



**SUSTAINABILITY  
REPORT 2020**



**TongaatHulett**  
Est. 1892



## ABOUT THIS REPORT

In our 17 years of sustainability reporting, Tongaat Hulett's annual Sustainability Report details how we are delivering on our mission: to build our future by creating sustainable value for all our stakeholders.

The 2019/2020 financial year saw significant progress in our strategic turnaround. Key to this turnaround are our efforts to reduce debt, rightsize our business, drive efficiencies and build capability in our people as well as our processes. We are well down the path of the sale of certain assets, restructuring operations and improvements in operating performance.

It is within this new environment that we are continuously adapting our sustainability approach while still adhering to our foundational principles. In this process we continue to be guided by a range of sustainability protocols including the UN Sustainable Development Goals (SDGs) and King Code on Corporate Governance (King IV™), as well as regular engagement and feedback from our stakeholders.



In 2019/20 the business has transitioned to obtaining internal assurance on its sustainability information. Further information on this is contained in the Sustainability oversight section.

Our turnaround and restructuring process has and will continue to impact on the company's structure and more details have been provided where appropriate. Other than these, there were no significant changes in the scope and boundary, or measurement methods applied in the report and there have been no restatements of prior year data.

This report sets out to provide a comprehensive overview of our sustainability strategy as well as detailed information on our Human, Social and Relationship, Natural and Intellectual capitals.



We invite you to refer to the 2020 annual reporting suite and our website for more details on our Financial and Manufactured capitals, as well as our strategic direction and financial performance.

## ASSURANCE AND APPROVAL

Tongaat Hulett has adopted a combined assurance strategy and framework to provide assurance to the Board on the company's performance in the context of material matters in its operating environment. The Audit and Compliance and the Risk, Capital and Investment Committees consider all material matters facing the company to ensure that these are adequately managed and that internal assurance activities are integrated and coordinated efficiently and proficiently. Independent service providers provide external assurance on various elements of the annual reporting suite:

Audit and Compliance Committee	Social, Ethics, Health and Safty Committee
↓	
<b>EXTERNAL ASSURANCE</b>	
Annual Financial Statements	Deloitte & Touche
Review of internal controls and risk review	KPMG
B-BBEE contributor level	1st Verification Networx
Carbon emissions disclosure	Catalyst Solutions
Operational certification	Include NOSA, OHSAS 18001, ISO 14001, ISO 9001, FSSC 22000 and ISO 22000.

## NAVIGATION

### Suite of reports



The 2020 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:

2020 Integrated Annual Report  
([www.tongaat.com/2020IAR.pdf](http://www.tongaat.com/2020IAR.pdf))

2020 Annual Financial Statements  
([www.tongaat.com/2020AFS.pdf](http://www.tongaat.com/2020AFS.pdf))

King IV™ compliance register  
([www.tongaat.com/2020kingIV.pdf](http://www.tongaat.com/2020kingIV.pdf))

## DIRECTORS' RESPONSIBILITY

The Tongaat Hulett Board, supported by the Social, Ethics, Health and Safety Committee, has overall accountability for this report.

The Committee collectively reviewed the content of this report and confirms that it believes this 2020 Sustainability Report addresses our material issues and is a balanced and appropriate presentation of the sustainability performance of the group.

The Tongaat Hulett Board approved this report on 19 August 2020.

**L Von Zeuner**  
(Chairman)

**JG Hudson**  
(Chief Executive Officer)

**RD Aitken**  
(Chief Financial Officer)

**L de Beer**

**RM Goetzsche**

**JJ Nel**

**DL Marokane**

**AH Sangqu**

## REQUEST FOR FEEDBACK

Tongaat Hulett would like to hear from all stakeholders on their views of the 2020 annual reporting suite, including the accessibility of the information provided and opportunities to expand and improve the company's future reporting.

Please contact: Corporate Communications, Tongaat Hulett,  
PO Box 3, Tongaat, 4400, South Africa  
Email: [investor.relations@tongaat.com](mailto:investor.relations@tongaat.com)  
Telephone: +27 32 439 4365

## FURTHER DETAILS



available online



in this report

## **02 INTRODUCTION**

- 02 About Tongaat Hulett
- 03 Geographic footprint
- 04 Strategic positioning and success drivers
- 05 Performance overview

## **06 OUR APPROACH**

- 06 Approach to sustainability
- 07 Sustainability oversight
- 07 Medium-term sustainability strategy
- 08 Responding to the Sustainable Development Goals
- 09 Sustainability Indicators

## **10 HUMAN CAPITAL**

- 11 Restructuring and rightsizing Tongaat Hulett
- 13 Training and development
- 15 Benefits
- 17 Ethics
- 18 Key metrics

## **20 SOCIAL AND RELATIONSHIP CAPITAL**

- 21 Stakeholder relationships
- 25 Socio-economic development
- 28 Sustainable agriculture
- 31 Human rights and child labour
- 33 Supply chain
- 33 B-BBEE in South Africa
- 34 Health and safety
- 36 Food safety

## **38 INTELLECTUAL CAPITAL**

- 39 Intellectual property
- 39 Third-party certification
- 39 Product responsibility
- 40 Brands

## **42 NATURAL CAPITAL**

- 43 Environmental sustainability
- 43 Climate change
- 44 Carbon management
- 44 Energy management
- 44 Water management
- 45 Waste management
- 46 Air quality
- 46 Effluent management
- 46 Environmental incidents, stakeholder complaints and legal compliance

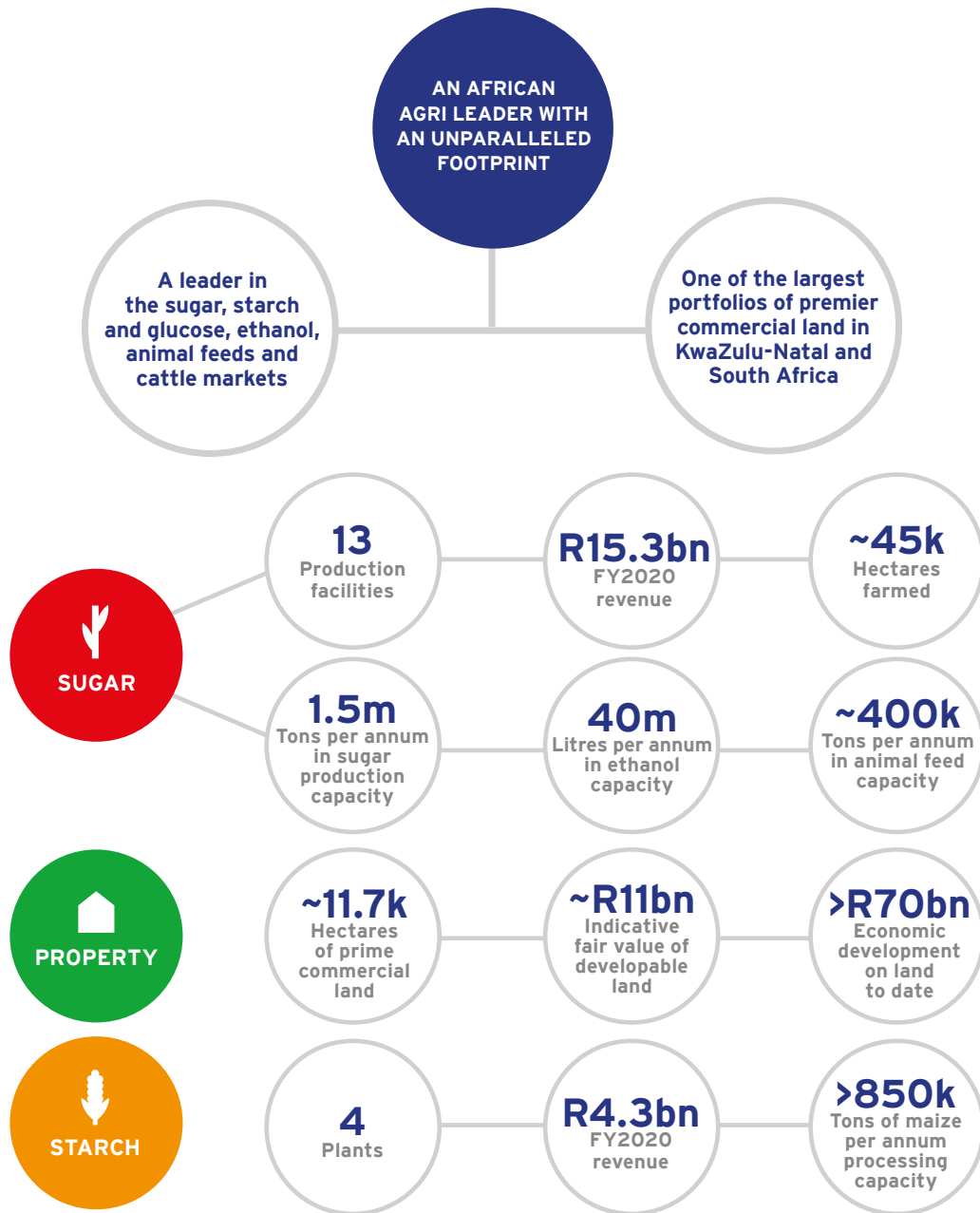
## **47 REPORT OF THE RISK, SHE, SOCIAL AND ETHICS COMMITTEE**

## **51 GLOSSARY OF TERMS**

## **52 CORPORATE DETAILS**

# **CONTENTS**

# ABOUT TONGAAT HULETT



**A 128-year history with strong socio-economic legacy in SADC**

**OUR VISION** is to be the most trusted partner in all that we do.

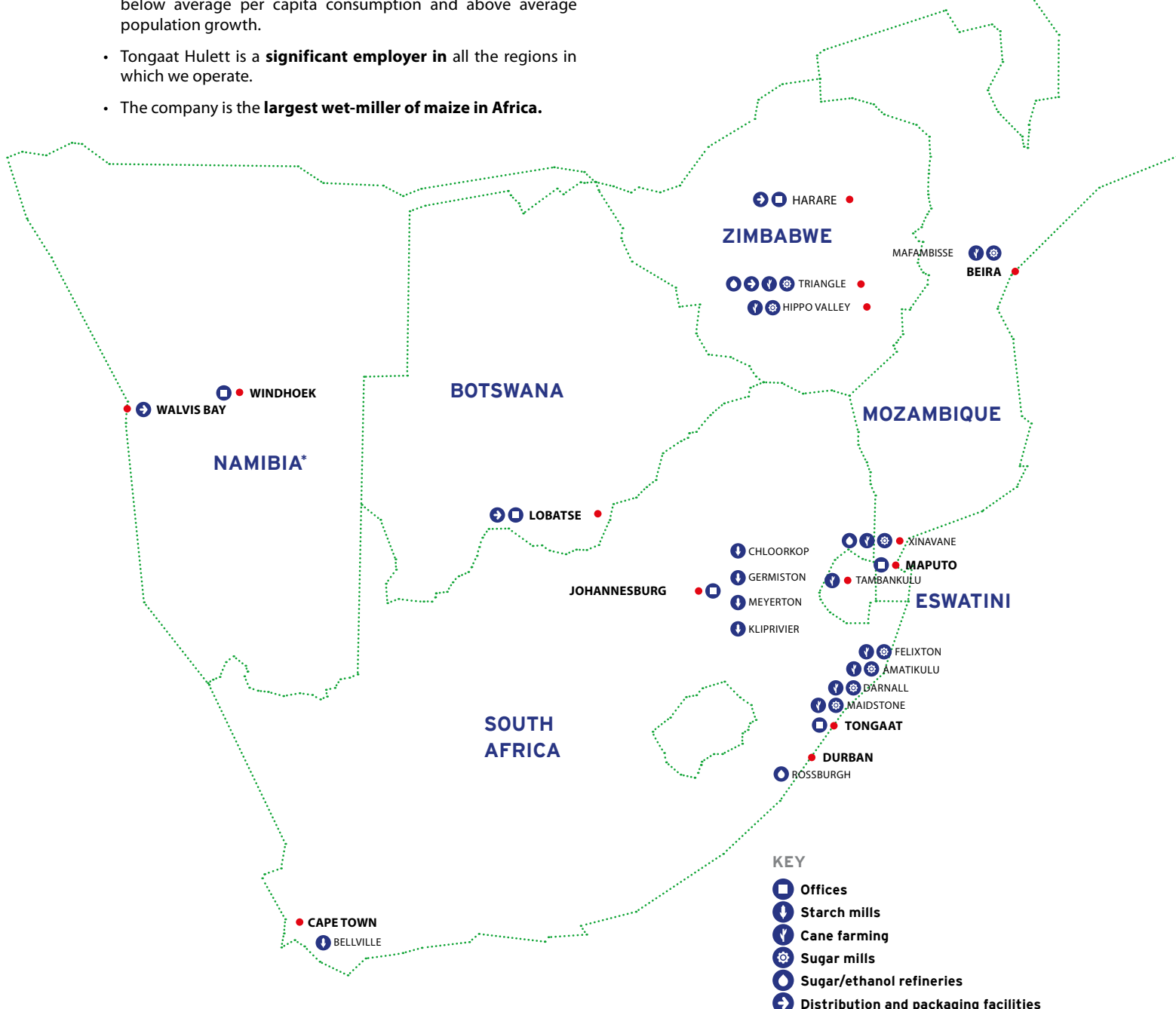
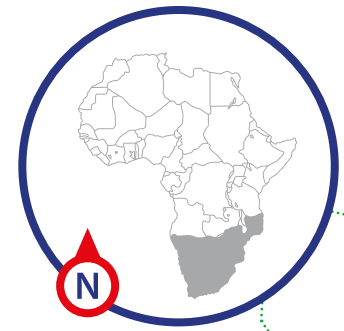
**OUR MISSION** is to build our future by creating sustainable value for all our stakeholders.

## OUR VALUES



# GEOGRAPHIC FOOTPRINT

- The sugar industry in Southern Africa holds some of the best production cost credentials globally.
- Some **150 000 hectares** of sugarcane were harvested and delivered to our mills in FY2020, sourced from a combination of large-scale, small-scale and land reform farmers, and own estates.
- Some **one million people** in South Africa are directly impacted by the 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.
- Tongaat Hulett is a **significant employer** in all the regions in which we operate.
- The company is the **largest wet-miller of maize in Africa.**



- KEY**
- Offices
  - ↓ Starch mills
  - ↑ Cane farming
  - ⚙️ Sugar mills
  - Sugar/ethanol refineries
  - ➔ Distribution and packaging facilities

\* Tongaat Hulett sold its interests in Namibia and entered into a sale agreement for its starch and glucose operations in FY2020. In June 2020, a sale agreement was entered into for the disposal of Tambankulu Estates, based in Eswatini.

# STRATEGIC POSITIONING AND SUCCESS DRIVERS

## OUR AIM

Our sustainable development initiatives and processes are aligned to Tongaat Hulett's new strategy and values and will play an integral part in achieving our vision and mission.



**A balanced approach to sustainability management**



# PERFORMANCE OVERVIEW\*

## FINANCIAL CAPITAL

**R19.656** billion  
Revenue (2019: R17.069 billion)

**R3.873** billion  
Operating profit (2019: R1.207 billion)

**R121** million  
Headline profit (2019: R923 million loss)

**R1.620** billion  
Net finance costs (2019: R1.331 billion)

## SOCIAL AND RELATIONSHIP CAPITAL

**R87.9** million  
invested in socio-economic development initiatives (2019: R197.8 million)

**R51.5** million  
invested in healthcare (2019: R84.6 million)

**R6.2** million  
invested in education (2019: R22.6 million)

**R239** million  
paid in taxes in our six countries of operation (2019: R408 million)

**R12.393** billion  
paid to suppliers (2019: R12.495 billion)

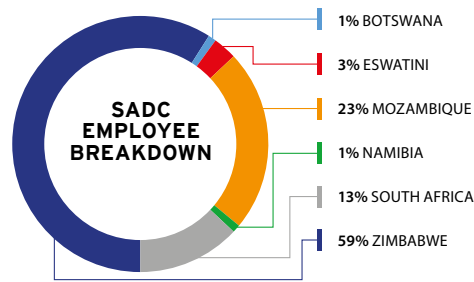
**0.106** LTIFR (2019: 0.087 LTIFR)

## HUMAN CAPITAL

**23 347** people employed  
(2019: 33 567)

**R2.522** billion total remuneration  
(2019: R2.665 billion)

**R34.8** million training spend  
(2019: R59.7 million)



## MANUFACTURED CAPITAL

**1.25** million tons sugar produced  
(2019: 1.28 million tons)

**665 000** tons maize converted to starch and glucose (2019: 656 000 tons)

## NATURAL CAPITAL

**718 387** tons CO<sub>2</sub>-e scope 1 carbon emissions (2019: 751 515 tons)

**20%** reduction in hazardous waste to 240 tons from 299 tons in 2019

**0** significant environmental incidents reported (2019: 0)

**675 396** MWh electricity consumed (2019: 911 981 MWh) of which 64% was self generated (2019: 47%)

## INTELLECTUAL CAPITAL

**14** registered patents

**369** registered trademarks

**89** domains

## MARKET LEADING BRANDS



\* Including discontinued operations



## **NURTURING OUR CAPITAL**

**Economic, social and environmental transformation continues to redefine what it is to be a responsible corporate citizen. The recent outbreak of the COVID-19 pandemic has further shaken the foundations of businesses' understanding of the environment, risk and opportunity. We approach sustainability as an ecosystem, where we focus on responsible use, protection, and conservation of our capitals. This is underpinned by decisive leadership, a strong value system and disciplined governance. We consistently engage with a broad range of stakeholders and look for opportunities to foster new partnerships between business, government and communities and adopt new and emerging approaches to sustainability.**

## **OUR APPROACH**



## CHALLENGES ENCOUNTERED IN THIS PERIOD

- Nine fatalities at our operations, of which one was work related, three non-work related and five related to third-party operators
- Rightsizing of the company
- Debt reduction and restructuring
- The COVID-19 pandemic and impact of the lockdown
- MAC dispute delayed sale of starch and glucose business
- The introduction of Carbon Tax in South Africa

## FOCUS AREAS FOR 2020/2021

- Zero fatalities and improved health and safety performance
- Further progress with the debt reduction program
- Improving our ability to access attractive and strategically important markets
- Investing in new capabilities to enable high performance and a future fit organisation

## SUSTAINABILITY OVERSIGHT

Tongaat Hulett has, over a number of years, strengthened its sustainability efforts by adopting and participating in various governance processes and peer review mechanisms. In the year under review we have made further changes, including changing from an external assurance process to internal validation, in an effort to strengthen the quality of sustainability information measured and tracked within the organisation.

There is an increasing demand among investors for robust data on environmental, social and governance (ESG) information on which to base capital allocation decisions. Investors prefer to allocate capital to those businesses that demonstrate long-term

value creation and resilience, as evidenced by their sustainability performance indicators. Due to changes in our organisational structure, personnel and operating environments, Tongaat Hulett has chosen to step back from third-party assurance to invest these funds into the improvement of internal controls prior to seeking assurance again in the future. The same approach has been adopted for participation in peer review mechanisms.

For this report Catalyst Solutions assured our carbon emissions and an independent assurance provider undertook internal assurance on selected sustainability performance information for the year under review.

The company observes various international protocols including the UN Declaration of Human Rights and has zero-tolerance to fraud and corruption. We have engaged Deloitte's independent whistle-blower services to highlight any unethical and unlawful behaviour or non-compliance with our Code of Business Conduct and Ethics.

## MEDIUM-TERM SUSTAINABILITY STRATEGY

During 2019, Tongaat Hulett announced a turnaround strategy pillared by 12 management initiatives that is also driving the medium-term sustainability strategy. Considerable progress has been made in this regard to date. In the period under review the company entered into an agreement with Barloworld for the sale of its starch and glucose business for R5.35 billion and sold its stake in Tongaat Hulett Namibia. Two subsidiaries are being established to create transformational initiatives in our milling and land operations and we optimised our farming operations in South Africa, which created further transformation opportunities. Amongst a range of initiatives implemented to reduce costs and rightsize operations, a decision was also taken to mothball our Darnall Sugar Mill in KZN.

**Our medium-term sustainability strategy encompasses the following:**

### COVERAGE AREAS



#### Capabilities

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

#### Key sustainability objectives

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

## RESPONDING TO THE SUSTAINABLE DEVELOPMENT GOALS

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



### EXISTING COMPANY MEMBERSHIPS (UP TO 31 MARCH 2020)

- National Business Initiative (NBI)
- South African Sugar Association (SASA)
- Business Unity of South Africa (BUSA)
- Confederation of Zimbabwe Industries (CZI)
- Institute of Directors Zimbabwe (IoDZ)
- Zimbabwe National Chamber of Commerce (ZNCC)
- Zimbabwe Sugar Association (ZSA)
- Confederation of Economic Associations - Mozambique (CTA)
- Association of Mozambique Sugar Producers (APAMO)



## SUSTAINABILITY INDICATORS\*\*

Measuring and disclosing useful sustainability performance information remains an important element of the company's sustainability strategy. Relevant sustainability indicators have been disclosed below.

Indicator	2019/20	2018/19	2017/18
<b>Social and relationship capital</b>			
Social-economic development (SED) contributions (R million)	87.9	197.8	217.6
Work-related fatalities	1	5 (4 employees and 1 community member)	1
Lost Time Injury frequency rate	0.106	0.087	0.083
B-BBEE Level	4	4	3
Number of occupational illnesses with irreversible effects	0	1	0
Occupational illnesses with reversible effects	57	1	7
<b>Human capital</b>			
Employees	23 347	33 567	31 355
- Full time	16 844	20 680	21 122
- Fixed term contractors	5 384	9 130	6 176
- Seasonal and casual workers	1 119	3 757	4 057
Employee turnover % (permanent)	29.8	5.1	4.6
Training spend (R million)	34.8	59.7	57.1
Training hours	153 588	456 627	471 829
Number of employees trained	9 331	19 585	18 803
<b>Natural capital</b>			
Water intake (megalitres)	1 150 957	955 235	1 057 922
Electricity consumed (megawatt hours)	677 913	911 981	831 754
Electricity generated (megawatt hours)	468 564	465 786	425 136
Waste disposed of - general (tons)	9 606	9 371	11 579
Waste disposed of - hazardous (tons)	240	299	539
Total waste recycled (tons)	346 803	356 712	360 841
Carbon footprint (tons)	1 000 722	1 037 509*	1 089 459
Environmental incidents - level 1	222	295	300
Environmental incidents - level 2	2	3	1
Environmental incidents - level 3	0	0	0
Stakeholder complaints	102	113	104
<b>Financial capital</b>			
Revenue (R billion)	19.656	17.069	17.505*
Operating profit (R billion)	3.873	1.207	142*
Total dividends (cents per share)	0	0	160
<b>Manufactured capital</b>			
Sugar produced (million tons)	1.25	1.28	1.17
Starch and glucose tons sold	509 000	500 000	515 000
Hectares shovel ready	1 542	1 618	1 597

\*Restated

\*\*Including discontinued operations





## HUMAN CAPITAL

The 2019/20 financial year was an unprecedented year for Tongaat Hulett, requiring not only a significant focus on cost reduction, the rightsizing and reorganisation of the company, but also agility and decisive action in our fight against the COVID-19 pandemic. Zimbabwe, which employs our largest workforce, faced additional challenges linked to currency instability and hyperinflation.

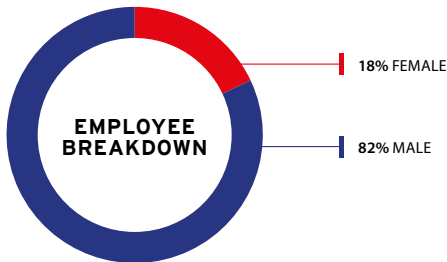
## KEY INDICATORS 2020

### Improving lives

**23 347** Employees (2019: 33 567)

**1 352** Graduates (2019: 1 469)

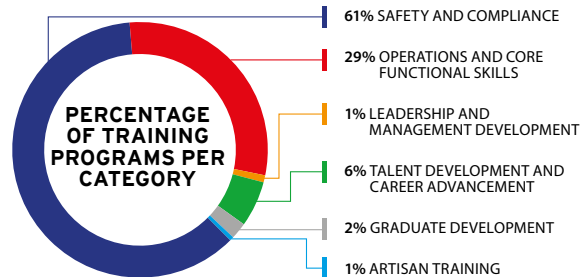
**656** Total artisans (2019: 701)



### Training

**153 588** Training hours (2019: 456 627)

**9 331** Employees attended training (2019: 19 585)



## KEY INITIATIVES 2019/20

- Rightsized and delayed structures – headcount reduction of 10 220
- New hires to improve bench strength
- Implemented performance management based on company goals
- Increased communication – internal and external
- Redesigned remuneration policy

## FUTURE PRIORITIES

- Rollout of systems and KPI dashboards
- Embedding new values
- Investing in Human Capital analytics to enable data driven people decisions
- Creating a governance capability framework
- Leveraging performance management

The PwC investigation report into alleged undesirable business, accounting and other practices and the potential impact on the 2018 and 2019 financial statements, in November, also triggered various disciplinary processes and performance management actions.

We have articulated a new set of values and are in the process of rolling these out to employees. This has also formed part of a concerted effort to improve on our internal communication and staff engagement across the business.

### Our Values



## RESTRUCTURING AND RIGHTSIZING OF TONGAAT HULETT

In response to the precarious financial situation the company found itself in, our workforce was reduced by 10 220 employees in the past financial year, which included permanent, seasonal and fixed-term contractors across our operations in most countries. We have endeavoured to do this as fairly and responsibly as possible within the requirements of the law. The reductions have been achieved through a combination of non-renewal of contracts, voluntary severance packages (VSP), retrenchments, early retirements and natural attrition. VSP and retrenchments accounted for 4 016 of this reduction.

Through the VSP process, executives and several senior employees have left the business in the past year. This has allowed for the refresh of business leadership, including the executive committee through a combination of internal promotions and some external appointments.

As part of the reorganisation process we have reviewed all organisational structures and senior roles across our operations, beginning with the executive committee and the two next reporting layers. The intention is to create fit for purpose structures with the right people in the right positions with the right skill set.



## Restructuring of the South African operations

**The HR team played a key role in delivering on the strategy of arresting Tongaat Hulett's business decline. By leading the restructuring of the business, notable fixed cost savings will be realised through a responsible and considered reduction in headcount.**

The South African headcount reduction target was set at 30%, with the first phase focused on managerial levels in Sugar, Properties and Agriculture. Legal assistance was utilised to guide the process in conjunction with the facilitation services of the Commission for Conciliation, Mediation and Arbitration (CCMA). One of the biggest challenges faced during this time was to ensure a consistent response to the many questions that were being raised in the meetings.

The offer of VSPs was well received, reducing the number of employees to ultimately retrench. One dispute has been referred to the Labour Court.

In the agricultural bargaining unit, the majority of employees impacted were seasonal workers, who received the same benefits as permanent employees in recognition of their continuity of service over many years. Through FarmCo<sup>®</sup> the company also worked with new land tenants to assist in securing employment for many of these farm workers.

The last phase of rightsizing, which is currently underway involves employees in the collective bargaining units of the sugar milling and refining operations, involving employees represented by three Unions, FAWU, UASA and AMCU. VSPs have been less successful in this instance, leaving a number of jobs still to be contemplated for reduction. This will be in line with business turnaround targets. The number of redundant positions has been impacted by the decision to mothball Darnall sugar mill; to amalgamate Voermol Feeds and Maidstone Sugar milling operations and to reduce the refining capacity at Hulett Refineries to 300 000 tons per annum. The process includes a proposal to introduce a 4th shift at the mills and refinery as a restructuring, cost and safety measure that, if approved, will save 123 jobs that might otherwise be lost. Implementation of the process has been delayed by the imposition of the COVID-19 lockdown and should be finalised during the new financial year.

 See FarmCo case study on page 29



## PERFORMANCE MANAGEMENT

We are resetting the business culture by driving performance management and creating accountability at the levels where it belongs. We are also aligning our reward processes to re-energise performance management by redesigning our remuneration structures.

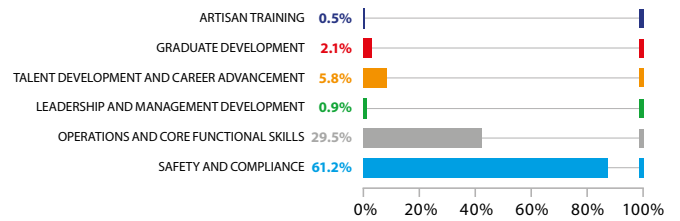
## TRAINING AND DEVELOPMENT

Due to the focus on restructuring and reorganising the various operations across the company, there was less training activities during the year. The number of training programs in the year reduced significantly to 11 988 from 22 109 in the previous year.

In South Africa, occupational based learning needs to be mandated by the QTCOs (Quality, Trades and Council of Occupations), a body that oversees occupational learning as per the Skills Development Act of 1998. Tongaat Hulett's Starch operations successfully obtained workplace approval for Chemical Operations Levels 1 and 2 by CHIETA (Chemical Industries Education and Training Authority), allowing the organisation to host learners and trainees for workplace learning based on the assessment of company policies, procedures, work environment and the availability of assessors and mentors.



Percentage of training programs per category





## Mumsy Patience Dlamini

### KEY STATS

**1997 joined  
Tongaat Hulett**

**2011 received a Diploma  
in Transport Management**

**First female Mass Meter  
Clerk**

**23 years at  
Tongaat Hulett**

Mumsy has taken significant career strides since first joining the Felixton Sugar Mill on a short-term contract as a Clinic Clerk in 1997, the year after she finished matric. Today, she occupies a first line management position in the Transport and Cane Supply Department.

After numerous contract roles in the company and associated businesses working on site at Felixton, in 1999 she became the first female to be employed as a Mass Meter Clerk within Transport and Cane Supply. Her work ethic was recognised by the company, growers and hauliers alike, leading to a promotion to Yard Controller/Supervisor at the weighbridge in 2001. After completing various internal training courses, she was registered as a permanent employee of the company in 2003.

Aspiring for greater things, Mumsy registered at University of Johannesburg in 2009 to study Transport Management, obtaining her Certificate and Diploma in Transport Management in 2011, and in 2013 she was promoted to a Cane Supply Coordinator.

Today she occupies the position of Assistant Transport/Cane Supply Manager, a visible confirmation of the growth opportunities Tongaat Hulett offers its employees.


Mumsy is a proud employee of Tongaat Hulett and believes that the company has given her the platform to grow and develop within the industry. Having occupied many positions that were dominated by men, she believes Tongaat Hulett is a company that stands for women empowerment with no discrimination. She has successfully paved the way for other women in the field.

Mumsy shared that she has an excellent support structure within the Transport/Cane Supply Management team. She receives motivation and guidance from the Northern General Manager and her other peers. She would love to become a role model for the younger generation to show them that anything is possible with hard work and determination.

## BENEFITS

Remuneration and benefits form an important component of the employee value proposition. Our merit-based packages include benefits such as on-site clinic facilities, medical aid, retirement funding, death and disability benefits, guaranteed bonuses or long-term and short-term incentives such as performance related bonuses and shares. Salaries are reviewed annually as part of the performance management process.

In 2019, a once-off turnaround incentive plan, was approved for the 2020 – 2022 financial years, including a short-term incentive plan designed to provide appropriate incentives to eligible employees from Paterson D Band and above for their role in achieving the objectives of the business' turnaround plan.

 More information is available in the Remuneration Report in the Integrated Annual Report.

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, accommodation is provided to some employees as operations are remotely located. The table below details spend on some of these additional benefits during the past financial year.

Benefit*	2019/20 R million	Benefit explained
Accommodation	14.1	The company offers a range of accommodation to some of 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.
Employee nutrition	38.9	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.
Healthcare	44.9	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.
Education	6.4	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.
<b>Total</b>	<b>104.3</b>	

\*some of these amounts form part of SED expenditure



In Zimbabwe, the wages and salaries have, over the past year, been seriously eroded by hyperinflation and currency volatility. To cushion employees against the harsh economic environment, the company has proactively applied a Cost of Living Allowance which has been greatly appreciated by employees. The economic environment in Zimbabwe has also created a challenge for retaining technical and skilled workers who are being attracted to mostly neighbouring countries, due to payment of salaries in stable currency, such as in US\$.

Employees are members of various retirement funds, ranging from legislated national funds to provident and defined 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.

The longstanding litigation over the defined benefit conversion has been concluded, allowing the fund to be wound up and the final payments to be distributed. The company also amended two Human Resource policies to alleviate negative financial implications for the company, these being the leave accumulation policy, which has been reduced to a maximum of one year's entitlement upon termination of employment, and the phasing out of the discretionary retirement gratuity.





## ETHICS

### 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 20 320 (2018/19: 25 944), manufacturing and agricultural operations' employees form part of collective bargaining agreements with the unions listed below. There were no strikes in the past year and no person days were lost due to industrial action.

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	Currently no recognised union, staff represented by an employee Committee
Namibia	NAFAU - Namibia Food and Allied Workers Union

### Disciplinary and grievance 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.

We have established grievance procedures, many of which have been agreed with recognised unions, which provide for a defined process to resolve individual employee's grievances arising out of their employment. We aim to resolve grievances within a reasonable time frame 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's 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, employees faced the appropriate sanctions, which in some cases included civil and criminal prosecutions.

### Application in 2019/20

In the past year, improved ethics and governance structures have been a key focus area, including restructuring and capacitating these areas. Issues of governance took centre stage with the findings of the PwC report being received.

In early March 2019, it became clear from the financial review that certain historic accounting practices had emerged which required further scrutiny, and which could well impact on previously reported financial information. Bowman Gilfillan Inc. appointed PwC on behalf of the Board to assist with a comprehensive forensic review of these past practices. The findings of this report were published in November 2019.

Where misconduct was identified as part of the PwC investigation, the company has taken decisive disciplinary action against employees who were still in our employment. Remedial actions were implemented for all employees identified to have had any involvement or complicity in any unacceptable part of past practices. These actions ranged from counselling to termination of employment. Criminal and civil charges have also been laid against certain individuals identified in the PwC report.

The company has reinforced its governance processes and policies to ensure that the company's behaviours are aligned with the Tongaat Hulett Code of Business Conduct and Ethics.

A Fraud Risk Management Strategy is being implemented to address the business's approach to dealing with the risk of fraud from the perspectives of prevention, detection, response and resolution.

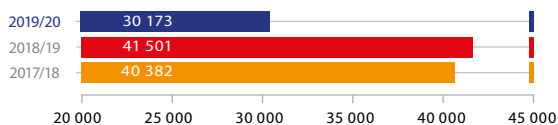
- Prevention - preventing the occurrence of fraud by creating a culture within Tongaat Hulett which is intolerant to unethical conduct, fraud and corruption.
- Detection - detecting instances of fraud, by strengthening community participation in the fight against corruption in the company.
- Response and resolution - responding to the negative consequences of fraud by investigating detected unethical conduct, fraud and corruption and taking appropriate corrective actions to address such irregularities.

# HUMAN RESOURCES - KEY METRICS

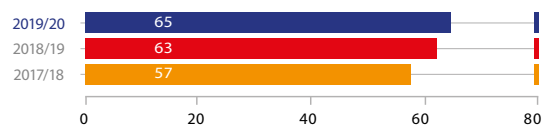
## Employee complement

Operating country	Full-time (Permanent)			Fixed-term contractors			Seasonal and casual workers (Non-permanent)			Total			Employee total at peak of sugar milling season – 2019/20 (Oct '19)	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	709	1 745	2 454	80	509	589	46	46	92	835	2 300	3 135	3 135	6 005
Mozambique	1 010	3 484	4 494	200	642	842	0	0	0	1 210	4 126	5 336	10 708	16 755
Zimbabwe	1 320	7 792	9 112	602	3 325	3 927	0	826	826	1 922	11 943	13 865	14 796	17 294
Eswatini	72	343	415	3	22	25	6	185	191	81	550	631	1 114	1 068
Botswana	63	82	145	0	0	0	5	5	10	68	87	155	155	157
Namibia	72	152	224	0	1	1	0	0	0	72	153	225	242	222
<b>2019/20 Total</b>	<b>3 246</b>	<b>13 598</b>	<b>16 844</b>	<b>885</b>	<b>4 499</b>	<b>5 384</b>	<b>57</b>	<b>1 062</b>	<b>1 119</b>	<b>4 188</b>	<b>19 159</b>	<b>23 347</b>	<b>30 173</b>	<b>41 501</b>
<b>2018/19 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>		

### Peak season employee complement



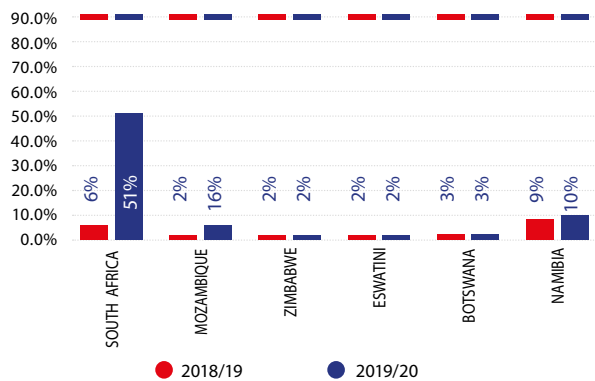
### Employees with disabilities



### Employee turnover

Operating Country	Terminations		Recruitments	
	Female	Male	Female	Male
South Africa	985	2054	222	37
Mozambique	554	2158	17	1
Zimbabwe	49	323	0	2
Eswatini	2	16	0	0
Botswana	3	1	2	1
Namibia	6	16	23	2
<b>Total - 2019/20</b>	<b>1 599</b>	<b>4 568</b>	<b>264</b>	<b>43</b>
<b>Total - 2018/19</b>	<b>237</b>	<b>824</b>	<b>273</b>	<b>603</b>

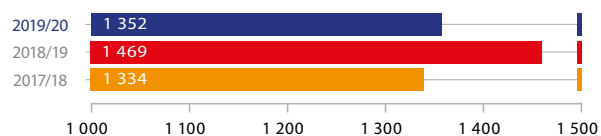
### Employee turnover % by country\*



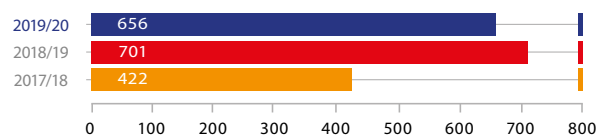
\*as a% of peak season employees

## SKILLS BASE

### Graduates\*



### Artisans



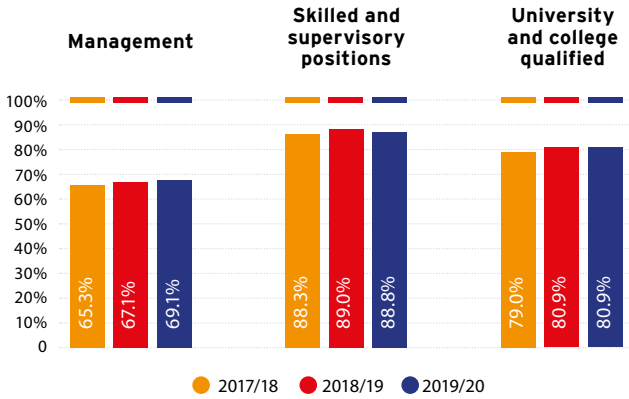
\*Includes employees with degrees and diplomas



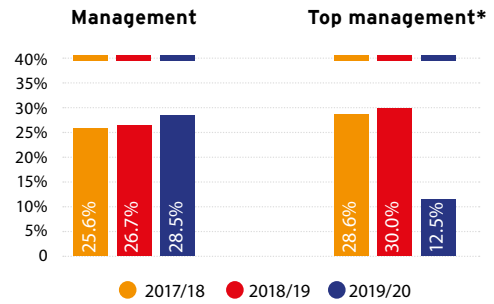
## TRANSFORMATION

Progress in representation of designated groups in South African operations as a percentage of the total employees in the country is depicted in the graphs below.

### Black employee representation in South Africa

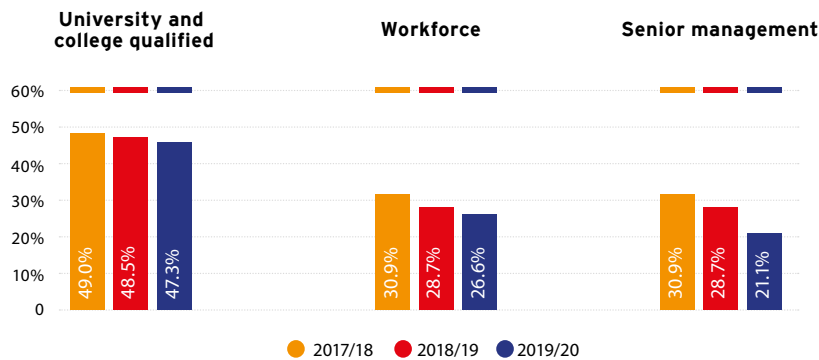


### Black female representation in South Africa

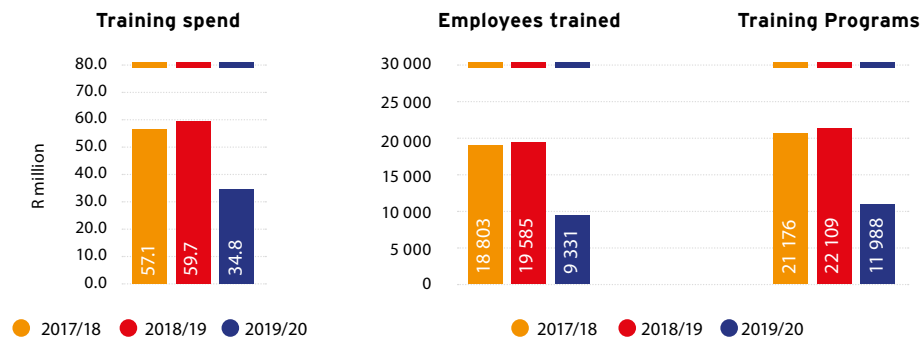


\*The definition of "top management" has changed. It now only includes Tongaat Hulett Limited executive committee members, where previously it also included Board members of operating companies.

### Female representation in South Africa



### Training





## SOCIAL AND RELATIONSHIP CAPITAL

Tongaat Hulett recognises that building and nurturing relationships with all our stakeholders is a key driver of the ongoing success of the organisation. This is cemented by the company's mission to "build our future by creating sustainable value for all our stakeholders".

We take pride in our open and transparent communication and aim to achieve outcomes that benefits every key stakeholder involved in various engagements.

## KEY INDICATORS 2020

**R87.9** million spent on SED initiatives (2019: R197.8 million)

**R51.5** million spent on healthcare (2019: R84.6 million)

**R6.2** million spent on education (2019: R22.6 million)

**1** work-related fatality, a reduction on the prior year (2019: 5)

## KEY INITIATIVES 2019/20

- Corporate reputation survey across five key stakeholder groups
- Ongoing support for SED initiatives with the quantum adjusted to align with the need to conserve cash within the company
- Human rights review

## STAKEHOLDER RELATIONSHIPS

The process to increase Tongaat Hulett's understanding of its stakeholders' needs and concerns is continuously improving and includes identifying important clusters of stakeholders based on the degree to which they influence or are impacted on by the business. The various proactive engagements that are already in place are documented and the business seeks to further strengthen these relationships.

Stakeholder engagement took on even more prominence in the year under review 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, amongst others, fully informed of the details as well as the implications of these events. Throughout the process, we continued to engage in a collaborative process with our debt providers. Our engagement also included key stakeholders such as government at national, provincial and local levels, our growers and our communities, to ensure that there was no interruption to the operations of the business. The company has also strengthened communication with customers and suppliers to develop strategic partnerships on various operational platforms.

### Our commitment

In the beginning of 2020 Tongaat Hulett commissioned Ipsos, an independent market researcher and public opinion company to conduct a corporate reputation survey on our behalf, across five of our key stakeholder groups. The results of the survey are being used to baseline our stakeholder perceptions and to further refine our engagement strategy in line with our vision of being "the most trusted partner in all we do" and as part of our commitment to transform Tongaat Hulett and return it to profitability.

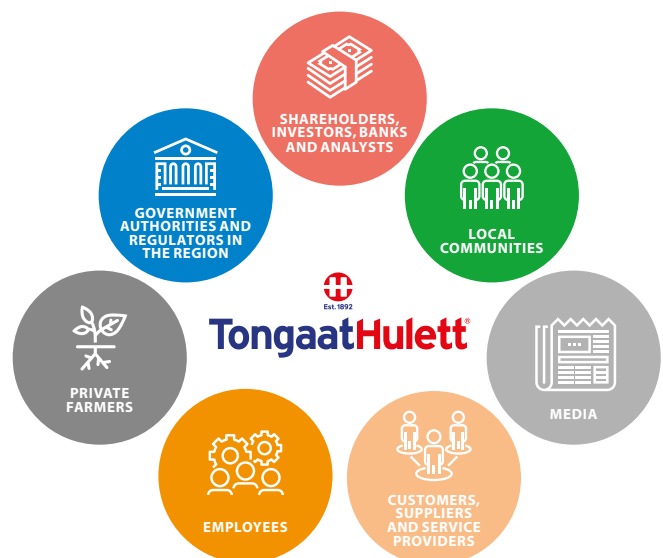
## FUTURE PRIORITIES

- Strengthening stakeholder relationships
- Zero fatalities
- Improved safety performance
- Improving management of human rights



The research identified a number of areas for improvement and showed that Tongaat Hulett's reputation differs greatly across stakeholder groups. Encouragingly, employees rated the company relatively highly; with 70% of employees sampled being advocates of the company and 87% believing that we are moving in the right direction. The reputational ratings from suppliers and customers were higher than those from shareholders and media, but overall, all stakeholders believe that Tongaat Hulett is moving in the right direction.

### Our key stakeholders





## Stakeholder engagement

### Shareholders, investors, banks and analysts

#### How we engage

- Multiple regular interactions with the CEO, CFO, Board and key executives managed by the Tongaat Hulett investor relations team
- Roadshows, locally and abroad
- Annual and interim results presentations and publications
- Annual general meeting
- Email and telephone calls
- Website

#### Value of relationship

- The financial investment received from our shareholders, investors and banks enables the continuity and growth of the business
- Improved ability to raise capital and/or secure funding where required

Priorities for stakeholders	Our response
<ul style="list-style-type: none"> <li>• Clear communication of the company's strategy and prospects going forward</li> <li>• Understanding of the company's debt reduction plan</li> <li>• Initiatives to improve cash flows</li> <li>• Return on investment and growth in valuation</li> <li>• Appropriate capital allocation between equity and debt</li> <li>• Balance in equity holder and lender's risk</li> </ul>	<ul style="list-style-type: none"> <li>• Strong and well-understood business strategy that ensures the future sustainability of the company</li> <li>• Improved understanding of the business' ability to create long-term value for shareholders, investors, lenders and analysts</li> <li>• Generate positive cash flows to be applied to repayment of debt and dividends</li> <li>• Ongoing updates and communication on the turnaround strategy and progress against these initiatives</li> </ul>
Risks	Opportunities
<ul style="list-style-type: none"> <li>• High debt levels</li> <li>• Increasing cost of capital</li> <li>• Damage to our reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Improved understanding of Tongaat Hulett's strategy and investment case</li> <li>• Ability to raise capital as and when required</li> </ul>

### Employees and unions

#### How we engage

- Regular collaboration on topics of employee protection, diversity and performance management
- A variety of internal communication channels, including the company intranet, emails, notice boards and briefings
- Additional engagements have been required as part of the restructuring and retrenchment process

#### Value of relationship

- Loyal and engaged employees actively work towards the company meeting its strategic objectives
- Satisfied employees become brand ambassadors of the company
- Retaining skilled employees reduces costs associated with identifying, employing and on-boarding new staff

Priorities for stakeholders	Our response
<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> <li>• Fair and growing remuneration</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 programs across rural operations, particularly in Mozambique, Eswatini and Zimbabwe</li> <li>• Retention of managers through long term incentives</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, loyalty and dedication of employees to prosper</li> <li>• Unhappy employees may cause disruption of operations</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>

## Government authorities and regulatory bodies

### How we engage

- Strategic partnerships on joint projects
- Forums discussing existing and emerging initiatives
- Ad hoc meetings with various company representatives
- Compliance monitoring
- Regulatory submissions

### Value of relationship

- Collaboration and strategic partnerships with government assist both parties in improving the economy of the country of operation
- Ensure regulatory bodies understand the business' ethical compass

### Priorities for stakeholders

- Compliance with local, provincial and national regulations across operations
- Effective partnerships towards achieving articulated government objectives, projects and policies
- Demonstrable company support towards sustainable socio-economic growth in the region
- Economic stability

### Our response

- Tongaat Hulett has strict compliance oversight and systems in place to ensure compliance with regulatory frameworks
- 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
- Tongaat Hulett presented its proposed partnership initiatives to explain their transformational and empowerment nature and obtain buy-in from the different levels of government
- Ongoing discussions on Tongaat Hulett's cash flow requirements and the need to manage these within the context of development, employment and other needs

### Risks

- 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

### Opportunities

- 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

## Private farmers

### How we engage

- Engagement with grower forums are organised per logistical area of operation

### Value of relationship

- Strong farmer relationships support mutually beneficial outcomes and a reliable source of sugarcane and maize
- The new partnerships could provide effective and sustainable transformation and increase direct B-BBEE ownership in milling
- Sugarcane received from farmers and growers can improve production throughput and jobs within the communities

### Priorities for stakeholders

- Maximise return in terms of revenue received for sugarcane and maize
- Support from the company towards the long-term sustainability of private sugarcane farmers
- Equity participation

### Our response

- Access to maximum quality seed cane and cost savings on key inputs, such as fertiliser and herbicides
- Tongaat Hulett works to unlock grant funding from relevant authorities
- Sustainable integrated farming model for staple foods implemented across SADC region
- Our proposed MillCo partnership provides opportunities for equity participation and ownership in a larger entity for many of these farmers

### Risks

- A negative perception in the grower communities where we operate could harm the company's reputation and ability to source sufficient quantities of sugarcane and maize

### Opportunities

- Improve confidence in the long-term viability of the sugar industry and opportunities for diversification, ensuring sufficient land remains under sugarcane

## Local communities

### How we engage

- Regular and ad hoc local forums with traditional and community leaders
- Development of small-scale private farmers in the communal areas identified for sugarcane expansion
- Regular interaction at local level through SED, provision of basic needs and services
- Regular interaction at local level through the enterprise development (ED) initiatives implemented in partnership with community

### Value of relationship

- The company generally has strong relationships which are mutually beneficial to the company and the communities we operate in
- Strong relationships support beneficial outcomes for community development, as well as staff loyalty

### Priorities for stakeholders

- Access to sustainable jobs and economic opportunities
- Affordable education, training and access to healthcare and basic amenities
- The conservation of the community's way of life, culture and environment
- Provision of access to opportunities through ED initiatives

### Our response

- SED investment addressing a broad range of needs in Mozambique, South Africa, Eswatini and Zimbabwe
- Health programmes for employees extend to communities, including counselling, screening and treatment for HIV/AIDS, COVID-19 and malaria
- Ongoing schooling and infrastructure development projects involving local communities
- Working with communities to identify opportunities for ED that facilitates development of relevant and sustainable businesses in rural communities

### Risks

- A breakdown in relationships in a community could harm the company's reputation and impact on its recruitment processes
- Cash flow restrictions may reduce the support that Tongaat Hulett can offer to its surrounding communities in the short term

### Opportunities

- Strong relationships with the communities we operate in supports beneficial outcomes for community development, as well as staff loyalty

## Customers, suppliers and service providers

### How we engage

- Regular interaction on procurement processes, responsible sourcing standards and supply chain management
- Regular interactions with customers on various matters, including the developments over the past year

### Value of relationship

- The company has a loyal customer base and strong relationships with suppliers
- The development of PropCo has the potential to deliver fully transformed development activities that could speed up land conversion and provide growing annuity income to the partners

### Priorities for stakeholders

- Local procurement
- High-quality products at competitive prices that attract consumers and encourage brand loyalty
- Access to quality housing and property solutions
- Product innovation and growth of the business
- Professional and mutually beneficial trade relationships and robust supply chain mechanisms
- Product responsibility and food safety

### Our response

- Tongaat Hulett continuously improves the quality, taste and innovative features of products at reasonable prices
- 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
- Land developments undertaken take cognisance of the evolving needs of society i.e., business, recreation, leisure etc.
- The company operates under the relevant regulations, standards and laws to ensure the quality and safety of all its products

### Risks

- Negative perceptions may affect suppliers' and service providers' willingness to engage with Tongaat Hulett

### Opportunities

- Brand loyalty will increase market share and growth
- MillCo allows the company to show innovation and diversification



**SED spend had to be curtailed to R87.9 million in 2019/20**

**SOCIO-ECONOMIC DEVELOPMENT (SED)**

As a business, we remain committed to contributing towards the wellbeing and sustainable development of the communities in which the we operate. Consequently, SED is recognised as one of the key components of our overall commitment to sustainable rural and local economic development. The collaboration with our communities, governments and other stakeholders has allowed us to provide meaningful contributions towards the families and communities we impact. Our programs are customised and vary based on the unique dynamics within each of the localities where we are based. Our SED initiatives are aligned to the societal and national development priorities of the areas in which we operate. We also aim to incorporate and contribute towards the achievement of the priority issues contained in the SDGs.

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 impacts and extending philanthropic and charitable inputs to the communities that we operate in.

While SED continues to be a priority, our spend this year was curtailed due to the broader business dynamics, focus on cost curtailment and imperative to pay down debt. In the year under review, R87.9 million (2018/19: R197.8 million) was spent on our SED program across our operations. Operations in Zimbabwe, Mozambique and Eswatini, where there is significant need for support, accounted for over 90% of the total amount invested in SED initiatives.

**Key elements of SED spend for 2020**



**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.
- R51.5 million (2018/19: R84.6 million) was invested in health-related activities.
- The COVID-19 pandemic resulted in unplanned expenditure to ensure that our operations and hospitals in surrounding communities were appropriately equipped to deal with the virus.



**Basic needs**

- We continued to invest in basic needs and social development, including food security projects and the provision of basic materials to uplift communities around company operations.
- During the COVID-19 pandemic, we assisted with the distribution of food parcels, hygiene kits and ethanol/sanitiser in the SADC region.



**Sports, arts and culture**

- Sports, arts and culture plays an important role in the development of successful rural communities. We invested R7.3 million (2018/19: R13.1 million) 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 R6.2 million (2018/19: R22.6 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**

## Responding in the aftermath of Cyclone Idai in Mafambisse

### HIGHLIGHTS

**14-15 March 2019**  
**Cyclone Idai made landfall in Mozambique**

**75 555 inhabitants of Mafambisse**

**15 025 inhabitants of Chirassicua in Nhamatanda District**

**52 553 impacted families surrounding our operations**

Cyclone Idai's heavy rains and floods caused significant damage to Mozambique's infrastructure, including the supply of water, electricity, connectivity and road access. Our Mafambisse operations' fields, mill and housing, were significantly damaged and we stood surrounded by a potential humanitarian crisis.

Although Mafambisse had been severely affected by the cyclone and was in the midst of a financial turnaround process, Tongaat Hulett remained at the forefront in the search for solutions for the surrounding communities, in partnership with government and various NGOs:

- Due to shortages of key products in Mafambisse, Tongaat Hulett shipped foodstuffs, building materials to repair severely damaged homes, preventative and curative medication, and mosquito nets to help meet basic needs and protect employees and their families from the expected increased prevalence of waterborne diseases and malaria-carrying mosquitoes.
- Together with Mozambican youth NGO, VAMAZ (Voluntários Anónimos de Moçambique), we gathered and shipped 79 containers of provisions to Beira port in the central region of Mozambique, where we assisted cyclone-affected families in Mafambisse and Chirassicua, prioritising the elderly, widowed and child-headed households, as well as people with disabilities. These provisions included food, clothing, safe drinking water, water filters, hygiene kits, mosquito nets, maize seed, fuel and solar panels.
- We partnered with Architects of Emergency Foundation (AEF), a French NGO, which provided 90 shelters and 45 water purifier filters and about 2 800 solar panels for emergency relief to Chirassicua community.
- In response to malnutrition, we partnered with Instituto de Emergencia (INEM) for medical consultations to all Macumba Primary school children and provided porridge, meals and hygiene kits for the 514 kids and school personnel during the critical two months after the cyclone hit. In addition, more than 380 basic food kits were provided to Macumba families.
- To create income for affected families through agriculture, we partnered with Makobo Foundation to provide agricultural inputs such as certified cereal (corn) and vegetable seeds and small-scale irrigation pumps. Tongaat Hulett led the roll out of this project, and Makobo Foundation purchased crops from the 369 farmers involved in this program.

## CASE STUDY



## Winter maize project

### HIGHLIGHTS

**329.5 hectares of maize planted at Triangle**

**1 186 tons of maize harvested**

**ZWL\$3 026 229 contribution by Tongaat Hulett**

The winter maize project is an initiative between the Government of Zimbabwe and Tongaat Hulett Zimbabwe under the Smart Agriculture Program to cushion the province in the event of a drought. Maize produced under this initiative enhances food security in the country and in drought-prone areas like Masvingo Province which is affected by perennial food shortages caused by recurrent droughts and exceptionally low rainfall.

Tongaat Hulett was approached by Masvingo Development Trust to assist with a Command Agriculture Program to grow maize within the Province. We dedicated some 329.5 hectares at Triangle for this purpose and contributed ZWL\$3 026 229 towards the project.

Masvingo Development Trust contributed inputs sourced through the Command Agriculture Program which comprised mainly seed, fertilisers, diesel and herbicides. Tongaat Hulett was responsible for crop management, labour, machinery and tillage services and provided some pesticides.

The winter maize project was introduced after the 1992 drought. Since then Tongaat Hulett has partnered with the Government of Zimbabwe four times. The 1 186 tons of maize harvested this year through this initiative was distributed across the seven districts in a bid to alleviate hunger within Masvingo Province.



## SUSTAINABLE AGRICULTURE: SMALL-SCALE FARM SUPPORT

Small-scale sugarcane farmers are an integral part of our supply chain. Small-scale farming enhances local economies as a source of employment, income and poverty eradication in rural communities. As part of its inclusive growth objective, Tongaat Hulett continues to support small-scale farmers in partnership with governments and other stakeholders. This is also an important opportunity to draw women and youth into the economy.

Our Jobs Fund partnership, which between 2014 and 2018 established 10 972 hectares of sugarcane, continues to grow from strength to strength. Initially projected to establish 27 cooperatives, with more than 3 000 members, the project has grown to almost 6 000 beneficiaries.

In the 2019/20 financial year,  
5 897 beneficiaries  
collectively earned  
R35.3 million  
(2018/19: R29.1 million)  
from The Jobs Fund-  
established project



## CASE STUDY



## FarmCo

### HIGHLIGHTS

**119 000 hectares supply cane to South African sugar mills:**

- **8 400 hectares owned and farmed by Tongaat Hulett**
- **61 500 hectares owned and farmed by white commercial farmers**
- **49 300 hectares owned and farmed by previously disadvantaged individuals (PDIs).**

### OBJECTIVE

**Shift the PDI supply mix towards a 50% share**

Tongaat Hulett's turnaround strategy identified the opportunity to consolidate our direct sugarcane farming activities in South Africa. FarmCo, a transformation initiative to ensure that land which has been targeted for future property development remains productive under sugarcane, was established. Numerous farms transitioned through creating opportunities for third-party growers to farm company-owned land thereby mitigating potential job losses at the farm level.

- Tongaat Hulett facilitated the creation of Uzinzo Sugar Farming, which means stability in isiZulu. Uzinzo enabled shareholders to lease three prime agricultural estates at below market-related rental. The leased area is approximately 3 900 hectares with an estimated annual production of 160 000 tons of sugarcane, making Uzinzo Sugar Farming one of Tongaat Hulett's five largest supplying growers. Farming activities also include food crops.

Uzinzo's annual revenue is expected to be around R79 million, which together with its scale of production, makes it the first broad-based agricultural company to feature amongst the largest 10 sugarcane farmers in KZN.

Three dynamic individuals, Nonhlanhla Gumede (33), Khetha Ncalane (45) and Khumbulani Mthethwa (44) are at the helm of Uzinzo Sugar Farming with a 65% shareholding. There is also a 15% shareholding for the employees through an Employee Trust and Tongaat Hulett retained a 20% interest.

- Peaceful Ndlovu leased a 340-hectare farm which has the potential to produce 12 000 tons. This partnership enabled Ndlovu to grow his operation threefold. In 2014, at the tender age of 22, Ndlovu set a precedent for South Africa's youth when he became Tongaat Hulett's youngest land reform grower. He took the reins of his family's 95.8 hectare farm four years after the death of his father. His father had acquired the farm in 1998 through the Land Redistribution for Agricultural Development (LRAD) program which was a government initiative aimed at helping black South African citizens to access land specifically for agricultural purposes.



## Project Kilimanjaro

### HIGHLIGHTS

**4 000 hectares being developed to sugarcane**

**200 new farmer beneficiaries**

**US\$40 million project cost, principally funded by commercial banks on a full cost recovery basis**

**2 000 direct new jobs created**

In the 2019/20 season, private farmers in Zimbabwe delivered 1 050 742 tons of sugarcane to Tongaat Hulett's mills, with an average yield of 69.6 tons/hectare. Our medium to long-term target is to help the 1 070 private farmers supplying cane to the mills to increase productivity on their 22 822 hectares to at least 100 tons/hectare by 2023/24.

In addition to extension services and input procurement support schemes being extended to existing farmers, the company, in partnership with government and local banks, is in the process of developing 4 000 hectares of virgin land to new sugarcane fields through Project Kilimanjaro. A further 200 new farmers will benefit from this project, on a full cost recovery basis, creating some 2 000 new jobs in the process and significant economic opportunities for local contractors and suppliers. Some R309 million has been spent to date with 2 700 hectares of virgin land having been cleared, storage dams and water canals built, water pumps installed and 455 hectares planted to cane.



## HUMAN RIGHTS AND CHILD LABOUR

Agricultural workers remain among the poorest and most vulnerable members of society and as such, their plight continues to attract a lot of attention. They are cited specifically in the UN Declaration of Human Rights and the 2018 UN Declaration on the Rights of Peasants and Other People Working in Rural Areas. Tongaat Hulett has, over the years, adopted various protocols to enhance its sustainability approach to key emerging themes. These include human rights, which was adopted as part of the company's Code of Business Ethics in February 2018. In addition, our strategic sourcing approach includes a human right's provision in all new supplier contracts. SHE policies and procedures are also aligned with the requirements of human rights. In addition to this we work with various industry groups and are periodically peer reviewed. Case in point was in the period under review, when it was reported that certain child labour practices were happening within the agricultural sector. Tongaat Hulett not only demonstrated that this was not the case but also that the company had created a wide network throughout our value chain in monitoring such practices. We worked with Tate & Lyle Sugars in this endeavour. The company is assessed annually on human rights by institutions like the American Sugar Refining Group and ProTerra Ethical Sourcing Policy.





## CASE STUDY

# Combating child labour in the Zimbabwean sugar industry

### HIGHLIGHTS

**1 070 private farmers supply cane to the Zimbabwe mills.**

**Tongaat Hulett is committed to respecting internationally recognised human rights. This includes a commitment to avoid causing or contributing towards adverse human rights impacts through our business activities, both directly and through our supply chain.**

In combating child labour in our Zimbabwean operations and supply chain, we have been part of ongoing second and third-party assessments of sugarcane farmers supplying our mills. We carried out an investigation that focused on small to medium-scale outgrower sugarcane farmers in Zimbabwe, to ensure that they do not make use of child labour. During the investigation farmers were randomly selected, interviewed and farm worker employment records were requested.

The investigation found that sugarcane farmers are aware of laws and policies that prohibit the employment of children. These Zimbabwean farmers have signed pledges that they will not practice child labour, failure of which will result in all Tongaat Hulett services offered to them being withdrawn.

All sugarcane farmers will be required to maintain detailed employment records of all their employees. Socio-cultural practices where farmers are accompanied to the fields by their children below the age of 18 years for purposes of working will also be discouraged through community education and engagements that involve government and other stakeholders.

We have also been actively working with the communities and local leadership authorities to combat child labour via community programs, which require involvement with community leaders and key stakeholders. Following the education campaigns, a monitoring mechanism will be implemented.



**Integrity and ethics guide our way**

The collaborative and focused cost curtailment approach has resulted in a significant R181 million savings being achieved in the year



## SUPPLY CHAIN

Tongaat Hulett is committed to efficient and inclusive procurement practices to support and accelerate the execution of the business goals and strategy. The procurement team works to achieve best value whilst advancing social sustainability and ethical practices. The business operations across the organisation are supported by traditional local procurement resources, whilst the small Strategic Sourcing team introduces a high level of engagement with suppliers to ensure significant cost benefits are identified and realised.

In addition, stringent compliance measures, as well as contracts management controls, have been implemented to help drive adherence to the Procurement Policy and governance principles espoused in the Tongaat Hulett Code of Ethics.

Using procurement as an enabler, the business continues to strive to increase spend with SMME's, including local suppliers, and introducing additional Black Owned (BO) and Black Women Owned (BWO) enterprises into the supply chain. During the current B-BBEE verification period, 16.2% and 5.5% of the company's total measured procurement spend for South Africa was with BO and BWO suppliers, respectively, compared to 12.3% and 5.9% respectively of 2018/19 spend. In addition to preferential procurement initiatives in South Africa, Tongaat Hulett works closely with the various government agencies and stakeholders in all the countries where it operates.

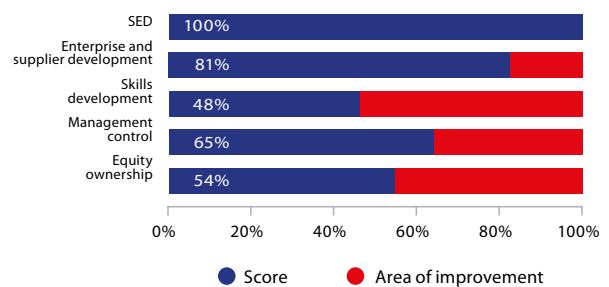
Procurement has proven to be a great conduit in addressing the socio-economic dynamics in each of these countries, through agile local procurement policies and practices that are responsive to the needs of the community and supportive of the regional indigenisation and localisation efforts.

## B-BBEE IN SOUTH AFRICA

Tongaat Hulett is aligned with the B-BBEE Codes of Good Practice and in the 2018/19 annual verification, a Level 4 Status was achieved. The business is currently conducting its final verification for 2019/20 with the outcome anticipated in September 2020. Tongaat Hulett's transformation efforts are closely aligned with national imperatives with an aim of contributing towards the creation of a more diverse and inclusive, socio-economically active society.

Our goal is to reinstate the B-BBEE position of the company in the foreseeable future. All four of the partnerships envisioned in the restructuring strategy emphasise a strong transformational impact.

### B-BBEE Scorecard performance - 2019/20





## HEALTH AND SAFETY

Tongaat Hulett's ZERO HARM campaign adopted over the past few years has plateaued, and we have identified a need to change focus. This will be achieved through a move away from a mechanistic and systems driven approach to a culture of safety focusing on influencing behaviour change and enforcing compliance. The new approach will centre around six key focus areas. While this new Safety, Health and Environment (SHE) journey has just begun, the objective is still focused on ensuring the safety and health for all our people as well as looking after the environment within our stakeholder community.

### Safety

It is with sadness that we report a total of nine deaths during the reporting period; one work related, three non-work-related and five third-party; the table below shows the comparison to the previous year. The loss of life is deeply concerning and the company will continuously look at ways to prevent this from happening. Risk control measures for Tongaat Hulett's top five safety risks have been identified and implemented to mitigate against these risks and are being monitored at the highest level as part of the organisation's key safety focus areas.



### Fatalities

	2019/20	2018/19
<b>Work-related fatalities</b>		
Any work-related death resulting directly from an occupational incident.	1	5
<b>Non-work-related deaths</b>		
Death to a Tongaat Hulett employee or contractor arising out of an activity or incident that is not related to the affected person's line of duty. In 2019/20 these deaths were all accidents involving cars, bicycles and motorcycles.	3	3
<b>Third-party deaths</b>		
Death to a person who is not an employee or contractor of Tongaat Hulett but affecting Tongaat Hulett in some way. This incident could arise out of an activity or incident involving Tongaat Hulett employees, equipment or operations. In 2019/20 these deaths were caused by drowning in water bodies within company premises, vehicle accidents, natural causes and a hippopotamus attack.	5	12

### Safety statistics

Safety Measure	2019/20	2018/19	Comment
Lost time injuries (LTI)	42	42	Unchanged from previous year
Lost Time Injury Frequency Rate (LTIFR) per 200 000 hours worked	0.106	0.087	An increase from the previous year, attributed to decreased employee hours worked, from 96 429 148 hours in 2018/19 to 78 847 926 in 2019/20
Total Recordable Cases Frequency Rate (TRCFR)	1.13	1.23	This performance reflects a good improvement considering the decreased number of employee hours worked and accompanied a decrease of both Medical Treatment Cases (MTC) and First Aid Cases (FAC)
Total Injury Frequency Rate (TFIR)	1.63	2.04	

### Health

Employees are key drivers in Tongaat Hulett's sustainability drive and we strive to ensure that all employees are in the best possible health to carry out their duties. Tongaat Hulett recognises and values the contribution made by our employees and works with them to invest in their health and well-being.

#### HIV/AIDS and TB 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. This aims to ensure 90% awareness of HIV status, 90% of HIV positive people on ARVs, and 90% of those on treatment achieving viral suppression.

Not all operations managed to achieve all the above targets in the past year. One of the key setbacks was the COVID-19 pandemic which derailed completion of some wellness programs, especially in Mozambique and at our Starch operations. Overall VCT testing was 56% against the target of 90%: Of eligible employees, 93% are on ART, with 84% of these being well controlled.

There was a decrease in the number of employees on company sponsored ART in South Africa and this was due to two key factors:

- The reduction in the number of employees during 2019 saw a significant reduction in patients on company ART.
- Increased availability of ART at state facilities in South Africa has resulted in a number of employees moving from company funded to state funded programs, where these are available.



### Tongaat Hulett - Current HIV/AIDS statistics

Notwithstanding the comprehensive program to manage HIV/AIDS implemented by Tongaat Hulett to date, HIV/AIDS will continue to be a significant threat for the foreseeable future. Tongaat Hulett will continue working with partners in tackling the challenge and driving towards achieving the UN AIDS targets.

### Tongaat Hulett - Current HIV/AIDS statistics

	2019/20	2018/19	2017/18
VCT uptake	56%	80.5%	75%
Employees knowing their status	66%	84.4%	79.8%
Number of new HIV positive employees on testing	147	301	460
Total number of employees currently HIV positive	4 030	4 763	4 343
HIV prevalence	24%	23.2%	21%
Employees currently receiving company-provided ART	2 738	3 868	3 720
Cost of ART	R1.4m	R1.8m	R1.6 m

### Emerging disease threats

COVID-19 was first reported on 31 December 2019 and has become a global pandemic, it is continuing to spread across the globe. Most of the SADC region implemented lockdown in an attempt to slow the spread of the virus in the region. The lockdowns and closure of borders impacted on businesses.

The company had a three-pronged approach to its response to COVID-19, termed "Healthy People, Healthy Company, Healthy Community", with the first stage of our response focused on securing the health and safety of our people. We worked to address the immediate challenges to the business during the SADC lockdowns and the economic knock-on effects.

Tongaat Hulett drafted Business Continuity Plans (BCP) for each of its operations and localities, on the assumption that the lockdown period could possibly continue for at least the next 3 months. Key considerations that were factored into the BCP's include:

1. Critical staff planning to ensure business continuity and minimise the risk of infection.
2. Adequacy of critical supplies for the duration of the lockdown.
3. Infrastructure requirements to ensure continuity of operations for critical employees working from home.

4. Protocols for responding to an employee infection including potential site closure, sanitisation and restart.
5. Financial impact on sales volumes, revenue, EBIT and cash flow.
6. Succession planning in the event that a significant number of skilled staff are incapacitated by the virus in both the short and long-term.
7. Ongoing communication with key stakeholders

Other measures adopted include:

1. Awareness programs in the community and the workplace.
2. Travel restrictions, both business and personal.
3. Restricting access to sites and monitoring those entering company sites.
4. Community assistance in areas where Tongaat Hulett has an operational footprint.



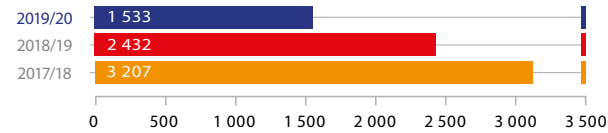
Refer to the COVID-19 case study on page 37, for more on Tongaat Hulett's support for stakeholders during the pandemic.

## Malaria

Malaria cases among employees showed a decline over the past year, but the disease remains a concern in both Mozambique and Zimbabwe, where elimination of the disease has proven difficult.

Current malaria control programs are constantly being revisited with a view to identify opportunities to strengthen them. In both countries, Malaria Private Public Partnerships have been established and the company employees are benefiting from these arrangements.

### Malaria cases



## Occupational health risk management

As with the previous year, there was no occupational health related fatality nor were there any occupational health cases with irreversible health effects.

A total of 57 reversible cases were recorded for the year from the following centres:

- Botswana – 45
- Zimbabwe (Triangle) – 9
- Mozambique (Xinavane) – 3

The Botswana cases were Tenosynovitis, related to repetitive strain injuries among sugar packers. Management is working on a project to prevent similar cases through close monitoring of staff rotation and designing an appropriate supporting base to minimise weight exerted on the wrist at the time of filling the sugar bags.

## FOOD SAFETY

The food safety management system is based on the supply chain risk approach managing vendors of materials and services, plant operations and facility compliance, distribution services and customer requirements. The system has been aligned with the latest requirements of the high level structured food safety standard through integration of related risks and opportunities into the company's business continuity plan. In line with the escalating consumer rights protection awareness the company has implemented food defence management plans in collaboration with outsourced service providers through raised awareness and tighter security systems on product monitoring and traceability. Our supply chain lobbying effort and auditing programs have yielded some positive results with two of our key service providers of packing materials and outsourced sugar packaging attaining certification to quality and food safety standards.

Compliance with these systems and processes is monitored through several annual customer audits that apply global audit protocols. In addition, ongoing attention is paid to the requirements of FSSC 22000 (a Food Safety System Certification used by food manufactures which is aligned with ISO 22000 and includes Good Manufacturing Practices), ISO 22000 and ISO 9001, in terms of quality and food safety standards.

Upgrading operational facilities and equipment in our plants to achieve full compliance with best practice in food safety remains in focus in annual capital expenditure, as part of management's long-term focus on continual improvement. Key project areas pursued related to bulk storage facility improvements, foreign body arrest equipment addition and enclosure of operational structures.







CASE STUDY

## Responding to COVID-19

### HIGHLIGHTS

**R60 million committed by Tongaat Hulett**

**Board and exco committed a percentage of their personal income for 3 months to the South African Solidarity Fund**

**Employees and leadership together committed over R1 million of their salaries towards the response to COVID-19**

Tongaat Hulett launched a number of key initiatives to support our communities and our people. Our total committed investment by 31 July 2020, of over R60 million, prioritised the safety of our employees and stakeholders.

### South Africa

- We joined forces with NCP Alcohols, Spring Lights Gas, Nampak Rigid Plastics and Southern Lodestar Foundation to create a partnership aimed at donating a total of 250 000 litres of hand sanitiser to all provincial hospitals and clinics throughout KZN, with the assistance of the Department of Health. Called "Committed to Community: Health Partners during COVID-19", we supplied the molasses for the manufacturing of the sanitiser and made use of our milling footprint to distribute the sanitiser to clinics and hospitals. 60 000kg of instant porridge was distributed in areas with children in desperate need of support. The closure of schools in the wake of the Coronavirus pandemic has had a negative impact on learners who relied on school feeding schemes for a daily meal. Thus, many children were going without nutritious food, and we believed that it is our duty to partner with other stakeholders and alleviate this crisis as much as possible.
- Together with the Southern Lodestar Foundation we also distributed 7 500 hygiene kits and 2 000 instant porridge packs in KZN, with the support of the KZN Department of Health. The food packages and hygiene packs were distributed through the Tongaat clinic, Ndwedwe clinic, Stanger hospital, Ngwelezane hospital and Catherine Booth hospital, which are frequented by Tongaat Hulett employees, their families and other stakeholders. The aim was to safeguard the health of several communities in and

around the Maidstone, Darnall, Amatikulu and Felixton sugar mills on the North Coast.

- We distributed 3 500 food parcels to families in Gauteng, Western Cape and KZN, providing food security for 2 months.

### Zimbabwe

- The company donated 300 000 litres of ethanol over three months, from stocks available at our Triangle ethanol plant, which the government used for the manufacture of sanitising materials – both for bulk, decontamination and hand-held sanitisers. In addition, PPE and temperature guns were procured for distribution to district hospitals; COVID-19 isolation centres in Masvingo Province were upgraded and equipped while infrastructure at Chiredzi Hospital was being improved. This is in addition to the medical facilities that Tongaat Hulett operates in the areas around our Zimbabwean mills.

### Mozambique

- Our interventions focused on supporting the local hospitals and clinics through the provision of PPE, the donation of 80 000 litres of ethanol for the production of hand sanitiser and the establishment of seven isolation centres for managing COVID-19 cases. The company also focused on hygiene practices through improving the accessibility of water, soap and hand sanitisers in the areas surrounding company operations and partnered with community leaders, the government's health emergency team and a local radio station to raise awareness of COVID-19 and the appropriate measures to guard against infection.

## INTELLECTUAL CAPITAL

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



## KEY ELEMENTS

- Market-leading brands
- Patents
- Intellectual property

## KEY INITIATIVES 2019/20

- Addressing findings of PwC review
- Governance processes strengthened
- Reinvigoration at Board and executive management levels
- Effective engagement with governments on policies and partnerships
- Robust communication with investors and funders to protect the financial capital base
- Implementation of strategic partnerships

## FUTURE PRIORITIES

- Retention of third party certification
- Growing market share responsibly through innovation and the development of high-quality products
- Reducing debt levels

## INTELLECTUAL PROPERTY

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.

## THIRD-PARTY CERTIFICATIONS

SHE and food safety performances are benchmarked against global best practices to promote continuous improvement and stakeholder satisfaction. Operations subscribe to various internationally-recognised management systems and/or specifications.

## PRODUCT RESPONSIBILITY

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

We ensure that appropriate information is provided to our customers. All product labels contain information about the product in compliance with the respective country legislation and labelling regulations.

### Third-party certifications include












## BRANDS

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

### Brands

	<p>Hulett's® White sugar Brown sugar</p>	<p>Market leader in South Africa Over 125 years in the market</p>
	<p>Non-nutritive sweeteners</p>	<p>One of the top non-nutritive sweetener brands in South Africa</p>
	<p>Hulett's Sunsweet® White sugar Brown sugar</p>	<p>Market leader in Zimbabwe</p>
	<p>Voermol Feeds® Animal feeds</p>	<p>Market leader in the molasses and pith-based animal feeds industry in South Africa</p>
	<p>Blue Crystal® White sugar Brown sugar</p>	<p>Market leader in Botswana</p>
	<p>Marathon® White sugar Brown sugar</p>	<p>Market leader in Namibia*</p>
	<p>Amryal® Hydex® Vaalgold®</p>	<p>Leading starch and glucose brands in South Africa*</p>

\*Tongaat Hulett sold its interest in Namibia and entered into a sale agreement for its starch and glucose operation in FY2020





## Reinvigorating the Hulett's Sugar sales and marketing approach in South Africa

### HIGHLIGHTS

128 year history

Member of "Proudly South African"

Double digit improvement in sales

New look packaging

Our flagship brand, Hulett's Sugar, has been part of the fabric of South Africa for over 128 years. As part of our turnaround process we comprehensively reviewed our sales and marketing approach:

- focusing on our full product range across all geographical areas;
- clarifying our sales approach and offerings to the differentiated channels;
- standardising our service offerings, yet tailoring by customer;
- ensuring fair and equitable service offerings for the full customer base; and
- enhancing our delivery and service levels.

In addition, we have reenergised our brand to reflect its proudly South African heritage and partnered with Proudly South Africa to elevate our status as a 100% local company that grows, mills, refines and sells truly South African sugar. In May 2020 we launched our new pack across our core brown and white portfolio, with adjacent portfolios to follow.

This was supported by a comprehensive marketing campaign to support our functional and emotional story, and a focussed approach to elevate our "sweet new look". This was accompanied by an improved focus on better telling our story of how Hulett's continues to give back to South Africa through our SED initiatives, a brand that cares for our communities and our country.

Through these efforts we have already seen a significant, double digit improvement in sales, in spite of the prevailing economic challenges facing the South African consumer market.







## NATURAL CAPITAL

Tongaat Hulett is a significant user of environmental resources and is committed to the maintenance of important and critical environmental capital stock. We are aware of this responsibility, principled on continuous improvement and are focused on mitigating any negative impact caused by our operations.



## PROTECTING OUR NATURAL ENVIRONMENT

**97%** of waste is recycled

**64%** of total electricity used is self-generated by Tongaat Hulett's sugar mills

### KEY INITIATIVES 2019/20

- Improving water management practices
- Reviewed and updated carbon emissions calculation methodology



## FUTURE PRIORITIES

- Promoting sustainable agriculture
- Energy efficiency
- Emissions reduction
- Smart irrigation solutions



## ENVIRONMENTAL SUSTAINABILITY

All our operations have environmental charters which guide behaviour that impacts on the environment. Tongaat Hulett continues to retain certification to ISO 14001 Environmental Management System standard across all our operations.

## CLIMATE CHANGE

Calls for climate change action is slowly reaching the required crescendo. However, there remains a substantial gap between what government and private enterprise have committed to and implementing actions. Real climate change ambition means switching to “business unusual” and tackling the drivers of natural resource degradation by adopting climate change

policies and investments. From an enterprise perspective this means climate change action must be integrated as part of business strategy, to identify risks and opportunities. Leaders on climate change action show consistently that operational efficiency is intertwined with climate change action in the areas of water management, conservation, reduction of fossil-based inputs and investments. The response to the coronavirus pandemic has questioned our business-as-usual economic model of the past decades and required us to rethink our next steps.

## CARBON MANAGEMENT

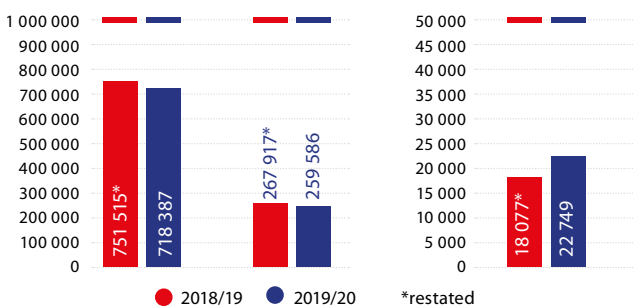
Mandatory greenhouse gas (GHG) reporting was introduced in 2017 by the establishment of National Atmospheric Emission Inventory System (NAEIS) to assist government to track the country's performance on its international reduction obligation. Carbon tax also finally become law in South Africa in June 2019, with businesses who emit more than 10 tons of carbon dioxide (CO<sub>2</sub>) emissions equivalents (or tons CO<sub>2</sub>-e) of Scope 1 emissions being liable for carbon tax. The initial tax rate will be R120 per ton CO<sub>2</sub>-e but different allowances amounting up to 60% will be given. The first carbon tax payments were initially due in July 2020 although as part of economic relief measures to combat the COVID-19 pandemic, a three-month deferral for filing and first payment of carbon tax liabilities has been instituted. These developments call for a concerted effort and a clear strategic approach to carbon management going forward, with the expectation that neighbouring countries will also implement these policies in coming years.

As part of our carbon management response, Tongaat Hulett does a footprint analysis for each financial year on the basis of Scope 1, 2 and 3 GHG data in compliance with ISO 14064-3:2019. Catalyst Solutions has also provided assurance in accordance to IISO 14064-3:2019.

The total emissions for the period under review are shown below. The introduction of carbon tax has led to Tongaat Hulett making changes to our carbon emission calculation methodology to align with South Africa's Department of Environment, Forestry and Fisheries' reporting methodology, leading to the restatement of 2018/19 GHG emissions. The most significant changes are:

- Accounting for the methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) emissions from bagasse and wood. Due to the fact that bagasse and wood are renewable, they have no CO<sub>2</sub> emissions as the CO<sub>2</sub> released when they are combusted is absorbed when new sugarcane and trees are grown. CH<sub>4</sub> and N<sub>2</sub>O however are not absorbed and have been accounted for in the calculation of the GHG emissions.
- Updating the calorific value for coal.
- Updating the emission factors for CH<sub>4</sub> and N<sub>2</sub>O for diesel and petrol.

### Carbon footprint (tons CO<sub>2</sub>-e)



#### SCOPE 1 EMISSIONS

Direct emissions arising from company-owned sources: combustion boilers, furnaces, vehicles and chemical production equipment (tons CO<sub>2</sub>-e).

#### SCOPE 2 EMISSIONS

Indirect emissions from purchase of electricity (tons CO<sub>2</sub>-e).

#### SCOPE 3 EMISSIONS

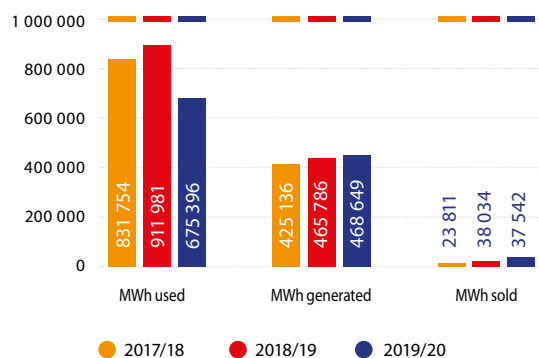
All other indirect emissions that arise as a consequence of the business' activities - travel, supply chain transport and third party companies (tons CO<sub>2</sub>-e).

The reduction in Scope 1 emissions was predominantly due to a decrease in GHG emissions from coal consumption, arising from a reduction in coal consumed by the Refinery. GHG emissions from coal consumption constitute over 80% of Tongaat Hulett's Scope 1 emissions. GHG emissions from bagasse, diesel and natural gas make up the remainder of the Scope 1 emissions. The 3% decrease in Scope 2 emissions was predominantly due to a reduction in electricity purchased by Triangle Mill, resulting from to an intensified national load-shedding program in Zimbabwe. The increase in Scope 3 emissions was due to an increase in diesel consumed by contractors. With a more focused and nuanced carbon emissions reduction program, Tongaat Hulett can make significant reductions in this field and make a valuable contribution to society.

## ENERGY MANAGEMENT

Between 20% and 40% of global CO<sub>2</sub> emissions are emitted from electricity generation through the combustion of fossil fuels to generate heat needed to power steam turbines. Burning these fuels results in the production of CO<sub>2</sub>. Sugarcane fibre, as a renewable source for electricity generation, plays a big role in our efforts to reduce the company's overall contributions to GHG emissions from electricity generation. In addition, we sell excess electricity from this source to the grid. Felixton and Amatikulu sugar mills have been reregistered for Renewable Energy Certificates for exported renewable electricity and the actual export capacity has been increased from 7.5 MW to an average of 12.5 MW.

### Electricity footprint



- 169 205 MWh "net consumption" (total used – total generated – total exported).

The reduction in electricity was partially attributed to increased load-shedding in Zimbabwe and the reduction in farming activities in South Africa where, through FarmCo, some land is now farmed by third parties instead of by the company.

## WATER MANAGEMENT

The latest outlook produced by regional climate experts forecasts a "normal-to-above-normal" rainfall across most of SADC well into 2020. However, as a region, Southern Africa has historically been at high risk of droughts and extreme weather patterns due to El Niño events. El Niño is projected to continue in the neutral phase during the entire forecast period of 2020. However, as the 2013 drought demonstrated, despite good rainfalls the impact of these weather patterns remains for many years and both governments and private enterprises have to play an active risk management role by developing policies and making investments in the area of water management.

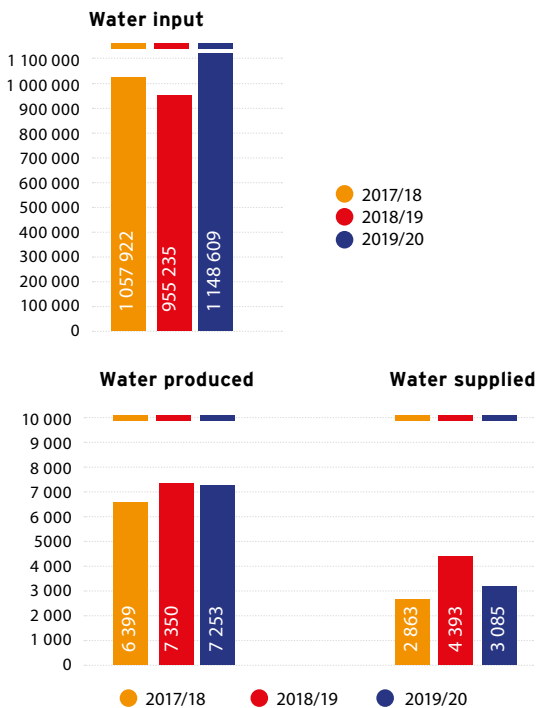




**Tongaat Hulett continues to play an important role in water stewardships initiatives.**

Tongaat Hulett continues to play an important role in water stewardships initiatives. In the period under review, Tongaat Hulett Mozambique developed a Water Stewardship Strategy, which covers water quantity and quality monitoring, irrigation efficiency, water measurement and plans, drainage water re-use, soil management, irrigation training and extension, long-term irrigation conversion plans for water conservation, water conveyance system improvements and drought mitigation plans – off river storage facilities.

**Water footprint (Megalitres)**



The 20% increase in water used was attributed to:

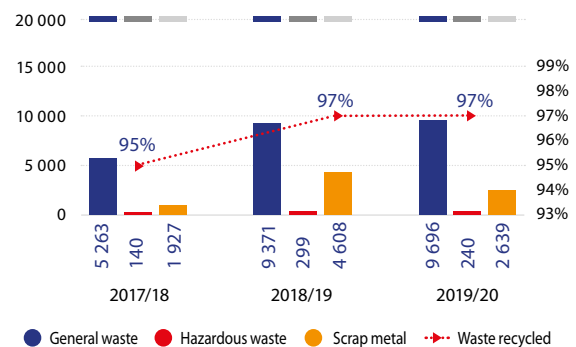
- Increased water usage in Eswatini due to decreased rainfall in the region
- Increased water usage as the new Xinavane refinery ramped up production.
- Increased area under cane in Zimbabwe, requiring additional irrigation.

**WASTE MANAGEMENT**

Unrecyclable and decomposing waste emits methane into the environment, causing the greenhouse effect. Concerns about the growing impacts of waste on the environment are becoming more prominent along with climate change. Waste management practices are critical to reduce these impacts. Tongaat Hulett generated over 300 000 tons of waste in 2019/2020 and 90% of this is boiler ash, filter cake, miala and smuts, with the balance being composed of general waste and plastics. Most of this waste is generated in South Africa.

In all the jurisdictions where we operate, we comply with the requirements for waste disposal, handling and disposal of hazardous waste and for monitoring waste management facilities. However, growing waste management legislation requires continuous improvement in the management of our waste. Some of this work is encapsulated in Project Crystal, a company-wide project to improve operational efficiencies. In one project, boiler ash which previously went to the landfill in South Africa will be diverted to micro enterprises who will use this for brick making. Tongaat Hulett will make this available free of charge and assist in some of the technical aspects. In future, we intend introducing other innovative approaches to management of packaging to reduce plastic waste. Our sustainability team is also exploring opportunities with some state institutions for collaboration on cleaning production development.

**Waste (tons)**



Triangle halted its sale of scrap metal due to (hyperinflation-linked) pricing challenges. The scrap metal has not yet been disposed of.

In South Africa the National Environmental Management Waste Act 59 of 2008 (NEMWA), has made provision through the "Regulations regarding the exclusion of a waste stream or a portion of a waste stream from the definition of waste" for waste generators to apply for the removal of beneficial waste streams from the definition of waste. Tongaat Hulett has applied for the exclusion of six waste streams (coal ash, smuts, miala, filter cake and boiler ash) generated by the sugar mills, Voermol and the Refinery. According to the regulations, the application will require a consultative process and the Minister will publish a General Notice through a Government Gazette for general information. The Department has acknowledged receipt of the application and has engaged the organisation for additional information, which was duly submitted.

## AIR QUALITY

In South Africa, the National Environmental Air Quality Act 39 of 2004 (NEMAQA), stipulates reduced minimum emission standards for particulate matter (50mg/Nm<sup>3</sup>) effective from 1 April 2020. NEMAQA made provision for facilities with combustion units above 50 megawatt heat input to apply for postponement of the stipulated compliance timeframes (to a maximum of 5 years). Tongaat Hulett Sugar South Africa evaluated various options for the optimisation and replacement of the equipment, resulting in a submission of an emission reduction plan to the Department of Environment, Forestry and Fisheries (DEFF), requesting postponement of the requirement to comply with the 2020 minimum emission standards. The postponement was granted until 31 March 2025, with conditions to submit quarterly progress reports on commitments made on the emission reduction plan. 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

Effluent management remains one of the focus areas for the organisation. While efforts are in place for continuous improvements related to the implemented monitoring controls, quality remains a focus area which has resulted in the business evaluating various technological options to improve the associated impacts.

While modifications to production processes and infrastructure to significantly reduce the amount of effluent discharged are ongoing, efforts to identify opportunities for improvement are widespread over the entire effluent process flow, inclusive of the impacts related to the type of effluent containment in place. Treatment of contained effluent prior to reuse or discharge will be considered as a secondary objective.

The quality of effluent being discharged at some of our operations is subjected to ongoing internal and third-party monitoring processes, to ensure it meets minimum quality specifications set by statutory authorities. The quantity and quality being discharged is monitored to ensure compliance with relevant specifications.

Effluent increased from 11 271 079 m<sup>3</sup> in 2018/19 to 14 535 383 m<sup>3</sup> in the past year. The increase in effluent water arose from increased ethanol production and more water usage by the Zimbabwe power plants, securing electricity supply.

## ENVIRONMENTAL INCIDENTS, STAKEHOLDER COMPLAINTS AND LEGAL COMPLIANCE

There were no Level 3 incidents, Level 3 or 2 complaints recorded in the year under review (2018/19: 0 Level 3 incidents; 0 Level 3 or 2 complaints).

A total of 2 Level 2 incidents were recorded (2018/19: 3 Level 2 Incidents). There was a complaint about the river that was partially contaminated and the district municipality water purification plant had stopped abstracting water from the river. This triggered an investigation process that included officials from regulatory authorities. The investigations are ongoing but it has been established that the pollution is not emanating from surface runoff. It is suspected that historical underground water pollution through seepage could have resulted in the rising water table contaminating fresh surface water flowing in the river.

A total of 222 Level 1 environmental incidents were recorded in the year, a reduction from the 295 in the previous year. Most of these incidents were related to oil/fuel leaks, product or substance spillage/leakages, and water spillage/loss cases in operations.

A total of 102 Level 1 stakeholder complaints were recorded in the year, a reduction from the 113 complaints in the previous year. The majority of these complaints were related to odour and poor-quality stack emissions. In most cases, these complaints were immediately responded to and addressed while in other cases, action is continuously being taken to address underlying issues.

There were no statutory non-compliances recorded during the reporting period and community liaison forums between Tongaat Hulett and interested parties addressed environmental-related complaints raised during the year.





## SOCIAL AND ETHICS OVERSIGHT

The Tongaat Hulett Board, through the Social and Ethics Committee, oversees and monitors the company's performance and activities relating to its status and role as an ethical, responsible corporate citizen, measured against set performance targets and in line with the company's strategic mission to build our future by creating sustainable value for all our stakeholders.




More detail is provided in the Integrated Annual Report and elsewhere in this Sustainability Report.

# REPORT OF THE RISK, SHE, SOCIAL AND ETHICS COMMITTEE

## Key focus areas in the period under review:


### SAFETY, HEALTH AND ENVIRONMENT (SHE)

- During the period under review, the Committee performed its responsibility of overseeing the performance of the company against its set safety, health and environmental targets and objectives, as well as considered various reports relating to SHE risks and opportunities facing the company. We are deeply saddened by a total of nine deaths at our operations in the reporting period, of which one was work related, three non-work related and five related to third-party operators. This was a decrease in fatalities when compared to last year, which saw five work related, three non-work related, and twelve deaths related to third-party operators. The loss of life is deeply concerning and unacceptable. Fatality risk control interventions were identified and these form key focus areas in the year ahead. The Committee reviewed in detail all the fatality reports presented before it, including, non-work and third-party related. SHE initiatives and risk management protocols continue to receive focus, with key executives continuing to provide leadership and direction on the strategic implementation of these initiatives, not only within the company, but extending the various programs to include contractors, service providers and, where applicable, surrounding communities.
- The Committee reviewed health management programs including HIV/AIDS and malaria management, noting that the company's performance monitoring and measurement criteria in this regard are aligned with the World Health Organisation's approach. Other key occupational health programs included focus on managing risks of noise induced hearing loss, which has been identified as the leading occupational ailment of current concern at all operations. A common approach to the successful management of this risk is being progressed.
- The company continues to monitor its sustainability performance including the management of air quality, water, effluent and waste.


 The company's comprehensive safety programs, employee and community focused health initiatives and environmental stewardship are covered in detail in the social capital and natural capital elements of this report.

- SED - To remain true to our goal of all-inclusive growth and development, Tongaat Hulett's SED initiatives partner with government and society in various operational areas, to create shared value, particularly in communities most impacted by our business activities. The company's key SED focus elements are, among others in the area of:
  - healthcare - with communities in the rural areas being the largest beneficiaries;
  - food security projects;
  - education initiatives; and
  - sports, arts and culture.

During the year under review, the Committee monitored the SED initiatives and contributions undertaken by the company. These initiatives aim to contribute to successful rural communities and fulfil the company's SED policy of constructively contributing towards enhancing the quality of life of the communities in the Southern African regions where we operate.

 The strategic importance of the company's SED contribution and examples of recent achievements are described in the Social and Relationship Capital section of the report.

The company is committed to economic sustainability and continues to assess its business approach to responsible strategic sourcing, empowerment and preferential procurement, considering employment equity, skills development and broad-based black economic empowerment within the Southern African context. The company is committed to meeting B-BBEE requirements in South Africa, and annually conducts a B-BBEE audit assessment through 1st Verification Network, an accredited institution.

 The company's B-BBEE rating scorecard and certificate are available on the website.

Tongaat Hulett adheres to the ten principles articulated in the United Nations Global Compact to promote sustainable development and good corporate citizenship, through a set of values based on universally accepted principles. The Committee is satisfied that the principles continue to receive appropriate attention by the company.

### GOOD CORPORATE CITIZENSHIP

- 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, based on the unique dynamics within each of the localities. The company's SED programs incorporate and contribute towards the achievement of the SDGs.
- The Committee monitored the company's standing and commitment to being a responsible corporate citizen. This included a detailed review of the company's stakeholder value creation framework which is linked to its strategic objectives. The company continues to demonstrate responsibility to society by extending philanthropic and charitable initiatives to communities surrounding our operations.
- The Committee also assessed the company's proactive stakeholder engagement interface and other processes that have been put in place to ensure the maintenance and development of strong and effective stakeholder relationships.

A full report of the stakeholder relationships, various initiatives led by the company and the positive impact on stakeholder engagement can be found under the Social and Relationship Capital section of this report.

### ZERO-TOLERANCE IN RESPECT OF CHILD LABOUR, FORCED AND COMPULSORY LABOUR

- As a signatory to the Universal Declaration of Human Rights, the company is committed to supporting freedom of association and collective bargaining at its various operations.
- The company also has a zero-tolerance approach to child labour and inhumane treatment of employees, including any form of forced labour or physical punishment of employees.



- As a signatory of the Universal Declaration of Human Rights, the company commits to respect internationally recognised human rights as expressed in the International Bill of Human Rights and by the International Labour Organisation. This includes a commitment to avoid causing or contributing towards adverse human rights impacts through business activities and seeking to prevent or mitigate adverse human rights impacts that are linked to Tongaat Hulett operations, products or services by business relationships.
- Tongaat Hulett confirms its commitment to ongoing transparent engagement with stakeholders in response to specific human rights concerns that may be raised from time to time.

## ETHICS MANAGEMENT REPORTING

The company is fully committed to ethical business practices and abides by a policy of fair dealing, honesty and integrity in the conduct of its business. Our Code of Business Conduct and Ethics (Code) embodies the strategic ethical mindset of the organisation and highlights key principles and values. As a responsible and ethical corporate citizen, the company entrenches a culture of organisational integrity that supports an ethical corporate environment. The Audit and Compliance Committee assists the Board in overseeing the consistent application of and compliance with the Code through reports compiled by the Corporate Security Manager and reported to the Committee by internal audit. Incidents of fraud, corruption or unethical practices that are reported or detected through management controls are formally investigated, followed by formal disciplinary processes. All serious cases lead to criminal proceedings. Management is strict in ensuring the implementation of the Code across all operations in a daily context. Compliance by directors, all employees and suppliers to the high moral, ethical and legal standards of the Code is mandatory, and if employees become aware of, or suspect, a contravention of the Code, they are urged to promptly and confidentially report it through the whistleblowing system, Company Secretary or senior officials at management level.

Recent key focus areas included focused attention on the ethics violations sent directly to the new CEO through his newly established communication channel, "Gavin's Desk". All the reported violations were referred to PwC which has been appointed to specifically investigate these allegations and a report will be presented to the Audit and Compliance Committee for violations that could potentially impact the financials and all other ethical violations. The company has taken a strong stance against intimidation, victimisation, retaliation or harassment of all stakeholders (including employees, business partners and suppliers) who in good faith raise or report a concern that they reasonably believe is a violation of the Code or ethical behaviour.

## WHISTLE-BLOWING SERVICE

As part of the fraud and corruption prevention approach, Tongaat Hulett has engaged the services of an independent whistle-blowing service provider to report on any unethical and unlawful behaviour or non-compliance with the Code. The anonymous independent whistle-blowing service is operational in South Africa, Zimbabwe, Botswana, Mozambique, Eswatini and Namibia. Continuous training and awareness are important aspects of a successful ethics management program. Key focus areas for the ensuing year include revitalising the whistle-blowing service and highlighting its benefits to both the company and its employees.

Measures taken to oversee organisational ethics include ongoing monitoring and reporting of fraudulent activities that are

identified through the whistle-blowing service. Detailed reports are discussed at operational Audit Committee meetings, with significant reports submitted to and discussed in detail at the Audit and Compliance Committee meeting. The detailed reports, submitted by internal audit, highlight the nature of the violation of the Code, the detail of any financial loss if applicable, the root cause of the violation, the disciplinary action taken, and whether any criminal or civil action will be undertaken, as well as any possible recovery. During the period under review, there were a number of new significant fraudulent activities reported, which were investigated by PwC.

## CONFLICT OF INTERESTS

The Code incorporates a formal procedure to regulate conflicts of interest. Directors or employees who encounter such conflicts are required to formally declare such conflicts of interests for these to be considered by the appropriate forum, which in turn provides guidance as to how such conflicts are to be resolved, and to be recorded.

## TERMS OF REFERENCE

The Committee has adopted and operates within formal terms of reference that have been reviewed and approved by the Board during the period under review. The Committee confirms that for the period, it discharged its duties and responsibilities in accordance with these updated terms of reference.

## RELATIONSHIP WITH OTHER BOARD COMMITTEES

The Committee acknowledges the link between certain of its responsibilities and those of other Committees of the Board. Some of these include the relationship with the Audit and Compliance Committee, which retains the responsibility for risk management as it relates to financial reporting risks, internal financial controls and fraud and IT risks relating to financial reporting.

Further, the company's standing on the recommendations espoused in the Organisation for Economic Cooperation and Development (OECD) regarding the prevention of corruption are reviewed and covered by the Audit and Compliance Committee. This ensures that the company has adopted systems of internal control, has an independent external auditor, operates within an approved Code of Ethics, and has implemented whistle-blowing processes that support the non-victimisation of whistle-blowers, amongst others. The company complies with the Employment Equity Act and has implemented appropriate policies that are based on the principle of creating equal opportunity for all within a diverse workforce with a substantial number of members of designated groups at all levels; supported by appropriate performance and talent management processes and activities; set recruitment targets; clear development and training programs; as well as coaching and mentoring programs, among others. The human resources team drives these processes under the leadership of the CEO and reports to the Remuneration Committee, which reviews, assesses and endorses appropriate employment equity goals and targets.



A detailed report on the company's human resources approach, including the company's efforts in accelerating employee transformation is covered in the Human Capital section of this report.

## SUSTAINABILITY REPORTING

The Committee reviewed and accepted the Sustainability Report as part of its role of assisting the Board to achieve better performance on sustainability matters. The Committee noted the various themes of the report including the performance against the capitals as articulated in the International Integrated Reporting framework, as well as the company's contribution to the development of communities, sponsorships and SED programs, relationships with key stakeholders, the impact of the company's activities on the environment, as well as employee health and public safety. As detailed previously, the Audit and Compliance Committee has considered the sustainability and governance information as disclosed in the company's Integrated Annual Report to ensure its reliability and consistency with the Annual Financial Statements. Various reports of the external assurance service providers to ensure that the information is reliable and consistent with the financial results and other operational information at the disposal of the Committee were also considered. The independence of the external assurance service provider for the Sustainability Report was also assessed and confirmed.

## EFFECTIVENESS OF COMMITTEE AND ATTENDANCE

The Committee had two meetings during the period under review as required by its terms of reference. The Committee fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act and that there are no instances of material non-compliance to disclose. The Board is satisfied with the leadership provided by the Committee Chairman and the diligence of its members.

On behalf of the Risk, SHE, Social and Ethics Committee

**L von Zeuner**  
Acting Committee Chairman



# GLOSSARY OF TERMS

## Ethanol

Ethanol is pure alcohol, produced through the fermentation of sugar.

## Environmental incidents - level 1

Incident resulting in a minor impact on the physical or biological environment with no significant or long-term impairment of ecosystem function or surface/ground water resource.

## Environmental incidents - level 2

Incident resulting in a moderate impact on the physical or biological environment with limited impairment of ecosystem function or surface/ground water resource. A minor impact to fauna or flora in a statutory designated area.

## Environmental incidents - level 3

Incident resulting in a significant impact on the physical or biological environment with extensive or long-term impairment of ecosystem function or surface/ground water resource. An impact to unique or protected species or habitats. A release of material which causes chronic illness, permanent disabling injury, fatality or extensive property damage to the public.

## FarmCo

As Tongaat Hulett optimises its direct farming activities, this initiative provides opportunities for third-parties to lease Tongaat Hulett farmland and farm it for their own benefit. This secures sugarcane supply and ensures that land targeted for future property development remains productive under sugarcane, while providing opportunities for transformation.

## Glucose

Glucose is a simple sugar found in plants.

## KZN

KwaZulu-Natal, South Africa

## Land conversion

The activity, consciously and proactively undertaken by Tongaat Hulett, of moving appropriate components of its land holdings from an agricultural land use to other uses in order to create and realise value for a range of its stakeholders.

## Land development

An activity within the land conversion process that includes the establishment of townships, installation of bulk infrastructure and basic services to a land holding, to enable its establishment as a township and the sale of individual sub-divisional stands to property developers.

## Level 1 Complaints

Number of times during the reporting period that the operation's activities resulted in isolated public complaints.

## Level 2 Complaints

Number of times during the reporting period that the operation's activities resulted in widespread public complaints or attention from the media.

## Level 3 Complaints

Number of times during the reporting period that a public or national/international media outcry resulted from the operation's activities.

## MAC

Material adverse change

## MillCo

An initiative whereby sugar industry participants and investors with an industrial or agricultural focus can subscribe for a non-controlling equity interest in Tongaat Hulett's South African sugar milling and associated assets. The empowered sugar business will mill, refine and sell sugar and associated products.

## Project Kilimanjaro

A farming partnership with the Zimbabwean government to develop 4 000 hectares of new land for sugarcane farming, for the benefit of 200 Indigenous private farmers.

## PropCo

An initiative to attracting long-term equity investors to partner with Tongaat Hulett in developing its landholdings and realise long-term value through structured property transactions (e.g. through annuity income, lease structures and participating in top structure development).

## Renewable energy

Energy that comes from natural resources which are organically replenished, such as bagasse.

## SADC

Southern African Development Community, whose membership includes 15 countries in Southern Africa.

## SDG

The United Nations Sustainable Development Goals

## SED

Socio-economic development





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ISIN: ZAE 000096541

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