayed by several months.

In the interest of providing our stakeholders with the most current view of the status of the company and its subsidiaries, we have provided, wherever possible, information that is up to date as at the date of this report. All sustainability metrics, by necessity, relates to the 12 months to 31 March 2019 and have not been updated.

**This report sets out to provide a comprehensive overview of our sustainability strategy as well as detailed information on our human, social and relationship, environmental and intellectual capitals. For more details on our financial and manufactured capitals, as well as our strategic direction and financial performance, refer to the 2019 Annual Reporting Suite and our website at [www.tongaat.com](http://www.tongaat.com)**

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### FURTHER DETAILS



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Further information in this report

# APPROACH TO SUSTAINABILITY

Tongaat Hulett operates in six SADC countries, with 14 operations spread throughout the region. In many instances the company is the largest private sector employer in these localities, and as such cannot only focus on its own immediate business needs. As a responsible corporate citizen, we are required to assist in our local communities, developing viable livelihoods while taking cognisance of sustainable development goals. The size of the challenge is significant as we operate in one of the poorest regions in the world with multiple development challenges. This report looks to articulate on these challenges and highlight interventions.

Our key areas of endeavour, agriculture and agri-processing, are fundamental to the socio-economic development of Africa. Our approach to sustainable development in these areas is based on the dimensions of sustainable production, as well as economic, environmental and social development, without which the business cannot grow and prosper. Tongaat Hulett is operating in a rapidly changing business environment and a dynamic regional political environment which requires flexibility. Challenges and opportunities in our operating environments require us to step up to the challenge of sustainability leadership, facing new and emerging needs. Tongaat Hulett continues to strengthen its resolve in addressing sustainable development priorities, adopting best practice in our operations and responding effectively to expectations by the global investor community for timely and accurate reporting, balanced disclosure and transparency. We have in some cases been forced to reduce or curtail certain projects given the current challenges we are dealing with and the demands of Tongaat Hulett's cash flows. We do however remain committed to reinvigorating these projects as the necessary funds become available.

The 2019 Sustainability Report forms part of, and should be read in conjunction with a suite of reports published to provide a comprehensive overview of the company, its operations and its prospects. These include:

- 2019 Annual Report ([www.tonga.com/2019IAR](http://www.tonga.com/2019IAR))
- 2019 Annual Financial Statements ([www.tonga.com/2019AFS](http://www.tonga.com/2019AFS))

## ASSURANCE

Tongaat Hulett has adopted a combined assurance strategy and framework to provide assurance to the Board and stakeholders on the company's sustainability performance. Environmental Resources Management (ERM) has provided independent third-party assurance over selected sustainability content of the 2019 Annual Reporting Suite. 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.tonga.com/2019/ermassurance.pdf](http://www.tonga.com/2019/ermassurance.pdf).

In addition, the following service providers contributed to external assurance of various elements of the 2019 Sustainability Report:

- Extracts from the Annual Financial Statements (where applicable) - Deloitte & Touche
- Review of internal controls and risk review - KPMG
- B-BBEE contributor level - 1st Verification Network
- Carbon emissions disclosure - Terra Firma Solutions
- Operational certifications - include NOSA, OHSAS 18001, ISO 14001, ISO 9001, FSC 22000 and ISO 22000

## EXPLAINING KEY ACRONYMS

Acronym	Full name
BO	Black owned
BWO	Black woman owned
CDP	Previously Carbon Disclosure Project
ED	Enterprise development
ESD	Enterprise and supplier development
LTI	Lost time injury
LTIFR	Lost time injury frequency rate
MWH	Megawatt hours
NCD	Non-communicable diseases
SDG	United Nations Sustainable Development Goals
SED	Socio-economic development
SHE	Safety, health and environment
SMMEs	Small, medium and micro enterprises
TIFR	Total injury frequency rate
TRCFR	Total recordable cases frequency rate







## ABOUT TONGAAT HULETT

Tongaat Hulett has a proud 127-year history and a strong socio-economic legacy in KwaZulu-Natal province, in South Africa, and into sub-Saharan Africa. The company is made up of the following operational areas: -

- significant sugarcane and maize processing facilities,
- a unique land conversion platform,
- a growing animal feeds position,
- opportunities to further grow ethanol production and electricity generation, and
- possibilities in cassava processing.

The company's current priority is to improve the overall business performance in the medium to longer term and our objectives are to operate strategically, sustainably, efficiently and profitably. Tongaat Hulett's focus is on re-energising assets that will be cash-generative and exploring new customer segments. Going forward the company is focused on leveraging our value chain, and creating a platform for long-term growth, while maintaining strong relationships with our key stakeholders.

With operations dating back to the mid-1800s, the company is listed on the Johannesburg Stock Exchange, dating back to 1952

The largest wet-miller of maize in Africa, converting >670 000 tons of maize to starch and glucose per annum

The largest private sector employer in both Mozambique and Zimbabwe

A track record of more than 30 years of selling to regional markets with operations located in six countries in Sub-Saharan Africa

Owens eight sugar mills with >1,7 million tons of installed sugar milling capacity



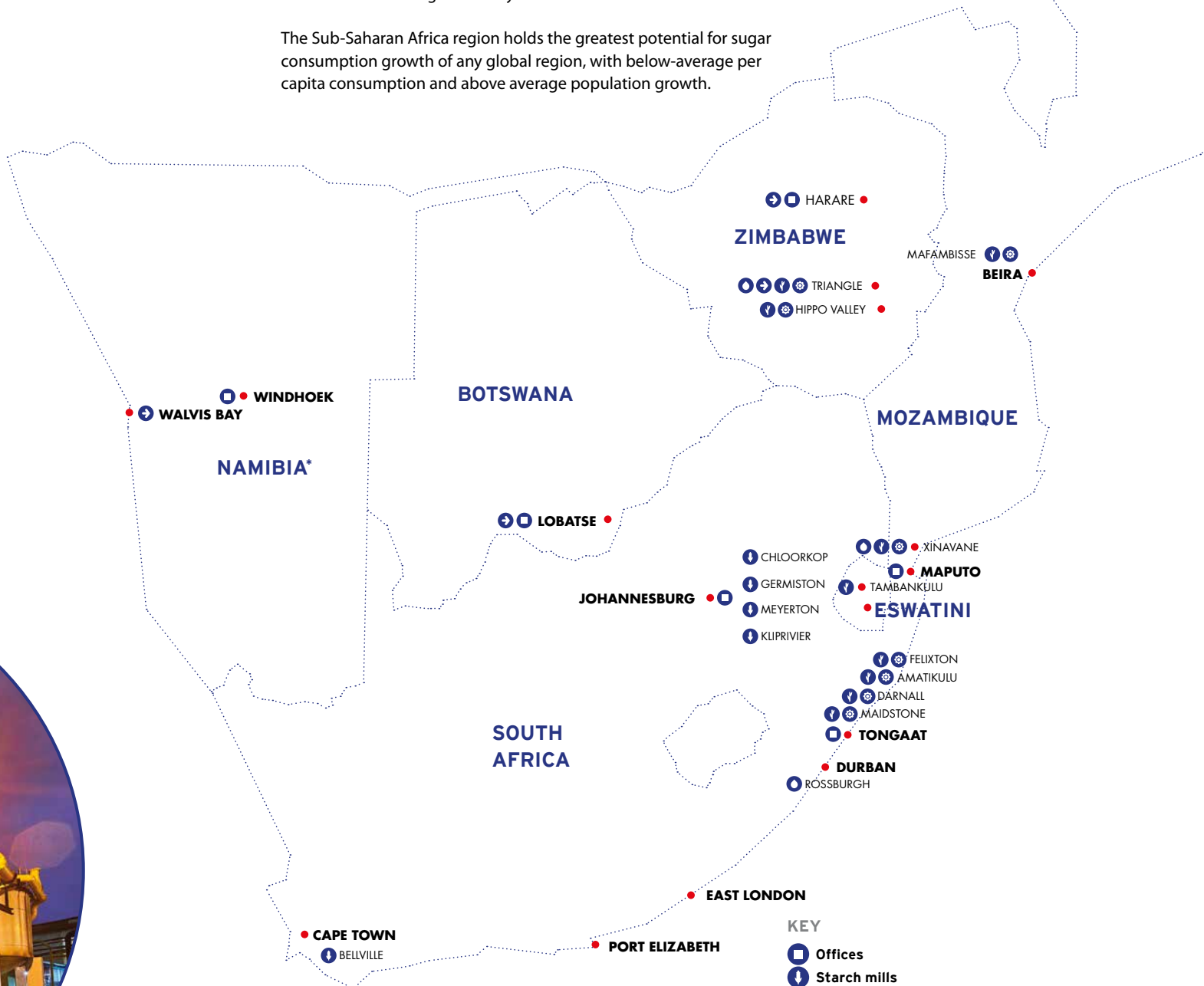
## GEOGRAPHIC FOOTPRINT

The industry in southern Africa holds some of the best production-cost credentials in the sugar world.

Some 194 408 hectares of sugarcane supply our mills, sourced from a combination of large-scale farmers, land reform farmers and own estates.

Some one million people in South Africa are directly impacted by the South African sugar industry.

The Sub-Saharan Africa region holds the greatest potential for sugar consumption growth of any global region, with below-average per capita consumption and above average population growth.



### KEY

- Offices
- Starch mills
- Cane farming
- Sugar mills
- Sugar/ethanol refineries
- Distribution and packaging facilities

\* Tongaat Hulett sold its interests in Namibia in FY2020



**As a partner of government and society, our philosophy is to contribute towards improving the prospects of a better life for many - making a substantial, positive impact on transformation, attracting fixed investments, urban spatial integration, food security, youth development, infrastructure establishment and inclusive rural development.**



# PERFORMANCE OVERVIEW\*

## FINANCIAL CAPITAL

**R17,069bn**  
REVENUE (2018: R17,505bn\*\*)

**R1,207bn**  
OPERATING PROFIT  
(2018: R142m\*\*)

**R923m**  
HEADLINE LOSS  
(2018: R947m\*\*)

## MANUFACTURED CAPITAL

**1 337 000t**  
SUGAR  
PRODUCED  
(2018: 1,171m tons)

**90 000t**  
SUGAR REFINERY  
COMMISIONED AT  
XINAVANE, MOZAMBIQUE

**656 000t**  
MAIZE CONVERTED  
TO STARCH AND  
GLUCOSE

## ENVIRONMENTAL CAPITAL

**30%**  
DECREASE IN  
SCOPE 1 CARBON  
EMISSIONS

**10%**  
REDUCTION IN  
EFFLUENT

**44%**  
REDUCTION IN  
HAZARDOUS WASTE

**911 981mwh**  
ELECTRICITY CONSUMED  
(2018: 831 754 MWH)  
OF WHICH 47% WAS  
GENERATED (2018: 48%)

## SOCIAL CAPITAL

**R197,8m**  
SOCIO-ECONOMIC  
DEVELOPMENT  
INITIATIVES  
(2018: R217,6m)

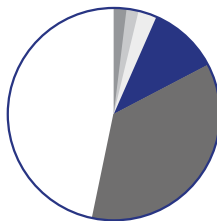
**R84,6m**  
INVESTED IN  
HEALTHCARE  
(2018: R103,6m)

**R22,6m**  
INVESTED IN  
EDUCATION  
(2018: R20,8m)

## HUMAN CAPITAL

**33 567**  
PEOPLE EMPLOYED  
(2018: 31 355)

**R59,7m**  
TRAINING SPEND  
(2018: R57,1m)



### SADC EMPLOYEE BREAKDOWN

- 0,4% BOTSWANA
- 2% ESWATINI
- 37% MOZAMBIQUE
- 0,6% NAMIBIA
- 13% SOUTH AFRICA
- 47% ZIMBABWE

## INTELLECTUAL CAPITAL

**14**  
PATENTS

**369**  
TRADEMARKS

**89**  
DOMAINS

## MARKET LEADING BRANDS

Hulett's  
Hulett's Sunsweet  
Voermol Feeds  
Blue Crystal  
Marathon  
Amaryl  
Hydex  
Vaalgold

\* AT 31 MARCH 2019  
\*\* RESTATED

# 2020 STRATEGIC PLATFORM TO PROMOTE SUSTAINABILITY

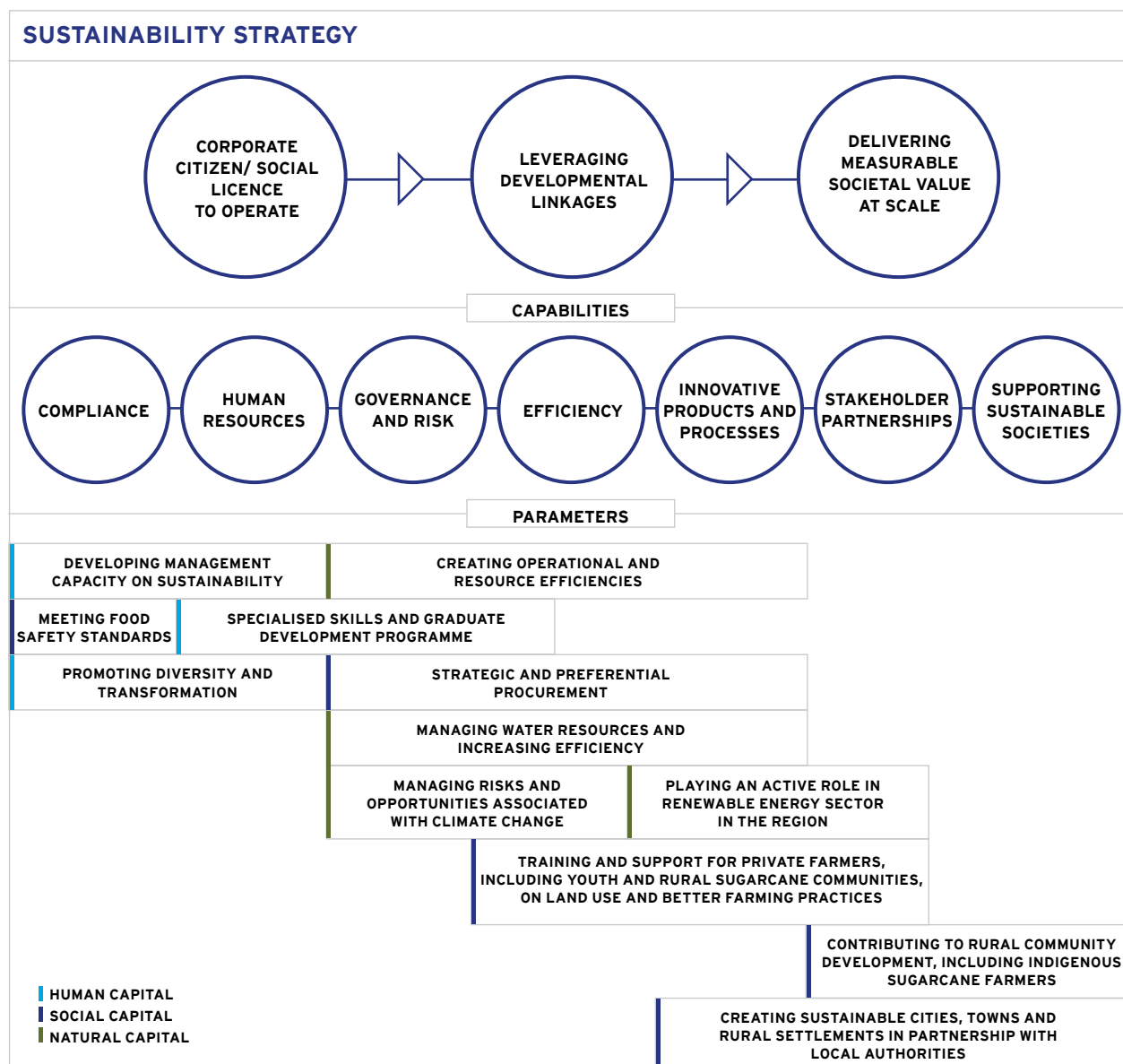
## MEDIUM-TERM SUSTAINABILITY STRATEGY (2010 - 2020)

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 encompass 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 the operational environment.

The main objectives of the strategic and financial reviews, which commenced in February 2019, are to stabilise the business, address the debt levels and set the path towards acceptable returns for shareholders. It will also require development of a wide range of new internal capabilities, all of which are focused on building the organisation's resilience and ability to respond

to challenges. In the current financial year the company has undergone significant changes, which included the revitalisation of our executive committee and the consolidation of the sugar business. The expected changes include the areas of compliance, efficiency, governance and partnerships, all of which will influence the scope and course of sustainability initiatives going forward. These changes will become clearer over the next while and will be communicated to stakeholders at the appropriate time. For the time being, however, we will continue to pursue the sustainability path we have set ourselves by leveraging our abilities to:

- strengthen the current base;
- expand the positive impact; and
- continue to deliver measurable value to society.



## KEY PRIORITIES FOR 2019/20

- Zero fatalities and improved safety and health performance
- Management of water and water resources
- Effective engagement with stakeholders on the changes within the company and with governments on policies
- Improving ability to access attractive and strategically important markets

## RESPONDING TO THE SUSTAINABLE DEVELOPMENT GOALS

The United Nations (UN) published the 17 SDGs in 2015, creating a call to collective action with the objective to meaningfully transform the world by 2030. The SDGs provide an integrated view of development that is being used to inform the implementation of our own inclusive growth and development strategy. While our 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 working in collaboration with all our stakeholders in a constructive, mutually value-adding and developmental manner, to maximise our positive impact in each of our six countries of operation. External stakeholder interaction has been fashioned with a view to manage expectations, communicate effectively and engage on all topics that may be material to the company and its stakeholders. Active discourse is sought with funders and investors, communities, private farmers, governments and employees, suppliers as well as end-consumers and over the past year, our efforts in this regard were amplified further to keep stakeholders informed of all key developments in the company and its potential impact on the different stakeholder groups.

Tongaat Hulett has integrated sustainability into all levels of the company to foster enterprise level ownership of initiatives. Cross functional teams have been created on various topics to ensure wide coverage. The sustainability strategy implementation also encompasses goal-setting and reporting processes to ensure overall accountability is ingrained in its practices.

Ultimate oversight of sustainability commitments rests with the Board and its committees, 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 the company explicitly prohibits any form of child labour and inhumane treatment of employees, including forced labour or physical punishment.

In line with its Code of Business Conduct and Ethics, Tongaat Hulett also has an uncompromising 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 its Code, which encourages employees to report any conflict or perceived conflict of interest issues. The company maintains an independent whistle-blowing service to support reporting of any unethical or unlawful behaviour or non-compliance with the Code.

## COMPANY MEMBERSHIPS AND INDICES

- 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 (Following the end of the financial year, JSE/FTSE membership was suspended due to continuing review into past financial practices)
- 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)

## KEY INDICATORS OF SUSTAINABILITY PERFORMANCE

Maintaining and disclosing useful sustainability-related data remains an important element of the company's sustainability strategy. To support sustainability governance, Tongaat Hulett continues to improve data measurement and the management of sustainability information. External assurance is also sought to build credible data trends.

For more information on sources of external assurance, refer to the 'Assurance' section on page 02.





## PERFORMANCE INDICATORS

Indicator	2018/19	2017/18	2016/17
<b>Social and Relationship capital</b>			
SED contributions (R millions)	197,8	217,6	186,3
Fatalities	5 (4 employees and 1 community member)	1	3
Lost Time Injuries	42	39	41
B-BBEE Level	4	3	3
Number of occupational illnesses with irreversible effects	1	7	12
<b>Human capital</b>			
Employees	33 567	31 355	30 512
- Full time	20 680	21 122	20 168
- Fixed term contractors	9 130	6 176	6 140
- Seasonal or casual workers	3 757	4 057	4 204
Employee turnover %	5,1	4,6	5,1
Training Spend (R million)	59,7	57,1	45,8
Training hours	456 627	471 829	288 601
Number of employees trained	19 585	18 803	25 533
<b>Environmental capital</b>			
Water intake (megalitres)	955 234	1 057 922	720 872
Electricity consumed (megawatt hours)	911 981	831 754	803 383
Electricity generated (megawatt hours)	465 786	425 136	436 322
Waste disposed of - general (tons)	9 371	11 579	10 211
Waste disposed of - hazardous (tons)	299	539	413
Total waste recycled (tons)	356 712	360 841	331 360
Carbon Footprint (tons)	837 715	1 089 459	1 137 295
Environmental Incidents - level 1	295	300	425
Environmental Incidents - level 2	3	1	0
Environmental Incidents - level 3	0	0	0
Stakeholder Complaints	113	104	142
<b>Financial capital</b>			
Revenue (R billion)	17,069	17,505**	17,915
Total dividends (cents per share)	0	160	300
<b>Manufactured capital</b>			
Sugar tons produced	1 337 000	1 171 000	1 056 000
Starch and glucose tons sold	500 000	515 000	478 000

\* Restated



## KEY INITIATIVES 2019

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**Reviewing the current staff component against the requirements of the turnaround strategy**

**Management of retrenchment processes and assistance to retrenched employees**

**HR effectiveness survey**

**Continuous assessment of technical skills gaps**

**Development of the 3-year employment equity plan against the backdrop of the turnaround plan**

**Entrenching human rights management**

## HUMAN CAPITAL

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The advent of significant and accelerating technological advances, as well as a growing proportion of humanity living for longer, are changing how we think about work, career development and work-life balance. At the same time, escalating global competition and increasing expectations from customers and end-consumers alike, are adding pressure to businesses to continue to satisfy societal needs as they develop and expand. Economic and political challenges add additional dimensions to the stormy waters that leadership and employees must navigate. This often requires new ways of thinking about the company, its business model, its talent, and its role in society. It also demands a relentless focus on fostering the right culture, developing appropriate organisational design, people and leadership practices and instilling agility and dynamism for the company to prosper.





## IMPROVING LIVES

**33 567**

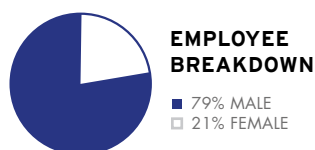
EMPLOYEES (2018: 31 355)

**1 469**

GRADUATES AND DIPLOMATES  
(2018: 1 334)

**621**

ARTISANS (2018: 422)



**45 YRS**

AVERAGE AGE - TERMINATIONS

**34 YRS**

AVERAGE AGE - RECRUITMENTS

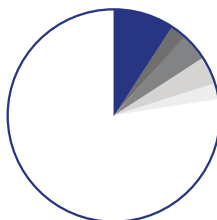
## TRAINING

**456 627**

TRAINING HOURS  
(2018: 471 829)

**19 585**

EMPLOYEES ATTENDED TRAINING  
(2018: 18 803)



## FUTURE PRIORITIES

Ensuring that we have the correct skills base post restructuring initiatives

Leadership development

Transformation

Artisan and technical skills upliftment

Tonga Hulett is a significant employer in the SADC region, in particular in Mozambique and Zimbabwe, where it operates as the largest private sector employer in the country. Our people strategy in each of these regions encompasses the following three focus areas:

- Attract, appoint and retain diverse talent to drive results;
- Build capacity and skills to deliver productivity, change and performance; and
- Create stakeholder value through effective employee relations, transformation, risk management and compliance.

Human capital management will play a significant role in Tonga Hulett's turnaround strategy, requiring the development and implementation of strategies to reduce total employment costs while increasing productivity and performance. Processes and activities are being reviewed, remapped and rationalised with the objective of achieving a lean, agile, efficient and responsive organisation. Over the past period we have worked to provide leadership in ensuring that the business has the right number of people at the necessary time in the right places, equipped and empowered to achieve the required results.

### ATTRACT, APPOINT AND RETAIN DIVERSE TALENT TO DRIVE RESULTS

To remain competitive and sustainable we need to proactively identify, attract, deploy and retain a diverse pool of high calibre and fit for purpose employees in the right roles. The importance of this challenge is amplified by the fact that many mission critical positions in the company require scarce skills. One of the key focus areas over the past few years has been executive leadership

appointments and bench strength. To address planned and unplanned exits of key senior executives, including the CEO and CFO, we have reviewed internal talent availability and where necessary, recruited externally. As the company proceeds with its turnaround strategy, we will continue to focus on current and future leadership through a combination of targeted external talent recruitment and developing and upskilling existing high-potential employees.

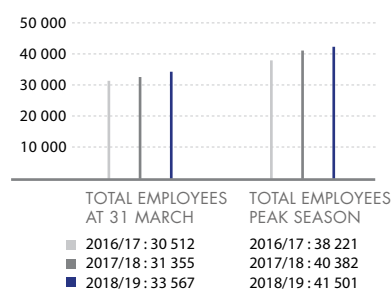
### Employee base

The employee base at the end of March 2019, is detailed on the next page. An unavoidable outcome of the company's turnaround strategy is a necessary reduction in the number of employees. Engagement processes with affected employees commenced in April 2019, with the process to rightsize the organisation including a voluntary severance process (VSP) and retrenchments. A total of 1 121 permanent and 740 seasonal employees had taken VSP or been retrenched by the end of October 2019. This affected predominantly non-bargaining council employees. The company worked to secure employment for employees affected by retrenchment. In the agricultural operations in South Africa, this entailed working with farmers who would be farming our land to try and gain employment for staff who were previously based on those farms. Within the VSP process, employees with non-critical skills were granted VSP wherever possible, and remaining staff were reskilled to fill vacant posts where feasible, to mitigate additional forced retrenchments.

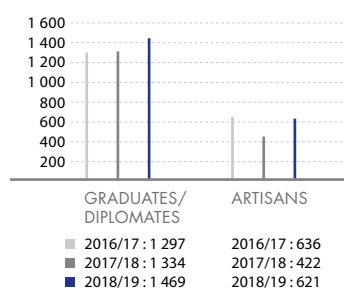
## COMPREHENSIVE EMPLOYEE BREAKDOWN

Operating country	Full-time (Permanent)			Fixed-term contractors			Seasonal and casual workers (Non-permanent)			Total			Employee total at peak of sugar milling season – 2018/19 (Oct '18)
	female	male	Total	female	male	Total	female	male	Total	female	male	Total	
South Africa	920	2 243	3 163	89	568	657	275	385	660	1 284	3 196	4 480	6 005
Mozambique	1 554	5 659	7 213	749	1 536	2 285	403	2 519	2 922	2 706	9 714	12 420	16 755
Zimbabwe	1 371	8 140	9 511	1 268	4 905	6 173	0	0	0	2 639	13 045	15 684	17 294
eSwatini	69	366	435	1	10	11	53	113	166	123	489	612	1 068
Botswana	65	77	142	0	0	0	4	5	9	69	82	151	157
Namibia	74	142	216	1	3	4	0	0	0	75	145	220	222
<b>Total</b>	<b>4 053</b>	<b>16 627</b>	<b>20 680</b>	<b>2 108</b>	<b>7 022</b>	<b>9 130</b>	<b>735</b>	<b>3 022</b>	<b>3 757</b>	<b>6 896</b>	<b>26 671</b>	<b>33 567</b>	<b>41 501</b>

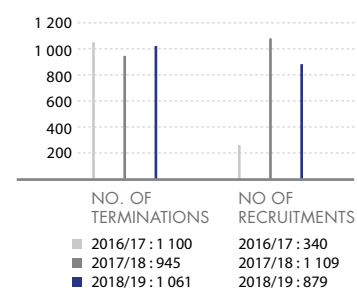
## EMPLOYEE COMPLEMENT



## SKILLED EMPLOYEE COMPLEMENT

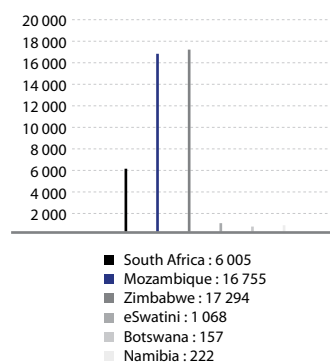


## EMPLOYEE TURNOVER

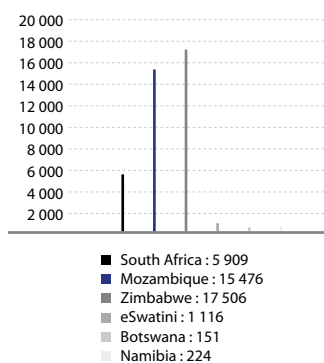


## EMPLOYEE COMPLEMENT AT PEAK OF SUGAR MILLING SEASON

2018/19



2017/18



To remain competitive and sustainable we need to proactively identify, attract, deploy and retain a diverse pool of high calibre employees in the right roles.



## EMPLOYEE TURNOVER

Operating Country	Terminations		Recruitments	
	female	male	female	male
South Africa	108	276	214	431
Mozambique	78	223	52	149
Zimbabwe	47	284	2	5
eSwatini	1	18	1	2
Botswana	0	5	1	4
Namibia	3	18	3	12
<b>Total</b>	<b>237</b>	<b>824</b>	<b>273</b>	<b>603</b>

The table below provides details of our existing skills, as well as turnover of these skilled employees over the past financial year.

Operating country	31 March 2019	Average age as at 31 March 2019	Exited (1 April 2018 to 31 March 2019)	Exited - male	Exited - female	Appointed (1 April 2018 to 31 March 2019)	Appointed - male	Appointed - female
<b>Graduates/Diplomates</b>								
South Africa	763	42	78	44	34	78	42	36
Zimbabwe	212	39	4	3	1	7	6	1
Mozambique	456	44	14	11	3	16	14	2
eSwatini	24	44	0	0	0	3	1	2
Botswana	8	39	1	1	0	1	1	0
Namibia	6	38	0	0	0	0	0	0
<b>Total</b>	<b>1 469</b>	<b>42</b>	<b>97</b>	<b>59</b>	<b>38</b>	<b>105</b>	<b>64</b>	<b>41</b>
<b>Artisans</b>								
South Africa	264	41	10	10	0	21	21	0
Zimbabwe	172	45	2	2	0	5	5	0
Mozambique	156	37	11	11	0	18	18	0
eSwatini	26	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>621</b>	<b>41</b>	<b>23</b>	<b>23</b>	<b>0</b>	<b>44</b>	<b>44</b>	<b>0</b>



## Employee remuneration and benefits

Maintaining an attractive and competitive employee value proposition is critical to attracting and retaining the right skills base. Remuneration and benefits form an important component of the employee value proposition. Our merit-based packages include benefits such as medical aid, retirement funding, death and disability benefits and long-term and short-term incentives such as performance related bonuses. Salaries are reviewed annually as part of the performance management process. No salary increases were extended to non-bargaining council employees in 2019/20.

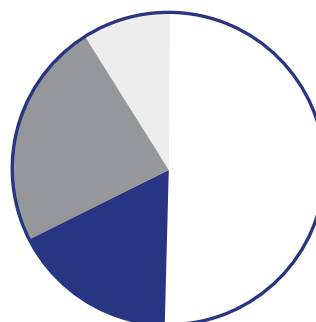
Tongaat Hulett aims to offer competitive, externally benchmarked salaries and wages, which often exceed the minimum requirements in the six countries of operation. All employees receive maternity benefits aligned to local legislation. Other benefits include educational support and, in countries such as Mozambique and Zimbabwe, we provide accommodation to employees as operations are remotely located. The table below details spend on some of these additional benefits during the past financial year.

Employees are members of various retirement funds, ranging from legislated national funds to provident and fixed contribution pension funds. Retirement benefits are one of the few benefits which are only offered to permanent employees, although non-permanent employees receive a financial payment in lieu of this, as part of their remuneration package.

Benefit* R million	2018/19	2017/18
Accommodation	69,8	76,6
Employee nutrition	26,3	24,3
Healthcare	64,1	39,9
Education	27,5	12,4
<b>Total</b>	<b>171,0</b>	<b>136,2</b>

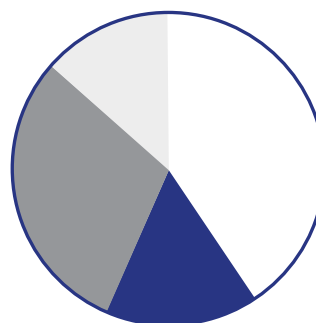
\*some of these totals may have formed part of SED expenditure

### EMPLOYEE BENEFIT EXPENDITURE EXCLUDING RETIREMENT FUNDS



2017/18

50% Accommodation  
16% Nutrition  
26% Healthcare  
8% Education



2018/19

37% Accommodation  
14% Nutrition  
34% Healthcare  
15% Education

<b>Accommodation</b>	The company offers a range of accommodation to our employees and their families, mainly outside South Africa, due to the remote locations of our sugar operations. These range from formal staff housing, to villages and hostel dwellings for fixed-term contract employees and often includes day-to-day maintenance and the provision of utilities such as potable water and electricity.
<b>Employee nutrition</b>	Provision of meals for cane cutters and other nutritional support including food support for employees undergoing ARV treatment in areas with high levels of food insecurity such as Mozambique.
<b>Healthcare</b>	In addition to primary healthcare services offered at our operations, we support/manage primary healthcare clinics and hospitals, mainly in Mozambique and Zimbabwe, which benefit employees and their dependants. The company also works to combat communicable diseases such as malaria and water-borne diseases.  In other countries eligible employees benefit from medical aid/insurance.
<b>Educational facilities/assistance</b>	The company provides support to educational institutions from pre-school through to secondary school levels, which assists employees' beneficiaries. This support varies, and can include financial assistance, the provision of infrastructure, and in some instances, extends to administration and management of the school.  We also provide financial assistance for education to eligible employees, and in some instances their dependants, including bursaries and funding for higher education.

**Tongaat Hulett invested R59,7 million in the past year (2017/18: R57,1 million) in the training and development of 19 585 employees (2017/18: 18 803 employees).**

**The allocation of 77% of courses to safety training is aimed at making Tongaat Hulett a safer place to work, reinforcing the ZERO HARM work environment.**

## **BUILD CAPACITY AND SKILLS TO DELIVER PRODUCTIVITY, PERFORMANCE AND CHANGE**

As part of the focus on building capacity and skills, an internal Human Resources (HR) effectiveness survey was undertaken during the year. This was done through a combination of qualitative and quantitative research. The feedback from employees identified a number of areas for improvement which will increase the alignment of the HR function with the goals of the business. Some of the areas for improvement include:

- strategic alignment;
- employee value proposition; and
- values-driven culture.

The company is looking at options to address the challenges raised.

The range of mission critical roles across our three operations require unique, specialised and scarce industry skills, often not readily available in the labour market. A focused approach to employee training and development is required to continue to satisfy the internal demand. The demands of a performance-driven culture also require ongoing learning and development from our employees.

Tongaat Hulett invested R59,7 million in the past year (2017/18: R57,1 million) in the training and development of 19 585 employees (2017/18: 18 803 employees). The largest training spend was in safety training and operational and core functional skills. The allocation of 77% of courses to safety training is aimed at making Tongaat Hulett a safer place to work, reinforcing a ZERO HARM work environment.

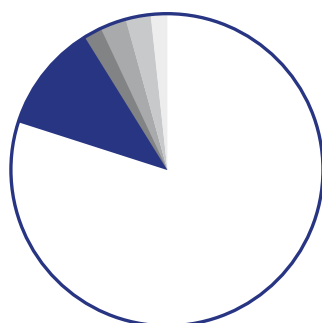
In the past year 16 593 male and 2 992 female employees were trained, compared to 16 104 males and 2 699 females

in 2017/18. The number of training hours totalled 456 627 (2017/18: 471 829\* hours).

\*Training hours were incorrectly reported as 850 278 in the 2018 Integrated Annual Report.

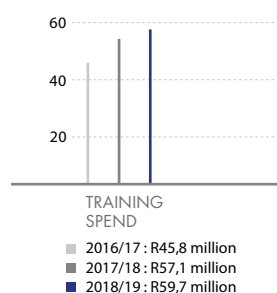
Some of our operations offer transition assistance programmes to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.

### **PERCENTAGE OF TRAINING PROGRAMMES PER CATEGORY**

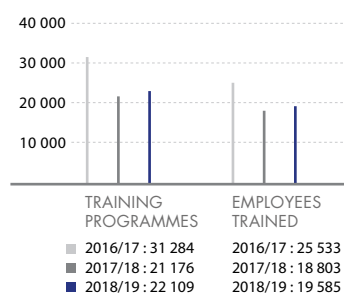


- 77% Safety and compliance
- 17% Operations and core functional skills
- 1% Leadership and management development
- 2% Talent development and career advancement
- 2% Graduate development
- 1% Artisan Training

## TRAINING SPEND



## TRAINING PROGRAMMES AND ATTENDANCE



## TRAINING PROGRAMMES ACROSS ALL COUNTRIES OF OPERATION

Programme categories	Number of training programmes 1 April 2018 to 31 March 2019	% of total 2018/19 training programmes
<b>Safety and compliance training and certification</b>		
SHE	10 048	77,4
Driver - forklift/crane/tractor	1 824	
First aid	910	
Advanced accident and emergency care	45	
Food safety	903	
Defensive driving	962	
Occupational health and safety legislation	117	
Wellness and disease management	1 827	
Fire fighting	462	
<b>Total</b>	<b>17 098</b>	
<b>Operations/core functional skills training</b>		
Agricultural skills	2 207	17
Engineering and technology	396	
Information technology	28	
Admin/business skills/finance	108	
Human resources	437	
Small growers programme	65	
Process training/boiler attendant programme	83	
Commercial and marketing	110	
Manufacturing and production	92	
Medical	190	
<b>Total</b>	<b>3 716</b>	
<b>Leadership and management development programmes</b>		
Supervisory skills	217	1
Senior management development programme	4	
Management development programme	2	
<b>Total</b>	<b>223</b>	
<b>Talent development and career advancement</b>		
Life skills	199	2
Other interventions, specific to groups/individuals	359	
<b>Total</b>	<b>558</b>	



#### Graduate development programmes and entry-level skills training

Programme	Number of programmes	% total 2018/19
Engineers-in-training (EIT)	18	
Agronomist trainees	3	
Agriculture farm manager training	18	
Agriculturist-in-training	17	
Strategic sourcing trainees	0	
Production	11	
In-service trainees	23	
SHE trainees	4	
Apprenticeships (various trades)	132	
Learnerships	32	
Graduate trainees	39	
Communications and marketing	0	
Student development programme	1	
General learners/trainees	18	
Workplace experience	18	
Bursaries	6	
Company assisted study aid schemes	59	
<b>Total</b>	<b>399</b>	<b>2</b>

Artisan training - specialised trades	Number of programmes	% total 2018/19
Artisans-in-training	45	
Artisan development	45	
Artisan aid development programme	25	
<b>Total</b>	<b>115</b>	<b>1</b>

The development of technical skills such as artisans remains a key focus area. Artisan's skills gaps have been assessed and they continue to be addressed. Operational leadership works closely with the HR team in the planning and implementation of technical skills programmes. The cost of training can be significant and in the current climate, we need to be innovative, balancing the operational requirements for a highly skilled workforce, with the management of costs. In this regard, costs have been better managed through a focus on internal training in groups, instead of individual external training. Training not deemed to be mission critical has also been placed on hold.

The South African Sugar team received external funding for technical skills training, with all new engineering trainees being fully funded, either by AgriSeta or SASA. The combined funding that has been unlocked for 2018 and 2019 calendar years totals R7,4 million. To further position Tongaat Hulett as an employer of choice with future graduates, we continue to partner with a range of training institutions by providing workplace experiential learning opportunities, mentorship and in some instances even assisting with developing course materials, thereby ensuring that training programmes are better aligned to actual workplace needs.





## Case study

### Fred Mncube - Life-long learning

Tongaat Hulett's investment in training and developing employees is instrumental in not only developing technical skills and current and future leadership, but it helps employees reach their own goals and aspirations. A part of his journey in the sugar industry as well as the company, Fred Mncube has, over the years, been part of several structured training programmes in the engineering field.

From a young age, Fred always dreamt of being a chemical engineer. In his teens he attended Nkandla High School and was meant to matriculate in 1990, but when he was unsuccessful, decided to quit and look for employment. After five years of minimum wage employment on a construction site in Richards Bay, he returned home wanting better for his future. Determined to reach his childhood goal, he returned to his former high school and passed with flying colours. In 1996 he started his Chemical Engineering Diploma at the Durban University of Technology (Natal Technikon at that time), which he completed within the required time.

His journey in the sugar industry started in 1998, when upon completion of his diploma he was accepted for a two-year chemical engineering in-service training programme at the Sugar Milling Research Institute. With the experience he gained from his in-service programme, he first joined Tongaat Hulett in 2000 as a lab technician, where he assisted in sugar crystallisation as well as on all process engineering pilot projects.

Fred then continued to further his studies on a part-time basis through Natal Technikon, obtaining his first B-tech qualification that would further grow and shape his career within the company. In 2004, after the completion of this qualification, he applied and was accepted to Tongaat Hulett's engineers-in-training (EIT) and process engineering programme at the Amatikulu mill for a further two years. During that time, he applied for a second B-tech qualification specialising in Environment through UNISA. He then joined the Tongaat Hulett Technology Group division in 2009 as a chemical engineer and formed part of the operation support team. Currently, he specialises in the automation of pan boiling and the sugar crystallisation process.

Fred was selected to participate in the Tongaat Hulett Management Development Programme, in conjunction with the Stellenbosch University Business School in 2015. He has been involved in several company projects as a commissioning engineer, including the Xinavane Refinery Project. In 2017, he won the South African Sugar Association Cecil Renaud Prize for his paper "Automation of White Pans at the Tongaat Hulett Refinery". It describes the successful automation of a boiling pan at the refinery, detailing the instrumentation installed, the control strategies implemented and the successful preliminary results which have led to the automation of all five boiling pans at the refinery.

Fred believes that Tongaat Hulett is an employer of choice. He said: "Tongaat Hulett are the role players in sugar technology development. They don't just make sugar, but they also develop technologies."



## Case study

# Zimbabwe skills training programmes

Managing succession and retention gaps for critical positions remains a key HR focus area. In Zimbabwe we have a range of interventions that assist in this management process, informed by skills gap analyses.

The graduate learner programme aims to equip the trainees with the requisite competencies and skills required for each employee role and this is achieved through classroom theory and hands on experience. In 2019, 22 graduate learners from various disciplines, half of which were female, were engaged to begin their two-year learnerships. Coaches selected from qualified and highly experienced company managers will coach and mentor the candidates as part of the programme. At the end of the two years those learners who meet the set requirements may be absorbed into the organisation into roles identified during the assessment phase.

To prepare them for the managerial function, the learners undergo off-the-job leadership and management training programmes. Ongoing evaluation after the learnership period will allow us to identify those learners with leadership qualities and equip them in preparation for promotion into supervisory and middle management levels. Previously conducted programmes produced mill engineers, IT engineers, and senior finance personnel.

Apprenticeship training targets the creation of a talent pool for those scarce technical skills needed primarily in Agricultural Engineering and Mill Engineering. Aligned with government's manpower development agenda, we recruit high school graduates for a four-year training programme that includes a combination of on-the-job training and classroom training, conducted at the Industrial Training Centre situated at the Hippo Valley Estates operation. At the end of the programme they will qualify as Class One artisans after successfully passing the Government Industrial Training Department's trade test. At the end of the financial year the company had 57 apprentices, 13 of which were females. As an indication of the success of this programme, as at 31 March 2019, of the 220 artisans that were in our employment, 134 were graduates of the internal apprenticeship training programme.

To further improve technical skills, our training team conducts technical skills training for engineers, artisans, operators, handymen and assistants from the mill operations and transport maintenance departments in electrical, mill operations, instrumentation, automotive, boiler making and fitting, and machining skills.

These programmes are generally one to five days in duration, and are aligned to the outcomes of the training needs assessment. Handymen and assistants from different departments also attend skills enhancement training to prepare them for government trade testing in a class of their choice.

## CREATE STAKEHOLDER VALUE THROUGH EFFECTIVE EMPLOYEE RELATIONS, TRANSFORMATION, RISK MANAGEMENT AND COMPLIANCE

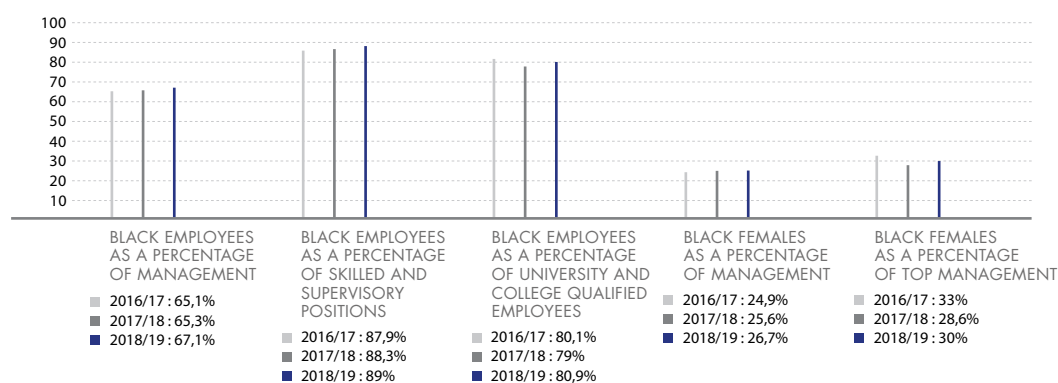
### Accelerating employee transformation and localisation

We continue to prioritise employee transformation, localisation and the upliftment of woman. The dynamics vary between the six countries of operation, with a focus on B-BBEE and Affirmative Action in South Africa and Namibia, localisation in Mozambique and the upliftment of woman in all six countries. HR teams set targets and monitor performance on key metrics in these areas, prioritising non-discrimination and equal opportunities.

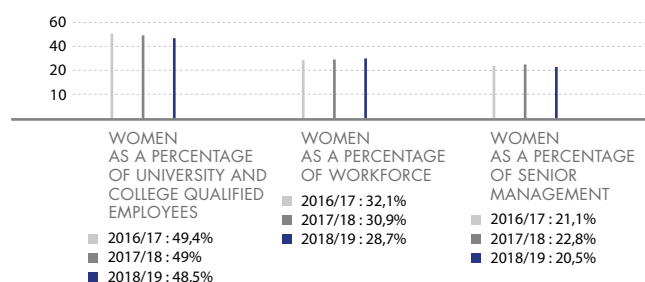
At the end of March 2019, women constituted 21% (2017/18: 21%) of our total workforce across the six countries.

In South Africa there was a focus on developing the new three-year employment equity plan for the period 2018 to 2021. The operations continued to make progress in the representation of previously disadvantaged individuals at management levels, with a specific focus on designated groups in the recruitment process. The progress in representation of designated groups in South African operations is shown below:

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



### WOMEN TRANSFORMATION IN SOUTH AFRICAN OPERATIONS



**In South Africa 98% of the R47,5 million spent on training and development was spent on previously disadvantaged employees, 36% of which were women.**

In South Africa 98% of the R47,5 million spent on training and development was spent on previously disadvantaged employees, 36% of which were women.

In Mozambique most expatriates are on fixed-term contracts. They work closely with local employees to ensure skills transfer to local Mozambicans, so that when their contracts come to an end these do not need to be renewed, reducing the number of expatriates on sites and increasing the number of appropriately skilled locals. In the past year the number of expatriates reduced from 81 to 80 at 31 March 2019. As at 31 October 2019 this number had reduced significantly to 52.

In Zimbabwe the policy to fill skilled and management level vacancies with female candidates, wherever possible, remains. The operation has also identified high-potential female employees who have been placed on development journeys to accelerate their promotion to the executive level.

### Persons with disabilities

Tongaat Hulett continues to explore opportunities to increase the number of employees with disabilities within the workforce. This process has included engaging with a South African NGO working



to protect and promote the interests of people with mobility impairments. The number of employees with disabilities across all countries increased to 63 in the 2018/19 year, compared to 57 in 2017/18.

## Human rights

We subscribe to: No child labour, forced and compulsory labour, unsafe and unhealthy working environments or constraints to employees' freedom of association

Tonga Hulett is a signatory of the Universal Declaration of Human Rights and as such, aims to be a responsible corporate citizen, behaving ethically and upholding human rights in our day-to-day operations. Aligned with these commitments we strive to offer employees a safe and healthy workplace where their rights are respected, including the right to equal opportunities and non-discrimination, and freedom of association and collective bargaining. We endeavour to remunerate employees fairly, generally paying above the minimum wage in the countries where we operate. Human rights principles are included in our HR policies.

We take our obligations related to consumer protection, employee health and safety, and environmental protection seriously and maintain an internationally recognised and accepted range of standards to manage and monitor these including NOSA, OHSAS 18001, ISO 14001, ISO 9001, FSC 22000 and ISO 22000. All operations retained certification to either NOSA 5 Star systems or OHSAS 18001, covering occupational health and safety. We are relentless in our aim to achieve zero harm. It is therefore with deep regret that we must report five tragic deaths at our facilities in the past year. Each incident is thoroughly investigated and plans implemented to prevent a similar occurrence in future.

Our HR policies protect employees against harassment, bullying and discrimination, with recourse available through our grievance procedure. We measure and monitor employee working hours and overtime to assist in eliminating excessive hours worked while also managing company costs. We also require all new employees to provide identification documents as part of the employment process to ensure that underage employees are not employed.

We are continuing our journey towards the better and more proactive entrenchment of human rights management in the company. In the past year this has included:

- the SA Sugar operation creating a Human Rights HR policy;
- including human rights provisions in the updated Supplier Code of Conduct, which forms part of newly signed supplier contracts at certain operations;
- expanding the roll out of supplier human rights questionnaires to form part of these new supplier contracts;
- auditing internal operations against the supplier human rights questionnaire; and
- adding human rights to the NOSA annual contractor audits.

As we expand our focus on human rights in the supply chain, we aim to begin auditing suppliers on their compliance. The Procurement teams are looking to better align their processes, further expanding the implementation of human rights across all operations. They are also in the process of formulating an internal procurement and supply chain management policy which will address the promotion of human rights in the supply chain.

While providing human rights education to farmers supplying cane to our mills remains an imperative, no progress was made in this area. The key obstacle identified is that human rights has not been driven from a central point, but rather from different functional areas. To address this, ownership of the human rights mandate will be elevated to the Tonga Hulett Sustainability executive in the coming year. It is anticipated that this improved leadership on the topic will result in enhanced progress.

## Freedom of association and collective bargaining

Employees are guaranteed the right to freedom of association and collective bargaining, both of which are fundamental principles of human rights. A total of 25 944 (2017/18: 22 504) manufacturing and agricultural operations employees form part of collective bargaining agreements, where we bargain collectively with representatives from the unions listed below.

We aim to give employees appropriate notice prior to implementing significant operational changes that could substantially affect them, ranging from four to twelve weeks depending on their country of employment. Some collective bargaining agreements specify the notice period.

Country	Recognised unions
South Africa	AMCU - The Association of Mineworkers and Construction Union AMITU - African Meat Industry and Allied Trade Union FAWU - Food and Allied Workers Union UASA - United Association of South Africa
Zimbabwe	SMAWUZ - Sugar Milling and Allied Workers Union of Zimbabwe SPMWUZ - Sugar Production and Milling Workers Union of Zimbabwe ZHCWU - Zimbabwe Hotel and Catering Workers Union ZISMIWU - Zimbabwe Sugar Milling Workers Union
Mozambique	SINTIA - Sugar Industry National Union
eSwatini	SAPWU - eSwatini Agriculture and Plantations Workers Union
Botswana	CASAWU - Cashiers Shop Assistant and Allied Workers Union
Namibia	NAFAU - Namibia Food and Allied Workers Union

There were no strikes at any of our operations in the past financial year.

Economic dynamics in Zimbabwe are unique, with changes in monetary policy, shortages of foreign currency and imported goods and inflation at the beginning of 2019 reaching 56,9%. These have reduced employees' purchasing power and to address this, the Zimbabwe operation paid employees a hardship allowance in January 2019. With official year on year inflation as at May 2019 reported to be 95,98%, prices of all essential goods became well out of the reach of employees, which resulted in monthly cost of living allowance payments being added to their packages from June 2019.

### Disciplinary procedures

Every Tongaat Hulett employee is expected to carry out their duties and conduct themselves in a responsible manner according to acceptable norms and legal requirements. Our disciplinary code makes provision for correcting behaviour and was created to apply discipline in a just, equitable and uniform manner, maintaining employee dignity and human rights. Each case is treated on its own merits, discretion is exercised and consistency is maintained.

### Grievance procedures

A grievance can be described as a feeling of injustice or dissatisfaction affecting an employee, which arises out of their work or employment situation. We have established grievance procedures, many of which have been agreed with recognised unions, which provide for a process where individual employee's

grievances, arising out of their employment, can be resolved.

We aim to resolve grievances within a reasonable timeframe and as close to the point of origin as possible.

### Anti-bribery and corruption

The Tongaat Hulett Code of Business Conduct and Ethics articulates our commitment to detecting, preventing and combating fraud, theft and other forms of economic crime such as corruption, bribery or money laundering that may affect our business. We take a zero-tolerance approach towards such activities and institute legal proceedings against perpetrators on a consistent basis.

We make use of the Deloitte Tip-Offs Anonymous service which provides all stakeholders, including employees, in all operating countries, the opportunity to confidentially report any unethical behaviour by management, employees, contractors or other third parties. Multiple Tip-Offs have been received and each one has been investigated. Where behaviour was discovered to be in contravention of our Code of Business Conduct and Ethics, employees faced the appropriate sanctions, which in some cases included civil and criminal prosecutions.





## SOCIAL AND RELATIONSHIP CAPITAL

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### STAKEHOLDER RELATIONSHIPS

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-win” 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. Stakeholder engagement took on even more prominence in 2019, when the emerging developments at the company, including the strategic and financial review, PwC forensic review and the turnaround initiatives, made it a critical imperative to keep our shareholders, funders and employees fully informed of the details as well as the implications of the emerging events. Throughout the process, we continued to engage in a collaborative process with our debt providers. Our engagement also extended to include key stakeholders such as government at national, provincial and local levels; our growers and our communities to ensure there was no interruption to the operations of the business.

These details are outlined on the following page.

## MAKING A DIFFERENCE

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**R197,8m**

SPENT ON SED INITIATIVES  
Exceeding our commitment of  
1% of headline earnings

**R84,6m**

SPENT ON HEALTHCARE  
(2018: R103,6m)

**R22,6m**

SPENT ON EDUCATION  
(2018: R20,8m)

## KEY INITIATIVES 2019

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**Intensified engagement with providers of financial capital**

**Ongoing support for socio-economic development initiatives with the quantum adjusted to align with the need to conserve cash within the company**

**Construction of the Nkolele Health Centre in Xinavane**

**Upgrading of health infrastructure at Mafambisse hospital**

**Supporting land reform growers at Qwabe Nkanini Farm**

## FUTURE PRIORITIES

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**Zero fatalities**

**Improved safety performance**

**Improved health performance**



## Shareholders, investors, banks and analysts

### How we engage

- Multiple regular meetings with CEO, CFO and key executives
- Roadshows, locally and abroad
- Annual and interim results presentations and publications
- Annual general meeting
- Interactions managed by the Tongaat Hulett investor relations team and key executives

### Quality of relationship

- There is a mutually beneficial and healthy relationship with robust debate
- Significant engagement has taken place with this stakeholder group throughout this year
- Current events have raised concerns for many shareholders but engagements have been supportive of the turnaround plans

### Priorities for stakeholders

- Clear communication of the company's strategy and prospects going forward
- How the company will reduce debt
- New structure and initiatives to improve cash flows
- Return on investment and growth in value
- Appropriate capital allocation between equity and debt

### Outcomes

- Tongaat Hulett continues to improve on reporting of its strategy and prospects
- Improved understanding of the business' ability to create long-term value among investors and analysts
- Generate positive cash flows to be applied to dividends and repayment of debt
- A detailed turnaround plan has been devised and is being communicated to shareholders and lenders, including progress against these initiatives

### Risks

- High debt levels
- Increasing cost of capital
- Damage to our reputation

### Opportunities

- Improved understanding of Tongaat Hulett's turnaround plan and investment case
- Ability to raise capital as and when required



Government authorities and regulators in the region	
<b>How we engage</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>	
<b>Quality of relationship</b> <ul style="list-style-type: none"> <li>Tongaat Hulett's constructive, mutually value-adding and developmental agenda assist us with the relationship with government and the regulators</li> <li>Engagements took place at national, provincial and municipal levels over the past year to seek solutions to pressing issues and keep them informed</li> </ul>	
Priorities for stakeholders	Outcomes
<ul style="list-style-type: none"> <li>Compliance with local, provincial and national regulations across operations</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 strict compliance oversight and systems in place to ensure compliance with regulatory frameworks</li> <li>Ongoing partnerships 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, as well as land conversion activities</li> <li>Tongaat Hulett presented its proposed partnership initiatives to explain their transformational and empowerment nature and obtain buy-in from the different levels of government</li> <li>Tongaat Hulett also discussed its own cash flow requirements and the need to manage these within the context of development, employment and other needs</li> </ul>
Risks	Opportunities
<ul style="list-style-type: none"> <li>Non-compliance with regulations or a deterioration in relationships with regulators might put Tongaat Hulett's licence to operate in danger or make it more challenging to gain relevant approvals or partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Our focus on developing the communities we operate within, as well as our track record as a sustainable business allows us access to the relevant regulators and a willingness to partner. Our proposed developmental partnerships provide exciting opportunities for real and measurable transformation</li> </ul>
Private farmers	
<b>How we engage</b> <ul style="list-style-type: none"> <li>Engagement with grower forums are organised per logistical areas of operation</li> </ul>	
<b>Quality of relationship</b> <ul style="list-style-type: none"> <li>Generally strong relationships which are mutually beneficial.</li> <li>The groups were also engaged this year to explain the current developments within the company and ensure ongoing support and business continuity</li> </ul>	
Priorities for stakeholders	Outcomes
<ul style="list-style-type: none"> <li>Maximise 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> <li>Equity participation</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> <li>Our proposed Farmco and Millco partnerships provide opportunities for equity participation and ownership in a larger entity for many of these farmers</li> </ul>
Risks	Opportunities
<ul style="list-style-type: none"> <li>A negative perception in the communities we operate in could harm the company's reputation and the opportunities to source sufficient quantities of sugarcane</li> </ul>	<ul style="list-style-type: none"> <li>Strong farmer relationships support mutually beneficial outcomes and a reliable source of cane</li> <li>The new partnerships could provide effective and sustainable transformation and reduce pressure on the industry for direct BEE ownership in milling</li> </ul>

Local communities	
<b>How we engage</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>	
<b>Quality of relationship</b> <ul style="list-style-type: none"> <li>The company generally has strong relationships which are mutually beneficial to the company and the communities we operate in</li> </ul>	
Priorities for stakeholders	Outcomes
<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, eSwatini and Zimbabwe</li> <li>Health programmes for 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>
Risks	Opportunities
<ul style="list-style-type: none"> <li>A breakdown in relationships in a community could harm the company's reputation and impact on its recruitment processes</li> <li>Cash flow restrictions may reduce the support that Tongaat Hulett can offer to its surrounding communities in the short term</li> </ul>	<ul style="list-style-type: none"> <li>Strong relationships with the communities we operate in, support beneficial outcomes for community development, as well as staff loyalty</li> </ul>
Employees	
<b>How we engage</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, emails, notice boards and briefings</li> </ul>	
<b>Quality of relationship</b> <ul style="list-style-type: none"> <li>There is a relationship of trust and mutual understanding.</li> <li>Extensive engagement was also undertaken in the current year to inform our employees of the status of the business and the current developments</li> </ul>	
Priorities for stakeholders	Outcomes
<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, eSwatini and Zimbabwe</li> <li>The company was forced to retrench some of its labour force to reduce costs and restructure some of its business operations</li> </ul>
Risks	Opportunities
<ul style="list-style-type: none"> <li>The company is dependent on the cumulative drive of a loyal and dedicated team to prosper</li> <li>Unhappy employees may cause disruption of operations</li> <li>Uncertainty of ongoing employment opportunities and delayed implementation of retrenchments may lead to an increase in the loss of valuable skills and top talent</li> </ul>	<ul style="list-style-type: none"> <li>Loyal and engaged employees support efficiencies and growth in the business.</li> <li>Fully engaged and involved staff can add significant value and momentum to the turnaround plans</li> </ul>

Customers, suppliers and service providers	
<b>How we engage</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, including the developments over the past year</li> </ul>	
<b>Quality of relationship</b> <ul style="list-style-type: none"> <li>The company has a loyal customer base and strong relationships with suppliers</li> </ul>	
Priorities for stakeholders	Outcomes
<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>
Risks	Opportunities
<ul style="list-style-type: none"> <li>Negative perceptions may affect suppliers' and service providers' willingness to engage with us</li> </ul>	<ul style="list-style-type: none"> <li>Brand loyalty will increase market share and growth</li> <li>The development of PropCo may lead to a fully transformed development activity that could speed up land conversion and provide growing annuity income to the partners</li> </ul>

**The company generally has strong relationships which are mutually beneficial to the company and the communities we operate in.**







## SOCIO-ECONOMIC DEVELOPMENT

Over many years Tongaat Hulett has partnered with surrounding communities, governments and other stakeholders to develop innovative approaches to contribute towards the sustainability of these communities. These are customised, and vary based on the unique dynamics within each of the localities where we are based. Our SED programme incorporates and contributes towards the achievement of the SDG's.

The principles we embrace in our approach to SED include:

- **Corporate governance** - we continue to adhere to legal and accepted business practices.
- **Social sustainability and innovation** - we are developing innovative, practical approaches to transform society and the environment thereby uplifting communities.
- **Corporate social responsibility** - we demonstrate responsibility to society by minimising any negative impact and extending philanthropic and charitable inputs to the communities that we operate in.

R197,8 million (2017/18: R217,6 million) was spent on our SED programme in the past year, which included the cost of our occupational and primary healthcare services. Operations in Zimbabwe, Mozambique and eSwatini accounted for 90% of the total amount invested in SED initiatives. Cash flow constraints have been managed carefully to provide the most comprehensive range of services and support possible under current challenging conditions.

Key elements of SED spend for the year were as follows:

### Healthcare

- Most operations are based in rural areas, requiring a significant amount to be invested in running healthcare facilities for our employees and local community members.
- R84,6 million (2017/18: R103,6 million) was invested in health-related activities.

### Basic needs

- We continue to invest in basic needs and social development, including food security projects and the provision of basic materials, to uplift communities around company operations.
- Tongaat Hulett assisted with the provision of food, mosquito nets, building materials and preventative and curative medicines in response to Cyclone Idai, which impacted Mozambique and Zimbabwe in March 2019.

### Sports, arts and culture

- Sports, arts and culture plays an important role in the development of successful rural communities. R13,1 million (2017/18: R15,9 million) was invested in these initiatives during the year.
- Soccer plays a significant role in communities in Zimbabwe and Mozambique; Tongaat Hulett sponsors various teams in these locations.

### Education

- We invested R22,6 million (2017/18: R20,8 million) in education initiatives across the company. This includes the ongoing provision of water and electricity to several schools, maintenance, school books and furniture.



## Case study

# Blackburn Village iThuba Programme

Our development operations are dedicated to making an impact on the shared value created from effective land development in KwaZulu-Natal. Blackburn Village (BBV), an informal settlement within Cornubia phase 2B, is an example of that commitment in action. Through partnership with the community, government and other organisations, we are unlocking opportunities for education, skills transfer and economic participation.

BBV is home to about 4 500 residents, over 90% of whom are under the age of 40 years. This community is relatively highly literate as almost 100% have an education of Grade 9 and above, yet only 36% are employed in the Greater uMhlanga economic node, which creates more jobs than work seekers at BBV.

Settlement of indigent people in the proximity of opportunity does not guarantee economic participation and social cohesion, unless deliberate interventions are implemented to capacitate self-leadership and development which enables economic participation.

To address some of the challenges identified in the initial research, mapping and ongoing engagements with the BBV community, the iThuba (meaning “opportunity”) programme was launched to coordinate and facilitate upskilling and linkages between local demand and supply of labour. The programme is a partnership between eThekweni Municipality, Tongaat Hulett and the Blackburn community. Walk-in iThuba centres, managed by the communities, have been established in Blackburn Village, Cornubia Phase 1 and Waterloo, all feeding the iThuba Training Centre at Blackburn Village SSIP Hub.

The training centre is a catalyst for skills and enterprise development that enables economic participation and improves quality of life. Focus is on dominant economic sectors in the uMhlanga region like construction, retail, hospitality and property services. The training centre, piloted with the opening of the Construction Skills programme towards the end of 2016, coordinates job opportunities and work-seekers, assessing skills gaps and through the training programmes, upskilling and linking people to opportunities. The initial programme was funded by Tongaat Hulett and work is underway to encourage other sources to contribute towards this initiative.

The centre’s training facilitators are mostly retired artisans from the construction industry and some contractors and business owners active on projects in the area. The quality of training is of such a high standard that over 70% of training centre graduates are placed in jobs within the Greater uMhlanga area. Community members already employed on local construction projects frequently return to the training centre to upgrade their existing skill sets.

The centre is a hive of activity from Monday to Friday with classes underway in a network of buildings 15 minutes’ walk from Blackburn village. Uniformed trainees create brick and cement structures, chase walls for wiring conduits, run pipes, install toilets and read plans. All under the watchful eye of facilitators who pass on knowledge gained from a lifetime of quality workmanship. Graduation takes place every Friday.

The extensive population demographic surveys ascertained that there are nearly 1 000 children under the age of 6, living in BBV with only 80 or so of these attending Early Childhood Development centres (ECDs). As part of Tongaat Hulett’s education training placement programme an ECD was prioritised. The Blackburn ECD Centre was renovated by three BBV construction companies in 2017 and relaunched in January 2018. To the surprise and admiration of the community, these companies could employ 37 newly skilled graduates from the iThuba training centre, all residing in BBV. The iThuba ECD is run by two community caregivers, overseen by a temporary mentor, Nonhlanhla Sithole, a qualified schoolteacher, and The Domino Foundation. It has also received support from Angel Projects, The Unlimited Child and NELRU. The centre accommodates children from birth to the age of six.

Being a holistic environment, all the children who attend the ECD, which is open on weekdays from 5.30am to 6pm, are fed a nutritious porridge supplied by JAM SA, as well as a lunchtime soup supplied by the Grace Container Ministry, supplemented by the established vegetable garden onsite. The success of the BBV iThuba Community Centre led to the City of Durban including BBV in the Urban Safety Governance Master Class 2018 for informal settlements, with them presenting the BBV iThuba case study at the World Urban Forum in Malaysia in May 2018.

The case of Blackburn as an integral part of the Greater uMhlanga region, proves that when planned properly, neighbourhoods of different socio-economic status can co-exist sustainably. When communities stand up and develop their neighbourhoods, nothing is impossible.



## Case study

# Investing in healthcare infrastructure in Mozambique

Tongaat Hulett's Mozambican operations in Mafambisse and Xinavane are based in rural communities. We look to contribute towards meeting the basic needs of these communities through our SED initiatives, particularly in the areas of healthcare and education. In 2018, the construction of the Nkolele Health Centre in Xinavane and the upgrading of health infrastructure at the Mafambisse Hospital were in accordance with SDG 3, which states that ensuring healthy lives and promoting the wellbeing for all, at all ages, is essential to sustainable development.

In January 2019, the company in partnership with the Government of Mozambique launched the Nkolele health centre in Xinavane, which specifically caters to primary healthcare services, infant care and antenatal care services. This partnership agreement stipulates that the company would build and provide all necessary facilities and that the Government would provide qualified healthcare professionals and overall management including the provision of medication. The centre also includes two houses to serve as nurse's homes and a complex for expecting mothers. In addition, Tongaat Hulett also provided all the necessary furniture and equipment as well as a potable water system.

The centre will service seven communities with more than 2 000 families and is much closer than other health facilities, reducing child mortality rates, deaths caused by child birth, and several other diseases such as malaria. Soon, the centre will introduce a HIV/AIDS treatment programme, including the provision of ARV drugs.

At the Mafambisse Hospital, in partnership with the Government of Mozambique, the company invested in the construction of a mortuary with the capacity to conserve up to nine bodies. This infrastructure responds to the rapid population growth in the area. Over the past 10 years the hospital has increased from serving 53 000 to 75 555 patients. Before this project, the capacity in the mortuary was limited to only two bodies at a time, meaning that funerals had to be performed on the same day of death. If families wanted to carry out funerals later than this, they had to move the bodies to the mortuary at Dondo Hospital, which is approximately 20km from Mafambisse.

Tongaat Hulett also donated an incinerator to assist with waste treatment and hence control the proliferation of contagious diseases. Prior to this project, the hospital waste was disposed of at a landfill where stray dogs fed, which precipitated the spread of diseases.

In addition to the mortuary infrastructure and waste treatment, there was an urgent need for a perimeter fence which we constructed. The hospital was previously in an open area which community members used as a thoroughfare, potentially exposing passers-by to the risk of contracting airborne diseases and infections such as tuberculosis.



## Case study

# Upskilling educators at Sicelo Primary School

Education is a fundamental human right and is crucial for the achievement of sustainable development. To address educational challenges in our surrounding communities, our Starch operations have partnered with Sicelo Primary School and Brainwave to empower teachers.

In the pilot phase of this project Brainwave assisted with curriculum and in-class support for the grade R, 1, 2 and 3 classes at Sicelo Primary School, in Meyerton near one of our Starch Mills. This benefited 21 teachers and 848 learners in the first year. The purpose was to equip the teachers to improve their English and maths teaching techniques, motivate them in their approach and attitudes and thus improving learners' results. In addition, weekly extra classes in maths and English were conducted for the grade 3 learners.

After the success of the first year, the next phase offered academic support to seven teachers in mathematics and grade 4 and 5 English first additional language subjects. In addition, grade R support for school readiness was addressed, benefitting the three grade R teachers at the school. As part of the academic support, teachers received resources in the form of manuals and guides, learner books and readers and were equipped with daily lesson plans and pace setters to ensure they kept up to date and made the required curriculum progress. They have been supported by assigned mentors who are seasoned educators, most of whom are now retired. The teachers attended various training sessions throughout the year, covering topics such as lesson planning, making practical teaching resources, assessments, creative writing and number concepts. The teachers also underwent brain profile testing to assess their dominant learning preferences, thinking and communication styles. They each received in-classroom support for two hours per month from their mentor.

Learners were assisted with remedial classes where required, at both the grade R and grade 4 and 5 levels, with remedial kits provided to teachers. A reading programme for all grade 4 learners aimed to improve English vocabulary and comprehension was also introduced. Baseline assessments of the teacher's learner's results were conducted and regular evaluations done thereafter to measure progress and determine the impact of the project on their results, and to identify areas requiring further focus in terms of teacher training.

An estimated 508 grade 4 and 5 learners and 97 grade R learners benefitted from this programme for the 2018 school year. Another initiative during the year was a career development workshop for the 210 grade 7 learners, focusing on easing the transition from primary school to high school. The initiatives were positively welcomed by the teachers, the principal and the school governing body and are progressing well to date. With the focus on upskilling the teachers, the benefits of this programme will be enjoyed by many learners in the years to come.



## SUSTAINABLE AGRICULTURE: SMALL-SCALE FARM SUPPORT

Agriculture plays an important role in sustainable livelihoods for rural and underprivileged communities. Looking ahead, the path to inclusive prosperity is clearly marked by the 2030 agenda for Sustainable Development. Overcoming the complex challenges that the world faces requires transformative action, embracing the principles of sustainability and tackling the root causes of poverty and hunger. Business can play an important role in contributing to the effort in various ways including training rural communities in agriculture management practices and farming. Tongaat Hulett partners with communities in the areas where we operate in this regard.

The land restitution programme in South Africa continues. Globally, evidence has shown that, in addition to provision of arable land, security of tenure, finance and skills development is critical to the successful restitution of land to historic owners. In Zimbabwe there have been collaborative efforts between government and communities on one hand, and business and communities on the other, in similar efforts towards creating sustainable livelihoods through agriculture. Tongaat Hulett has been part of this effort throughout the southern African region and our most recent initiative, the FarmCo partnerships, demonstrates our strong commitment to transformation and to delivering sustainable economic development for our communities.

## SUPPLY CHAIN

Sustainable procurement is a formal, proactive, integrated and responsible approach to procurement that seeks to optimise commercial outcomes while promoting progressive initiatives that leverage socio-economic conditions in the communities in which we operate.

In South Africa, we are aligned with the revised B-BBEE Codes of Good Practise with the 2017/18 annual verification being conducted in line with the revised AgriBEE and Property Sector Codes, where a Level 4 status was achieved. In support of the preferential procurement and supplier development elements, the business continues to strive to increase spend with small, medium and micro enterprises (SMMEs), including local suppliers, and introducing more Black Owned (BO) and Black Women Owned (BWO) enterprises into our supply chain. During this period, 12,3% and 5,9% of the company's total measured procurement spend was with BO and BWO suppliers respectively. Continued attention has been placed on improving access to supply chain opportunities through preferential procurement initiatives including reserving certain contracts either partially or totally for designated groups. In addition, we have provided training and workshops for potential suppliers and made representations at various events.

In Mozambique and Zimbabwe, great strides have been made to promote indigenisation through flexible procurement policies and practices that are responsive to the needs of communities. Such policies find expression in supportive preferential local procurement and supplier development projects.

In addition, we are currently standardising procurement governance throughout the business with improved focus on contract management and supplier performance management.

As discussed earlier, we also aim to begin auditing suppliers on their human rights compliance, with the first step being the formulation of an internal procurement and supply chain management policy that will address the promotion of human rights in the supply chain.

Our existing processes require all new and renewing suppliers to complete a questionnaire on their human rights practices including child labour, forced labour, collective bargaining and compliance with minimum wage legislation.

Tongaat Hulett's new sourcing policy promotes the use of resource efficient and environmentally friendly products. Our recent SMME training workshops included presentations on SHE impacts and site SHE and quality requirements.

## SAFETY, HEALTH AND ENVIRONMENT

Our ZERO HARM campaign continues and has received additional support from stakeholders, particularly those based in surrounding communities. They have embraced an invitation to join Tongaat Hulett in making a meaningful contribution towards protecting people and the environment from harm while improving the wellbeing of every stakeholder. SHE campaigns are taken beyond our operational boundaries and into communities to ensure the safety and health of the people, and looking after the environment, within Tongaat Hulett's stakeholder community.

### Safety

It is sad and highly regrettable that a total of five fatalities, involving four employees and one person from the community, were suffered during the 2018/19 year. An increase in loss of lives caused by our operational activities is deeply concerning and unacceptable.

Fatality risk control protocols were enhanced and independent third-party specialists were hired to review risk assessments for high fatality risk topics that included motorised equipment, moving machinery and unsafe behaviour. The purpose of this independent review was to assess the robustness of existing risk controls and to recommend additional controls required to mitigate fatality risks associated with business operations. Most of the recommended controls have been implemented and are being monitored at Tongaat Hulett Board level, as part of the organisation's key safety focus areas.

Our safety performance in terms of serious injuries that resulted in loss of time (LTIs), was marginally worse than the previous year. A lost time injury frequency rate (LTIFR) of 0,087 per 200 000 hours worked, was achieved in 2018/19 when compared to 0,083 in 2017/18. The 42 LTIs represented an increase of 8% when compared to 39 recorded in the previous year. Notwithstanding this increase, overall LTIFR performance is considered satisfactory and comparable to previous years' achievements when considering that employee hours worked in 2018/19, totalling 96 429 148, were slightly higher than the 94 290 022 hours of 2017/18, and 9,6% higher than 87 951 776 hours worked in 2016/17, representing increased risk exposure to employees in the year under review.

Total recordable cases frequency rate (TRCFR) and total injury frequency rate (TIFR) were 1,23 (2017/18: 1,37) and 2,04 (2017/18: 2,61) respectively. This performance reflects an improvement in total injury performance, including minor injuries that required mild medical treatment without experiencing loss of time.

## Food safety

Sugar or sucrose is a natural plant product, produced by the sugarcane plant. Neither white nor brown sugar contains additives or preservatives of any kind. Sugar is a natural and healthy contributor to the enjoyment of food as part of a balanced diet, although the excessive consumption of any food stuff, no matter how harmless, is not conducive to good health.

To improve access to nutrition, Tongaat Hulett's operations in Mozambique and Zimbabwe have partnered with government and other stakeholders to fortify sugar produced for local consumption with vitamin A, which is important for visual health, immune function and foetal growth and development.

Tongaat Hulett's longstanding reputation of being a producer of high-quality food products continues and is acknowledged by our stakeholders, which include customers, regulatory authorities and third-party auditing bodies within and outside the food industry. It is also underpinned by the high brand awareness and acceptance that our brands enjoy across all markets we operate in. Such a reputation is protected and strengthened through strict 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, we comply with FSSC 22000 (a Food Safety System Certification used by food manufacturers which is aligned with ISO 22000 and includes Good Manufacturing Practices), ISO 22000 and ISO 9001, in terms of quality and food safety standards. Being a globally recognised food safety certification programme, the requirements of FSSC 22000 are constantly evolving and being aligned with international best practices with respect to food safety.

Based on recent standard changes, Tongaat Hulett's operations will now be focused on further improving food safety compliance along our supply chain. This includes ensuring that there are rigorous programmes in place for our suppliers and distribution

networks. There is also regular evaluation of risk in terms of food safety threats and vulnerabilities both within the operations and along the supply chain.

## Health

The health and wellness of our employees is of prime concern to the organisation. Tongaat Hulett believes that our employees, totalling 41 501 in peak season, are key drivers of our continuing sustainability and ability to add value. We also know that healthy employees are productive employees and consequently strive to ensure that all employees are in the best possible health to carry out their duties. The aim is to guarantee the mental and psychosocial wellbeing of every employee, on and off the job.

## HIV/AIDS and tuberculosis management

Having recognised HIV/AIDS as a significant business risk, Tongaat Hulett is aligned with the UN AIDS 90-90-90 target for the global community, which aims for:

- 90% of people living with HIV to be diagnosed by 2020;
- 90% of diagnosed people to be on antiretroviral therapy (ART) by 2020; and
- 90% of people on treatment to have fully suppressed viral loads by 2020.

All operations offer HIV counselling and testing services, either internally or through service providers. Employees testing positive commence ART and are monitored to ensure adequate viral suppression.

Positive outcomes of a structured HIV/AIDS programme include:

- most employees know their HIV status;
- a relatively lower number of new infections;
- more employees being on ART; and
- a reduction of treatment defaulters.

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. We will continue working with partners in tackling the problem and working towards achieving the UN AIDS targets set.

## Tongaat Hulett - HIV/AIDS statistics

	2018/19	2017/18
Voluntary counselling and testing (VCT) uptake	80,5%	75%
Employees knowing their status	84,4%	79,8%
Number of new HIV positive employees on testing	301	460
Total number of employees currently HIV positive	4 763	4 343
HIV prevalence	23,2%	21%
Employees currently receiving company-provided ART	3 868	3 720
Cost of ART	R1,8 million	R1,6 million

## Wellness management

Tonga Hulett has recognised that unfavourable lifestyle factors can impact an employees' wellness, fitness for work and productivity. These factors contribute to the burden of non-communicable diseases (NCDs) such as cardiovascular disease, cancer, lung diseases, arthritis and mental illness within the company and society. It is acknowledged that worldwide, NCDs currently represent 43% of the disease burden and are expected to be responsible for 60% of the disease burden and 73% of all deaths by 2020. Most of this increase will arise from the emerging NCD epidemic in developing countries.

Tonga Hulett is actively engaging with employees to build understanding and help them address these issues. Following successful implementation of the SANS 16001 Wellness and Disease management system at Hippo Valley Estates, Voermol Feeds and Maidstone Sugar Mill, the Wellness programme is being internally rolled out throughout the company operations, utilising the skills and knowledge gained at the above-mentioned sites. NCD prevention and control is currently focused on targeting specific risk factors, as well as social and environmental determinants through information provided by health promotion initiatives and primary healthcare services.

## Malaria

Tonga Hulett operates in countries where malaria poses a significant health risk to employees and dependants. The high temperatures make for ideal breeding environments for the malaria vector, mosquitoes. In line with the Roll Back Malaria Partnership programme, an African initiative, comprehensive prevention, detection and treatment programmes are in place in Mozambique and Zimbabwe. Integrated malaria control programmes that include vector control, awareness, personal protection, diagnosis and treatment are in place. These initiatives work hand in hand with government programmes to reduce the impact of malaria on the community.

In November 2018, Tonga Hulett Zimbabwe received 34 100 long lasting insecticide treated mosquito nets from the National Malaria Control Programme. The nets were distributed in Triangle, Mwenezana Estates, Hippo Valley and surrounding private sugarcane farming areas. Social awareness programmes, focused on nets and their use was done through workplace huddles, community gatherings and during the child immunisation programmes.

## Occupational health risk management

Our slogan, "Safely home every day", recognises the importance of workplace safety and ensuring that no employee should be negatively affected by the work that they do. It is important that employees are fit for work, and the company has put in place systems to minimise the risk of harmful workplace exposures, incidents and injuries. A continuous occupational health improvement process aims to reduce the potential for exposure to health risks that can lead to life-altering disabilities.

The nature of our operations, with heavy plant and machinery, generates significant noise levels in the workplace. This predisposes employees to the occupational health risk of noise induced hearing loss. A single occupational health case with irreversible health effects was recorded during the year, involving noise induced hearing loss to an employee at our Darnall Sugar Mill. As part of managing this risk, the company focuses on early identification of those at risk and take necessary precautionary measures before permanent damage sets in. As a preventative measure, employees at high risk are being issued with customised hearing protection devices that have a higher noise attenuation factor to significantly reduce the impact of noise on their hearing.

Employees are also exposed to other workplace hazards and risks through manual handling, heavy physical work, frequent bending, twisting and lifting and repetitive work that may contribute to musculoskeletal disorders. As part of managing this risk, the company focuses on early identification of those at risk and taking necessary precautionary measures before permanent damage is done. For the previous year (2017/18), there was no occupational health related fatality.

**Our slogan, "Safely home every day" recognises the importance of workplace safety and ensuring that no employee should be negatively affected by the work that they do. It is important that employees are fit for work, and the company has put in place systems to minimise the risk of harmful workplace exposures, incidents and injuries.**



## Case study

# Partnership to develop women-owned PPE manufacturer

Tongaat Hulett's Zimbabwean operations continue to live up to the theme of "Sustainable value creation" by increasing and strengthening the participation of local communities in our value chain activities. In March 2018, in conjunction with the Lowveld Business Forum, we identified and capacitated a consortium of eight local women to establish Vavasati (Pvt) Ltd. The company produces personal protective equipment (PPE), namely protective work suits, which it supplies to both Tongaat Hulett Zimbabwe and other organisations within Chiredzi Town and the south-eastern lowveld of Zimbabwe, where our operations are based.

Vavasati is derived from the local Shangaan language and means "the women". It resonates well with our focus on the empowerment of women, which remains integral to all dimensions of inclusive and sustainable development. Vavasati commenced operations in May 2018 with assets to the value of US\$120 000 (R1,68 million), for both capital and operating cost requirements, of which US\$20 000 (R280 000) was the consortium members' direct injection in the form of cash and equipment. Tongaat Hulett assisted in negotiating concessionary loan funding from banks on the back of product off-take guarantees. Since its inception, Vavasati has established itself as a supplier of choice not only to our Zimbabwe operations but to other large companies in Chiredzi Town.

They have an installed production capacity to produce 25 000 work suits per year and as of 31 December 2018, had produced 12 500 work suits valued at US\$385 000. At its peak, Vavasati employs an average of 42 employees of whom 80% are female. It injects approximately US\$110 000 (R1,32 million) per year into the Chiredzi Town's economy through employment benefits to its staff.

Vavasati is geared for further growth and is now targeting the regional export market. It represents one of the many successful enterprise development and transformative procurement initiatives that our Zimbabwe operations is involved with.







## INTELLECTUAL CAPITAL

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**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, eSwatini, Taiwan and the United Arab Emirates. The company has 89 domain names registered to it.**

Our intellectual property is protected through employment contracts and confidentiality and non-disclosure agreements, as well as licence 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.

## KEY INITIATIVES 2019

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**Conducted a comprehensive strategic and financial review**

**Appointed independent service provider PwC to review financial practices**

**Robust communication with investors and funders to protect the financial capital base**

**Reinvigoration at Board and executive management levels**

**Governance processes strengthened**

## FUTURE PRIORITIES

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**Growing market share responsibly**

**Retention of independent third-party certification**

**Successful implementation of the turnaround strategy**

**Reducing debt levels**

**Implementation of the strategic partnerships**

**Effective engagement with governments on policies and partnerships**



## 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 specifications that include NOSA, ISO 45001, ISO 14001, ISO 9001, FSSC 22000 and ISO 22000.

In 2018/19, all operations retained certification to either NOSA 5 Star systems or ISO 45001/OSHAS 18001 covering occupational health and safety. All 19 main operations were able to retain certification to the ISO 14001 environmental management system. All starch operations, the refinery, and pack stations at Xinavane, Triangle and Namibia operations retained certification for FSSC 22000 or ISO 22000 on food safety management systems.







## PRODUCT RESPONSIBILITY

We comply with the relevant safety, health, environmental and quality legislation in each of the countries in which Tongaat Hulett 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.

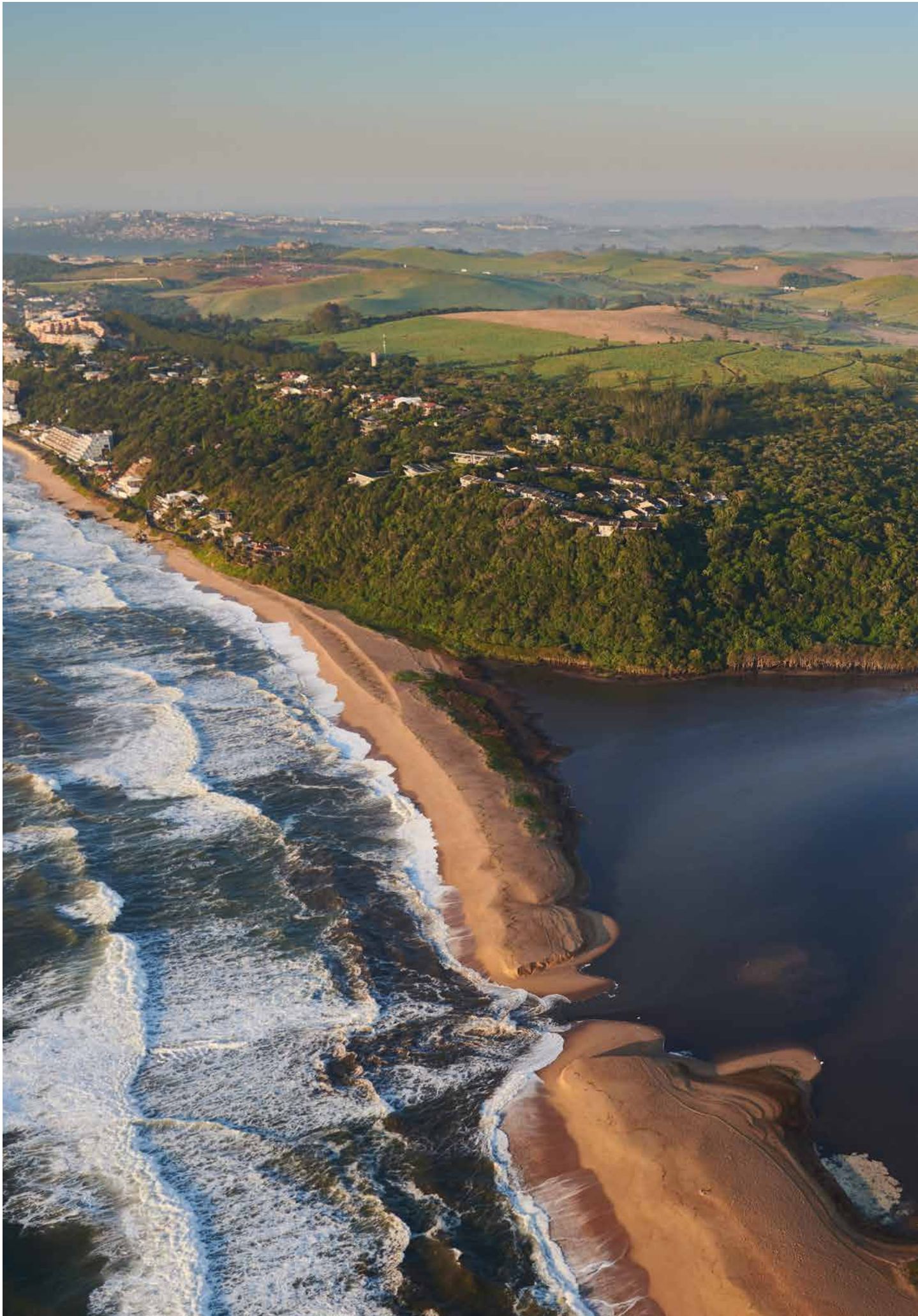
Tongaat Hulett ensures that appropriate information is provided to its customers. All product labels contain information about the product in compliance with the respective country legislation and labelling regulations.

## BRANDS

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

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

\* Tongaat Hulett sold its interests in Namibia in FY2020





## ENVIRONMENTAL CAPITAL

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In the context of its agriculture and agri-processing businesses, Tongaat Hulett is a significant user and protector of land, biodiversity and water. We maintain full appreciation of our responsibility as stewards of these finite resources, and the fact that they need to be utilised and nurtured in a way that will minimise our impact and leave the resources intact and thriving for future generations. We have consistently over the years identified and recognised our impacts and have set targets and implemented programmes that have been directed at alleviating environmental impacts. These include potential third-party impacts from our suppliers and customers. All our operations have as an objective to establish and comply with local and international best practices, in addition to compliance with legal requirements. In line with this approach, the company aims to retain certification to ISO 14001 Environmental Management System standard across all its operations.

## PROTECTING OUR NATURAL ENVIRONMENT

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### SCOPE 1 EMISSIONS

Down by 238 977 metric tons of CO<sub>2</sub>-e (30%)

### SCOPE 2 EMISSIONS

Down by 7 234 metric tons of CO<sub>2</sub>-e (3%)

### SCOPE 3 EMISSIONS

Down by 5 533 metric tons of CO<sub>2</sub>-e (26%)

## KEY INITIATIVES 2019

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### Improvements in Water Resources Management

Ongoing initiatives to reduce carbon emissions

Electricity efficiency

## FUTURE PRIORITIES

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Smart irrigation solutions

Management of water and water resources

## CLIMATE CHANGE RESPONSE

An impact of escalating climate change on our environment is well demonstrated in the 2013 drought, the after-effects of which are still prevailing. Experts say it was the worst drought in 100 years. In addition to this, southern Africa is one of the unique areas in the world where severe drought and heavy floods can be experienced back to back as has been the case in Zimbabwe and Mozambique. Since December 2018 torrential rains and Cyclone Idai in Mozambique and Zimbabwe have led to the loss of hundreds of lives and destroyed thousands of homes and hectares of crops, in a region which only a few years ago suffered from chronic food shortages caused by the drought. At Mafambisse, Cyclone Idai resulted to sugar production declining by 50%. It is also a clear indication of the impact of climate change on food security.

These are recent examples of the conditions that Tongaat Hulett operates under, and which compel industry, government and communities to put measures in place to adapt to climate change. Tongaat Hulett's approach to climate change includes:

- increasing resource-use efficiency;
- reducing fossil fuel usage;
- avoiding direct environmental degradation;
- enhancing productivity sustainably; and
- reducing dependence on external inputs.

Tongaat Hulett is engaged in a variety of programmes covering aspects ranging from carbon management to energy efficiency and water management. We endeavour to report and be transparent on all these activities. We participate in various peer review mechanisms, especially under the auspices of National Business Initiative (NBI), such as the Task Force on Climate-related Financial Disclosures (TCFD) and Sustainable Agriculture.

to monitor its GHG emissions and to improve the accuracy and reporting of its carbon footprint.

The total emissions for the period under review were 837 715 metric tons of CO<sub>2</sub>-e (2017/18: 1 089 459); encompassing:

- 559 197 metric tons of CO<sub>2</sub>-e (2017/18: 798 174) scope 1 emissions from business operations;
- 262 949 metric tons of CO<sub>2</sub>-e (2017/18: 270 183) scope 2 emissions from company purchased electricity; and
- 15 569 metric tons of CO<sub>2</sub>-e (2017/18: 21 102) scope 3 emissions covering business travel, comprehensive supply chain transport and distribution by third-party companies.

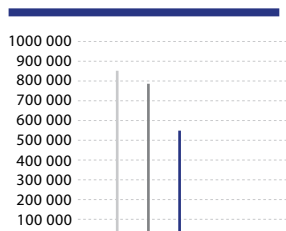
From total scope 3 emissions, 763 metric tons of CO<sub>2</sub>-e (4%) were emitted from business travel (2017/18: 763). Overall, compared to 2017/18, Scope 1 emissions decreased by 238 977 metric tons of CO<sub>2</sub>-e (30%). Scope 2 emissions decreased by 7 234 metric tons of CO<sub>2</sub>-e (3%) and scope 3 emissions decreased by 5 533 metric tons of CO<sub>2</sub>-e (26%). The decline in scope 1 and scope 3 emissions was due to, amongst other things, Tongaat Hulett's standardisation of its emissions data in general, and in alignment with international reporting requirements.

Tongaat Hulett received a C rating in CDP Climate Change in 2018, a decline from the B received in the previous year. This was due to the criteria for 2018 being extended to include science-based targets in water reduction for both CDP Climate Change and CDP Water. Tongaat Hulett is still consulting internally in order to address these requirements and is therefore assessing the appropriateness of its participation in the current year, given the significant business issues that the company is dealing with.

## CARBON MANAGEMENT

As part of its broader response to climate change, Tongaat Hulett reports on its carbon-based impacts on the environment. Our carbon footprint analysis is done on the basis of Scope 1, 2 and 3 Greenhouse Gas (GHG) data in compliance with ISO14064:3. Terra Firma Solutions has provided limited assurance on Scope 1 and 3 GHG data in accordance with ISO14064:3. In addition to this, details of our current actions are provided in the public response to CDP, available at [www.cdp.net](http://www.cdp.net). Tongaat Hulett endeavours

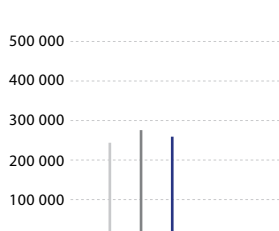
## CARBON FOOTPRINT (TONS CO<sub>2</sub>-e)



SCOPE 1 EMISSIONS

Direct emissions arising from owned or company-owned sources: combustion boilers, furnaces, vehicles and chemical production equipment.

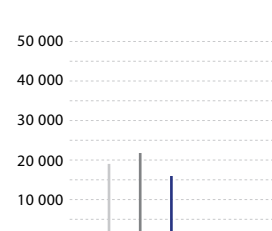
- 2016/17: 857 028
- 2017/18: 798 174
- 2018/19: 559 197



SCOPE 2 EMISSIONS

Indirect emissions from the generation of purchased electricity consumed by Tongaat Hulett.

- 2016/17: 260 565
- 2017/18: 270 183
- 2018/19: 262 949



SCOPE 3 EMISSIONS

All other indirect emissions that arise as a consequence of the business's activities - travel, supply chain transport and third party companies.

- 2016/17: 19 702
- 2017/18: 21 102
- 2018/19: 15 569

## ENERGY

Electricity generation is one of the major contributors to global GHG emissions. Transitioning the world's economy to a lower carbon future will require significant investment in a variety of cleaner technologies. Tongaat Hulett continues to generate the majority of our electricity usage from renewable fuel (sugarcane fibre). We continue to put in place various measures to manage our emissions as reported in previous years and we are committed to report and be transparent on our electricity use.

For the year ended 31 March 2019, Tongaat Hulett used a total of 911 981 MWh (2017/18: 831 754 MWh) of electricity across our operations and offices.

We generated 465 786 MWh (2017/18: 425 136 MWh) from our sugar mills, predominantly from bagasse.

We sold 38 034 MWh (2017/18: 23 811 MWh) to the national grid.

Other sources of fuel that are used include 270 492 tons of coal (2017/18: 275 206 tons), 13,4 million litres of diesel (2017/18: 13,3 million litres), 0,865 million litres of petrol (2017/18: 0,906 million litres), 474 474 GJ of gas (2017/18: 463 247 GJ) and 7 870 tons of wood (2017/18: 3 050 tons).

It is not obvious on how to aggregate the impact of load shedding based on the recent experience. A possible useful way to quantify the impact of load shedding could be to determine an average cost per load shedding event. The combined impact of a blackout per event for the business would be in order of R7,9 million to 13,9 million per day (R55 million to 97,3 million per week).

## WATER RESOURCE MANAGEMENT

As previously highlighted in this report, southern Africa has many climate related challenges ahead, which have significant impacts related to water and water resources. These potential impacts have become an important area of management for the company. Forecasts for the period up to 2030 are that southern Africa will have unpredictable weather patterns, characterised by dry conditions and unpredictable rainfall. In addition to this, rivers and dams which supply water to Tongaat Hulett have not all fully recovered from the 2013 drought, making water management a priority.

Tongaat Hulett has undertaken various initiatives to enable us to respond to this emerging scenario of water scarcity. These include internal platforms to facilitate better coordination across the company on all water related issues, including identifying and implementing opportunities to reduce water usage. The objective is to give the company the agility to quickly respond when necessary. Some of the more prominent interventions involve adopting more efficient irrigation methods and water savings initiatives at industrial operations.

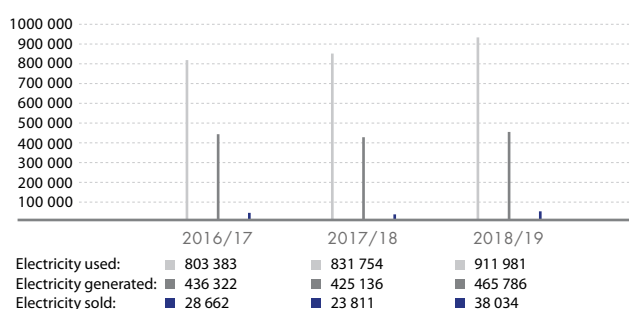
Input water sources include water abstracted from rivers, water available in sugarcane and water purchased from municipal sources. Most sugar mills operate in remote locations and therefore assist in the provision of potable water to local communities. For the reporting year ended 31 March 2019, the total water input was 955 235 megalitres (2017/18: 1 057 922) of which 7 350 megalitres (2017/18: 6 399) was produced from sugarcane and 4 393 megalitres (2017/18: 2 863) was supplied to communities or sold to local municipalities.

The flurry of legislation in the water sector has made effective participation in the water policy arena and river catchment forums a priority. Tongaat Hulett also participates in various peer review mechanisms, which aim to share best practices. We participate in the Water and Climate Change CDPs, hosted by the National Business Initiative in South Africa, through which we gain insights into leading practices in this space. Tongaat Hulett also plays an increasing role in water stewardship initiatives in areas where we operate, of which the uMhlathuze Water Stewardship Partnership (uWASP) in Richards Bay, is a good example.

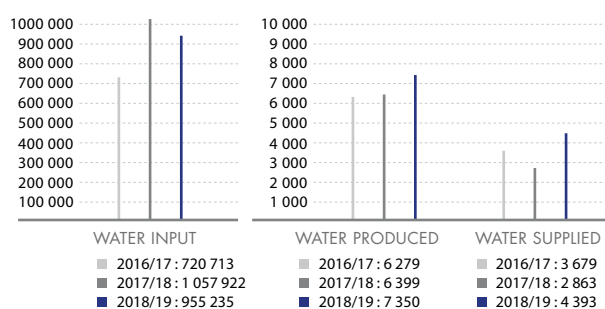
As part of uWASP, Tongaat Hulett is currently participating in three programmes:

- **Ecological infrastructure project:** This project looks to improve the functioning of ecosystems, which are responsible for providing water and climate regulation, soil formation and disaster risk reduction. This forms part of our efforts to reduce the loss of biodiversity and restore areas where biodiversity has been lost. Historically, many of the wetlands in the uMhlathuze region have been removed to make way for agriculture. uWASP spent time with our agricultural team in uMhlathuze re-introducing the benefits of wetland rehabilitation. In 2018 Tongaat Hulett and uMhlathuze Farmers attended a successful study tour to Wartburg to learn how farmers have been embracing wetland rehabilitation and surface water management of roads and waterways.

## ELECTRICITY FOOTPRINT (MWH)



## WATER FOOTPRINT (MEGALITRES)



- **Improved water governance:** uWASP identified that the management of water resources in uMhlathuze is a challenge for the agricultural sector. uWASP aims to strengthen water governance through an improved irrigation management structure and a single Water Users Association. In addition, Department of Water Affairs (DWS) has agreed to consider a project proposal from uWASP outlining a business plan for the new management structure as well as a proposal to bill irrigators on water used, as opposed to water allocation. The change of the billing system is one of the issues that Tongaat Hulett has been championing.
- **The DWS Learning Academy** has confirmed their partnership with uWASP in supporting the development of young water professionals in the department, through the development of a memorandum of understanding. A DWS presentation to partners at the November 2018 Partners Platform, secured commitment to the placement and mentoring of graduate engineers and scientists by uWASP partner organisations, including Tongaat Hulett. The aim is to ensure long-term in-house capacity for effective water management.

Tonga Hulett achieved a B score in the 2018 Water CDP, a decline from the A rating in the previous year. As discussed previously, this was due to the criteria for 2018 being extended to include science-based targets in water reduction.

## AIR QUALITY

A task team was established to investigate possible solutions to ensure that sugar mills reduce the amount of particulate matter in boiler emissions and that the quality of our South African boiler emissions comply, in this regard, with the new South African air emissions standards by the target year of 2020. It was established that high efficiency venturi wet scrubbers and bag filters could be appropriate abatement technology. However, relevant cost estimates were considered prohibitive, and work is advanced on the testing of more cost-effective technologies.

South Africa's legislation provides for a compliance postponement application to be submitted to the National Air Quality Officer. This application must be supported by an atmospheric impact study report, a business justification with reasons for the application and a concluded public participation process as outlined in the Environmental Impact Assessment legislation. This process, which involved a public participation exercise, was led by an independent third-party specialist consulting service provider, and was completed.

Meanwhile efforts continue to be directed at investigating sustainable and effective technology solutions that would improve the quality of air emissions emanating from boiler operations at all sugar mills in South Africa, Mozambique and Zimbabwe.

## EFFLUENT MANAGEMENT

In line with the ZERO HARM concept, the company remains committed to a ZERO EFFLUENT disposal philosophy and operations have various effluent reduction and/or containment programmes in place. The journey entails upgrading production processes and infrastructure with a view to significantly reduce the amount of effluent discharged as a primary objective. Treatment of contained effluent prior to reuse or discharge is considered a secondary objective, and applied only where elimination is not achievable.

In the meantime, 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. The quantity and quality being discharged is monitored to ensure compliance with relevant specifications.

## WASTE MANAGEMENT

The ZERO HARM principle is adhered to during waste management processes with a "target zero hazardous waste" mindset. Operations have structured waste management plans in place. All waste generated from operational processes is taken through a hierarchy of control steps to reduce, re-use and recycle before being earmarked for ultimate disposal. Operations based in South Africa, Mozambique, Botswana, Namibia and eSwatini 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 2018/19 reporting period, 9 371 tons of general waste (2017/18: 11 579 tons) and 299 tons of hazardous waste (2017/18: 539 tons) were disposed of at landfill sites in accordance with applicable legislation. 4 608 tons of scrap metal (2017/18: 5 616 tons) were generated and sold to scrap dealers for recycling. Other waste streams taken through a recycling process included empty chemical containers, plastic, paper, pallets and boiler ash resulting in 97% of total generated waste being recycled.

## ENVIRONMENTAL INCIDENTS, STAKEHOLDER COMPLAINTS AND LEGAL COMPLIANCE

There were no Level 3 incidents, or Level 3 or 2 complaints recorded in the year under review (2017/18: 0 Level 3 incident; 0 Level 3 complaints, 0 Level 2 complaints).

A total of 3 Level 2 incidents were recorded (2017/18: 1 Level 2 incident). Two incidents involved underground and surface pollution caused by broken effluent pipelines and effluent overflow onto natural vegetation. The third incident involved natural vegetation wilting due to the effects of sprayed agro-chemicals. In all cases, corrective action was taken immediately to contain and rehabilitate affected areas.

A total of 295 Level 1 environmental incidents were recorded in the year (2017/18: 300). Most of these incidents were related to fuel, product or substance spills or leaks and water loss.

A total of 113 Level 1 stakeholder complaints were recorded in the year (2017/18: 104). Most of these complaints were related to odour and poor-quality boiler emissions being caused by temporarily disrupted production processes. In most cases, these complaints were immediately responded to and addressed while in other cases action is being taken to address underlying issues.

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.





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