

Human capital

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Illovo career: I joined Ubombo in September 2005 as an Engineer-in-Training and was very fortunate to be mentored by the current Managing Director, Oswald Magwenzi. After being appointed as Assistant Irrigation Engineer in 2007, I moved up through the organisation to my present post which brings me in daily contact with smallholder sugar farmers.

Career highlights: Working in the field of irrigation and using my technical knowledge to overcome problems; also being given the opportunity to contribute to the development of new farmer schemes.

What excites me about my work: Working with different stakeholders, involving the establishment and management of relationships. I get significant enjoyment from seeing how the work that I and others do transforms other peoples' lives - such as the smallholder farmers under the LUSIP scheme. I also get a big kick out of taking on big challenges!

What about your home life: Spending my free time with my daughter and son, and members of my extended family.



Illovo is a major source of employment for the many urban and rural communities in which it operates, offering direct employment through full, part-time and seasonal jobs across the spectrum of its agricultural and manufacturing activities. Our ongoing strategy of striving to be an employer of choice within the southern African agri-business sector is coupled with a commitment to continual investment in our people in order to sustain the business and to maintain our position as an industry leader. Our human resource philosophy is based upon equal opportunity, irrespective of race, religion or gender, and recognises excellence within our existing employee base to favour internal succession management.

TOTAL COMPLEMENT OF PERMANENT AND NON-PERMANENT/FIXED CONTRACT (SEASONAL) EMPLOYEES		
	Malawi	
	2014	2013
Permanent	5 679	5 480
Non-permanent	5 063	4 520
	Mozambique	
	2014	2013
Permanent	1 015	1 043
Non-permanent	4 414	3 760
	South Africa	
	2014	2013
Permanent	2 224	2 150
Non-permanent	1 804	1 866
	Swaziland	
	2014	2013
Permanent	1 213	1 229
Non-permanent	1 619	1 631
	Tanzania	
	2014	2013
Permanent	908	870
Non-permanent	2 034	2 073
	Zambia	
	2014	2013
Permanent	1 917	1 873
Non-permanent	4 031	4 171
	Other	
	2014	2013
Permanent	16	16
Non-permanent	–	–
	Total	
	2014	2013
Permanent	12 972	12 645
Non-permanent	18 965	18 021

Human resource management and associated operational strategies are determined by the business needs of the group's operating entities with direction from the corporate office. These strategies appropriately embrace the macro-environment prevailing in each country of operation, with alignment being achieved through the group's Strategic Intent. Ensuring that the operational strategies are met is a work ethic of continuous improvement which encourages focused, skilled employees to realise their full potential and to "make a difference" in their areas of operation.

The group's values-driven leadership forms part of Illovo's strategic advantage by creating a sustainable and vibrant organisation driven by motivated and enlightened leaders. The Illovo Values of Empowerment, Inclusiveness, Commitment, Accountability and Integrity represent what Illovo stands for and informs all that we do, across all our operations. Our leaders are entrusted with emulating and living these values through their behaviours on a daily basis. Since the initial unveiling of the values-driven leadership, numerous workshops, communication sessions and system and process alignment activities have taken place. As we continue to embed the Illovo values throughout the organisation in a process driven by our leaders, we know that they will continue to inspire and motivate others to follow in their footsteps.

Key areas of human resource focus include workplace safety; continuous improvement benchmarking; targeted manpower succession planning; talent and performance management; the maintenance of collaborative industrial relations; human resource development and business understanding; BEE-linked employment equity and localisation programmes; and the health and welfare of employees and their dependants.

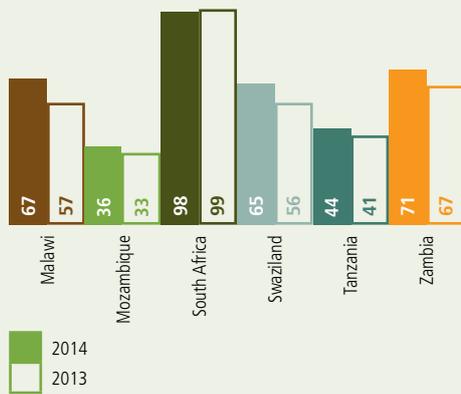
Employment profile and statistics

We provide substantial employment with 12 972 people employed on a permanent basis and some 18 965 seasonal employees engaged on a fixed-term contract basis.

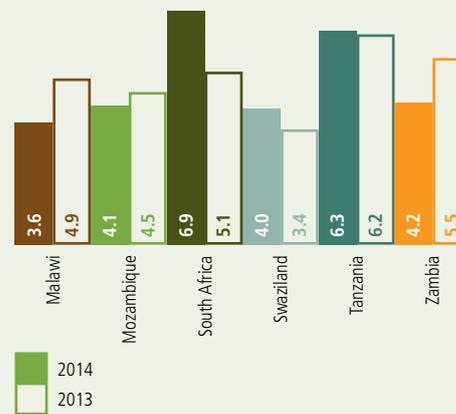
Our employment emphasis remains on ensuring diversity within both our local workforce and senior management positions in order to increase internal capacity building and promote the advancement of members of local communities. Members of our senior staff are appointed by executive management according to group policy guidelines and in line with specific country-based local hiring and employment equity/localisation policies.

Human capital report

Percentage of local citizens employed in senior management (%)



Turnover of permanent employees (%)



Talent and skills development

The group's values underpin its people management strategy and define leadership characteristics framing an organisational culture of openness and integrity. Employees are encouraged to participate fully in their areas of expertise and to take ownership of their development opportunities.

Another important area of talent management is the area of performance management as this is one of the key processes to achieve our annual objectives and the Strategic Intent. It requires all employees to take full responsibility of their own career development by ensuring that they establish and achieve their own annual objectives. Illovo has its own custom-made performance management system that helps to drive this process across all its operations. Results from the financial year ending March 2014 indicated that 83.6% of management employees went through a formalised annual performance review. In terms of retaining and deploying employees, a structured approach to career reviews leads to individual career and development plans, contributing to both the succession and retention of key personnel.

We continue to focus on talent management and manpower succession planning to develop and retain managerial and technical skills, especially within our identified key disciplines and positions. This is considered an essential enabler for our business to deliver on its current business targets as well as its longer-term sustainability and growth. The group's

talent management programme lends structure to this process and ensures we have a talent pipeline to provide the required number and quality of managers and specialists for operations.

A variety of employee training and development strategies, as represented in the bar chart above right, have been deployed, being an investment across the group of approximately R73 million over the year under review. This represented 3.5% of the group payroll and involved 29 346 permanent and non-permanent employees.

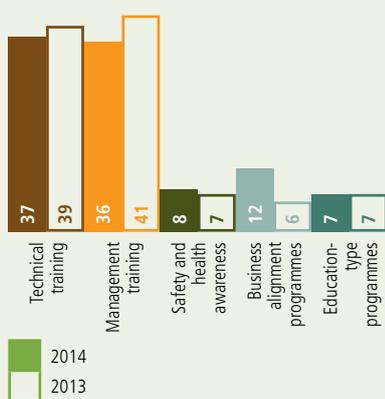
Group-wide programmes during the year under review included:

- structured formal technical trainee programmes and apprenticeships, with 73 and 114 employees respectively enrolled in such programmes across the group;
- management development programmes, aimed at first-line to upper management, with 83 managers having completed these;
- leadership programmes, conducted in partnership with business schools, targeting high potential middle, senior, general and executive managers identified via the succession planning process, with 45 managers having completed these;
- six-month rotation of early and mid-career graduates between Illovo and AB Sugar's other businesses, with four

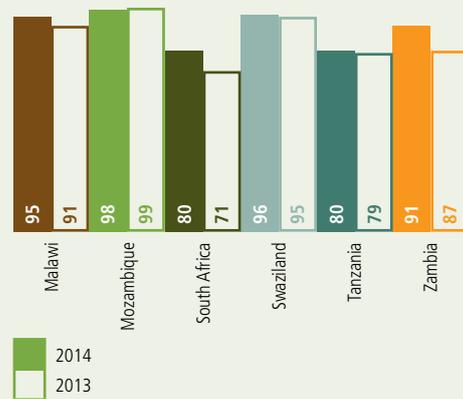
TOTAL COMPLEMENT BY COUNTRY, GENDER AND AGE 2014												
Age range	Malawi		Mozambique		South Africa		Swaziland		Tanzania		Zambia	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
<30	615	102	95	16	253	124	72	20	89	16	193	39
30-50	3 892	137	468	119	1 004	316	663	120	448	55	1 205	144
>50	969	24	290	27	468	59	288	50	253	47	310	26
Total	5 679		1 015		2 224		1 213		908		1 917	

Training investment categories (%)

Total spend 2014: R73 million (2013: R57 million)



Trade union membership as a percentage of non-management employees per operation (%)



graduate engineers having been deployed in China, Spain and England, while a number of graduates from those countries experienced development opportunities within Illovo;

- the provision of full bursaries to 37 students to further their tertiary education with a view to inclusion into the Management Trainee Programme upon successful completion of their studies. In the year under review, at any given time, there were some 71 graduates progressing through this programme; and
- successful implementation of assessments and personal mastery workshops aimed at developing our senior managers in line with the values. There were a total of 108 senior managers from across all our operations that went through this process.

Employee relations

Success in a competitive industry cannot be achieved without a motivated, committed and unified workforce that is focused on achieving common objectives. To this end, we strive to create an environment in which our employees feel valued

and support the company's values, strategies and priorities.

In Illovo, as a multi-national organisation, communication with our employees is considered an important criterion towards the building of their understanding of the company. To this end, we present an annual group-facilitated Business Understanding Programme to all employees, and in 2013/14, approximately 20 000 of our people were exposed to this programme.

With diverse and widespread senior management teams operating across six countries, regular communication forums and executive-led site visits are also undertaken. At group and country management team level, formal management forums are held, aimed both at reviewing operational performance and engagement in strategic planning processes.

In our observation of the UN Global Compact, and the ILO Declaration on Fundamental Principles and Rights at Work, we comply with internationally recognised labour practices as legislated in our countries of operation, ensuring that sound employee relations prevail. Freedom of association is acknowledged and where our employees have adequate

TRAINING SPEND AS A % OF PAYROLL						
	Malawi	Mozambique	South Africa	Swaziland	Tanzania	Zambia
2014	4.3	2.1	3.9	4.0	2.2	3.2
2013	4.2	3.0	3.9	2.2	1.9	2.9

IN THE DIFFERENT CATEGORIES, EMPLOYEE TURNOVER WAS AS FOLLOWS FOR 2014												
Age range	Malawi		Mozambique		South Africa		Swaziland		Tanzania		Zambia	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
<30	2.60	3.92	4.21	0	0	0	2.78	5.00	7.87	25.00	2.59	5.13
30-50	2.71	2.92	3.42	2.52	6.18	8.54	3.35	0.83	3.01	5.45	2.13	2.78
>50	7.64	16.67	4.48	22.22	12.82	6.78	7.29	4.00	11.07	2.13	13.55	7.69

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representation, recognition agreements are put into place. Collective bargaining forums, which determine the levels of wage rates and other substantive employment conditions via negotiated collective agreements, are established in all countries of operation. The management of collaborative relationships with trade unions, along with open communication forums, allows for internal issues to be dealt with as effectively as possible, resulting in the company not losing any days to strike action in 2013/14.

Standard notice periods for employees are covered within the employment policy of each country of operation. Regarding operational restructuring, if applicable, the notice periods of the affected employees are determined with input from relevant employee representative bodies.

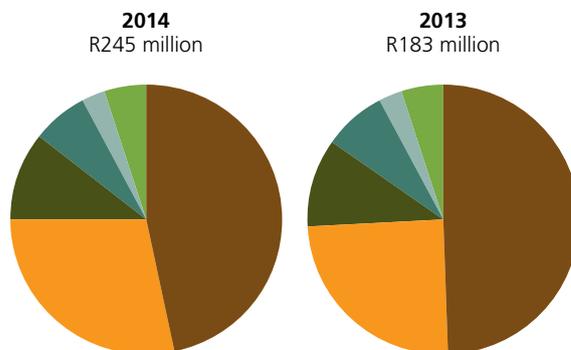
Trade union involvement is a normal part of this process and on average 89% of our non-management employees are unionised.

Remuneration and benefits

Illovo's remuneration packages are merit-based and market-competitive. These packages are reviewed annually, as are the range of short and long-term incentives such as performance-related bonuses, share purchase and phantom share schemes which are also offered to our people.

Aligned with our objective to be an employer of choice, we offer competitive wages, which exceed country-based

Company expenditure per employee benefit category, excluding contributions to retirement funds



(Rm)	2014	%	2013	%
Accommodation	119	49	85	52
Healthcare*	74	30	62	26
Education	27	11	18	11
Community	17	7	13	8
Environmental	8	3	5	3
Total	245	100	183	100

* The calculation of healthcare costs includes employee medical aid contributions paid by the company

SOME EXAMPLES OF ADDITIONAL BENEFITS OFFERED TO EMPLOYEES	
Retirement funds	<ul style="list-style-type: none"> Contribution towards post-retirement benefits (includes risk benefits such as death, disability and critical illness)
Accommodation	<ul style="list-style-type: none"> Predominantly on our sugar estates outside of South Africa, combined with associated utilities. The accommodation that we offer our employees and their families varies between formal staff housing, villages and hostel dwellings for fixed-term contract employees. The accommodation includes the provision of utilities such as potable water and electricity, together with day-to-day maintenance, eg sanitation management The recent introduction of group minimum accommodation standards, as informed by the International Finance Corporation (World Bank) guidelines
Healthcare	<ul style="list-style-type: none"> Group-run primary healthcare clinics/hospitals (the use of which extends to employees' direct dependants), or medical aid/insurance Public health services (provision of potable water and the proactive prevention of communicable diseases, eg malaria via co-ordinated spray and educational programmes)
Educational facilities/assistance	<ul style="list-style-type: none"> As part of our ongoing commitment towards social upliftment, our estates embrace community-based educational activities, extending from pre-school through to secondary school levels. This includes support for local projects to upgrade schools, such as classroom-building, and to provide assistance to improve school administration and management. In many instances, these entities are funded entirely by Illovo Financial assistance with employee dependants' education is available to eligible staff members. An allocation of bursaries, grants and loan funding for higher/further education is also administered in all countries of operation
Utilities	<ul style="list-style-type: none"> Includes the provision of amenities such as potable water, sanitation, electrification, sewerage disposal and refuse removal
Community	<ul style="list-style-type: none"> Estates provide club and community centres, estate community policing, sport and recreational facilities along with sponsorship

Illovo is a major source of employment for the many urban and rural communities in which it operates, offering direct employment through full, part-time and seasonal jobs across the spectrum of its agricultural and manufacturing activities. Average annual direct employment stands at approximately 32 000 people.



During the year, 29 346 permanent and non-permanent employees received training and/or attended development programmes, the cost of which amounted to R73 million and represented 3.51% of the group payroll.



standard minimum wages, and are determined through negotiations with relevant country labour unions, via collective agreements and bargaining councils. All labour-related practices are framed within the context of the ILO Decent Work Agenda, to which most countries of operation are signatories.

We offer our employees additional benefits based on factors such as performance, or length of service. During the year under review, the group spent approximately R245 million on the provision of benefits to our employees, such as accommodation and amenities, healthcare, educational assistance and community projects.

These benefits, with a number of variations, are available to both permanent and non-permanent employees. The only exception, ie benefits which are not available to non-permanent employees, is educational assistance and membership of retirement funds.

Retirement funding schemes

In addition to the benefits of legislated national retirement funds, we offer membership of a number of provident and defined contribution pension funds. Elected employee trustees represent the interests of members and assist with the prudent management of the various funds. The benefits associated with our retirement schemes include, inter alia, retirement, death, disability, funeral, critical illness and life insurance.

Employee share purchase schemes

A share purchase scheme provides assistance to employees of our South African and Swaziland businesses to purchase shares in the company, providing them with the opportunity to share directly in the continued profitability and growth of the business. A separate share purchase scheme operates in relation to our listed subsidiary in Malawi for the employees of that company.

Employee health and welfare

Managed healthcare

Access to healthcare is provided to all our employees and their dependants, either through the network of group-run primary healthcare clinics and hospitals, or through the provision of medical aid/insurance schemes. Total spend on employee health in 2013/14 amounted to R74 million. Where no other public medical facilities exist, these services are extended to members of our surrounding communities at nominal cost. In support of these activities, the company also provides public health services not supplied by government such as potable water, sanitation and refuse removal, by upgrading these where deficient.

We operate 24 primary healthcare clinics and four hospitals, staffed with 10 full-time and nine part-time doctors, together with other clinical and auxiliary staff. The focus of the healthcare service is on health promotion, preventative services and primary healthcare.

Occupational health

Illovo Sugar operates in Least Developed Countries (LDCs) with significant developmental challenges. Providing a working environment in which our employees can operate in a healthy, energised and engaged manner is vital to maintaining personal development and to our business success. We strive to provide a workplace free from undue health risk emanating from our core activities. We also aim proactively to reduce workplace health risks by anticipating, assessing and managing health risk, and providing access to quality healthcare and educating, informing and empowering our management and staff to take responsibility for their own health and wellbeing.

Occupational health is a primary function of medical services delivered at all of our operating sites. Qualified nursing practitioners and doctors provide occupational health services. Employees who work in demarcated risk areas are subjected to base-line medical examinations on engagement and routinely monitored by the occupational healthcare staff during their career with Illovo. Our group medical consultant is engaged in matters of occupational health and safety and takes particular responsibility for ensuring that the more significant health hazards are appropriately managed in the workplace.

Occupational diseases

Occupational diseases are reported within the NOSA framework and are captured with the general safety statistics.

Communicable diseases

The group continues to take a proactive stance against life-threatening epidemics such as HIV and AIDS, tuberculosis and malaria and these are being managed, largely on a preventative basis, to negate their impact on the business and employees themselves.

HIV and AIDS

Our business strategy is aligned with that of UNAIDS, referred to as the "Triple Zero" strategy of zero new cases of HIV; zero deaths among people living with HIV and AIDS, and zero discrimination. Our efforts are thus aimed at identifying and maintaining the negative status of the majority of our employees, determining which employees are HIV-positive and ensuring that they are on suitable medical management programmes, and work to reduce stigma and discrimination around HIV and AIDS. During the year, 1 498 employees were tested, of which 206 were found to be HIV-positive. This brings to 1 768 the total number of employees who are HIV-positive, of whom the majority are attending Illovo's Wellness Programme and are receiving anti-retroviral therapy.

Tuberculosis

Tuberculosis is a focus of our medical services, particularly in areas of HIV prevalence. Our efforts are directed at prevention in HIV-positive individuals through prophylaxis and the early diagnosis and treatment of tuberculosis in employees. We continue to apply the successful Directly Observed Treatment Short-course (DOTS) strategy, which lends itself very well to workplace health services.

Malaria

Malaria remains a key challenge at our operations in Mozambique, Malawi and Tanzania. We are confident that, building on our successes in South Africa, Swaziland and Zambia where we believe we have virtually eliminated malaria transmission on our estates, we will also achieve the same outcome in these countries. We have reviewed our integrated malaria control strategy at these operations and are implementing new programmes. We have been heartened by the success in Mozambique where we have entered into a public-private partnership with the government of Mozambique to extend the reach of our indoor residual spray programme to the surrounding community.

By way of example, we commenced the new malaria spray programme at Maragra in September 2012, but our impact only became evident in 2013. Using 2012 as the base year, during which 11 149 cases of malaria were recorded, we commenced our new spraying campaign in April 2013 and through to December of the same year, we sprayed 93% out of a possible 3 523 houses in which 10 546 people live.

As shown in the graphs below, the results of the campaign were significant, with recorded cases falling to 4 212 representing a 62% reduction overall. At a total cost of R8.77 per month per person, the results have encouraged us to continue and broaden the campaign, with ongoing support from government and non-government health authorities in Mozambique.

Other public health initiatives

Illovo continues to provide clean water and sanitation to employees living on company estates, thereby reducing the transmission of waterborne diseases. We continue to provide services in respect of maternal and child health, reproductive health and neglected tropical diseases, eg bilharzia.

Non-communicable diseases

Conditions and diseases such as obesity, high blood pressure, smoking, diabetes mellitus and various cancers are emerging healthcare issues in developing countries. We are implementing control programmes at all our operations in this regard.

Health and safety management systems

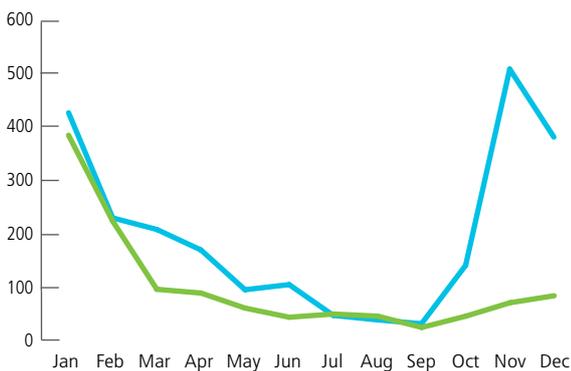
The NOSA Integrated Five-star System covering safety, health and environmental management is implemented at our cane growing and factory operations, all of which were accredited with a minimum Four-star NOSA rating during the year under review. Both Merebank and Glendale in South Africa have received Occupational Health and Safety Management System OHSAS 18001:1999 accreditation.

Occupational safety

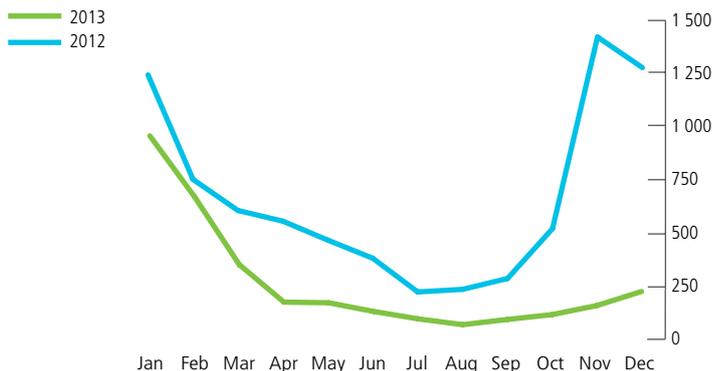
Safety performance improvement remains a core priority focus, with ongoing initiatives around the group. Our goal is to achieve an increasingly safer workplace while promoting a culture of safety among staff so that injuries are reduced and safety rules are understood and upheld. Each operation has developed safety improvement strategies to ensure robust processes are implemented to manage health and safety. These processes are implemented in accordance with the statutory requirements of the relevant in-country occupational health and safety regulations, as well as group policies. Health and safety committees are active at each operation, with full staff representation, reporting directly to senior management to ensure compliance with all internal and legal requirements.

Our overall safety performance has shown a positive downward trend year-on-year with significant improvements achieved at some of our operations. In the 12-month-rolling period to 31 December 2013, the group achieved its lowest

Malaria cases per month, under 5 years of age

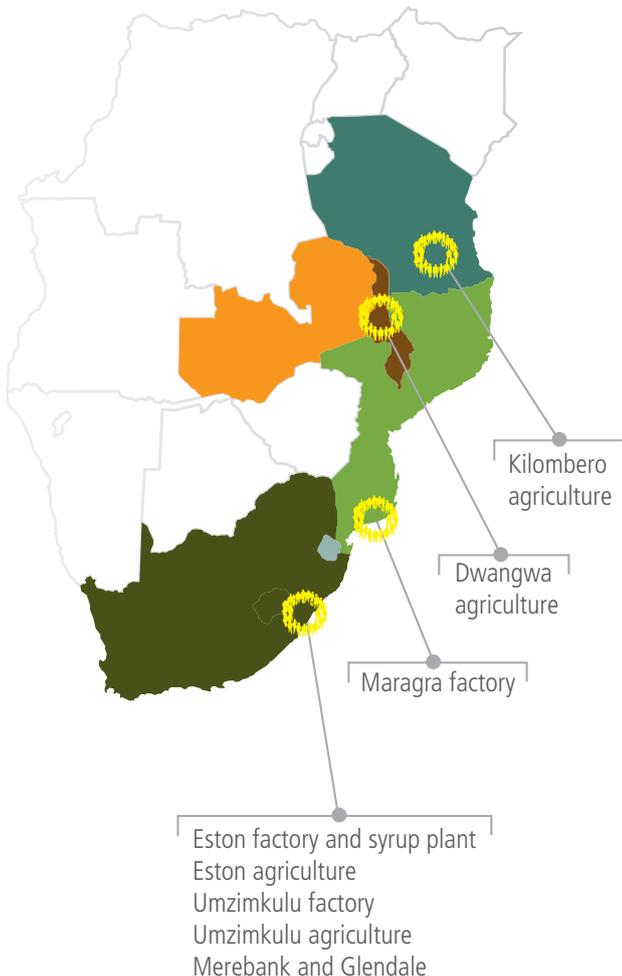


Malaria cases per month, older than 5 years of age



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Operations that achieved a ZERO 12-month rolling DIFR:



recorded disabling injury frequency rate of 0.10 and total injury frequency rate of 2.17. Overall, in the season under review, the number of disabling injuries reduced by 31% compared to the previous year. Company safety data is calculated on a “person-hours worked” (PHW) basis. In 2013/14, PHW amounted to 76.3 million man-hours as verified by our external safety audit service provider.

Regrettably, three of our own employees and two external contractors died while performing routine activities within our agriculture operations. These incidents, as for every fatality, were reviewed thoroughly in a robust incident-investigation process led by senior management, following which preventative measures were implemented and shared with operations across the group.

Most positively, our South African operations improved their annual 12-month rolling DIFR by 71%, reducing their incident rate from 0.54 in 2012/13 to 0.15 in the year under review. This significant improvement can be attributed to the successful implementation of the “Target ZERO” campaign, together with increased safety awareness and revised risk management structures. Examples of this best practice are being implemented across the group and we strive towards continual improvement and ZERO harm to employees.

We measure our safety performance using the industry standard DIFR, which is based on 200 000 hours worked. The DIFR rate includes lost-time injuries and restricted work cases where employees may not carry out their normal duties. The group DIFR ended at 0.11 which was an improvement from the 0.16 of the previous year and is well within the target of 0.35.

DISABLING INJURY FREQUENCY RATE				
OPERATION	2014		2013	
	Actual	Target	Actual	Target
Malawi	0.11	0.35	0.14	0.4
Mozambique	0.09		0.09	
South Africa	0.15		0.18	
Swaziland	0.12		0.18	
Tanzania	0.03		0.03	
Zambia	0.18		0.18	
Group	0.11		0.16	

Diversity and equal opportunity

In line with the UN Global Compact Principle and the ILO Declaration on Fundamental Principles and Rights at Work, Illovo is not only committed to the principle of upholding the elimination of discrimination in respect of employment and occupation, but is also committed to eliminating the effects of past discriminatory practices in this regard.

To realise fully the growth of our organisation, we work towards ensuring that our workforce sufficiently reflects the demographic profile in terms of race and gender of the economically active population of the regions in which we operate. While abiding by local laws and regulations, we actively promote equal opportunity and fair treatment in employment through the elimination of unfair discrimination. We also encourage inclusiveness with regard to human resource practices, irrespective of race, gender, nationality or religious affiliation in an effort to promote global diversity throughout our workforce. For instance, there is no arbitrary distinction on remuneration levels based on any of these grounds and any differentiation is based on objective grounds largely related to performance and market considerations, although in some cases, it is based on length of service as a product of past agreements with trade unions.

In South Africa, Illovo is committed to contributing to, and promoting, social transformation in the interest of nation building, most notably through the continued advancement of B-BBEE initiatives. Employment equity is a socio-economic and business imperative that strives to ensure that South Africans from all cultural backgrounds are able to participate in, and benefit from, the activities of the economy in a fair manner. We submit annual employment equity and income differential reports to the Department of Labour and the Employment Equity Commissioner respectively, which detail progress made in respect of the company's Employment Equity Plan, a key pillar of our B-BBEE programme. Progress is monitored through a group Central Co-ordinating Forum which includes representation from local consultative forums at the various operations.

Relevant statistics in respect of designated employees are shown in the table below for the period under review and the preceding two financial years, with the table on representative areas being the most important as it reflects the current status, particularly with respect to trainees, highlighting a focus on the future.

REPRESENTATIVE AREAS	Designated %		
	2014	2013	2012
Senior management (SM) and above	45	47	44
Management, all levels	68	67	66
Skilled level	93	92	92
Management trainees	73	64	62
All trainees	93	90	84
Recruitment and promotions (SM and above)	39	68	63
Recruitment and promotions (management, all levels)	66	78	70
Recruitment and promotions (skilled)	96	99	89

We continue to give overall focus to designated appointments in the more senior levels of management.

In a new development, our B-BBEE performance in 2013 was measured against the new AgriBEE sector charter which recognises land ownership. Recognising our significant transfers of agricultural land to black people in the mid-1990's, well before the introduction of the Employment Equity Act in 1998 or the B-BBEE Act and codes in 2003, we scored additional bonus points under the new "land ownership" element of the score card, resulting in our overall score rising to 75.30, which increased our rating from a level 5 to a level 3 company.

THE COMPONENT B-BBEE VERIFIED SCORES				
Element	Score (%)		Maximum possible score (%)	
	2013	2012	2013	2012
Ownership equity	n/a	4.69	n/a	20
Land ownership	25	N/A	20	N/A
Management control	4.81	4.02	10	10
Employment equity	5.59	7.27	10	15
Skills development	11.06	6.84	20	15
Preferential procurement	7.84	17.27	20	20
Enterprise development	10	15.00	10	15
Socio-economic development	11	5.00	10	5
Aggregate	75.30	60.09	100	100

In addition to the improved score, Illovo was also assessed to determine if the company met the status of an “empowering supplier” in terms of the new B-BBEE codes which, although not yet applicable, are already being applied. An empowering supplier is one which meets at least three of the criteria indicated below, of which we met all four:

- at least 25% of cost of sales excluding labour cost and depreciation must be procured from local producers or local suppliers in South Africa;
- 50% of jobs created are for black people, provided that the number of black employees since the immediate prior verified B-BBEE measurement is maintained;
- at least 25% transformation of raw material/beneficiation which includes local manufacturing, production and/or assembly and/or packaging; and
- at least 12 days per annum of productivity spent in assisting black EME (exempt micro-enterprises with annual revenue of R5 million or less) and QSE (qualifying small enterprises with annual turnover between R5 million and R35 million) beneficiaries, to increase their operational or financial capacity.

Human rights

We are distinctly aware of the diverse cultures and the differences in laws, norms and traditions which the business needs to acknowledge and respect. Illovo is guided by the values of the international community, in particular the UN Universal Declaration on Human Rights, the UN Global Compact Principles, the ILO Tripartite Business Declaration of Principles concerning Multinational Enterprises and Social Policy, the ILO Core Conventions on Labour Standards, and the ILO Declaration on Fundamental Principles and Rights at Work.

As reported in the Corporate governance report and the Social and Ethics Committee report, in upholding international norms, Illovo supports and respects the protection of internationally proclaimed human rights and endeavours to ensure that we are not complicit in human rights abuses. We do not tolerate discrimination of any kind, nor any form of forced or child labour. We take measures to address the risk of child and forced labour in our supply chain through engagement with the ILO to provide guidance, by requiring our suppliers contractually to undertake to adopt a zero tolerance approach to these. In the year ahead, educational programmes and awareness initiatives will be implemented with grower associations and other suppliers, to inculcate a culture in our supply chain that promotes human rights and is committed to abolishing child and forced labour and other human rights violations. Fairtrade audits assist us to monitor and embed compliance with these imperatives.

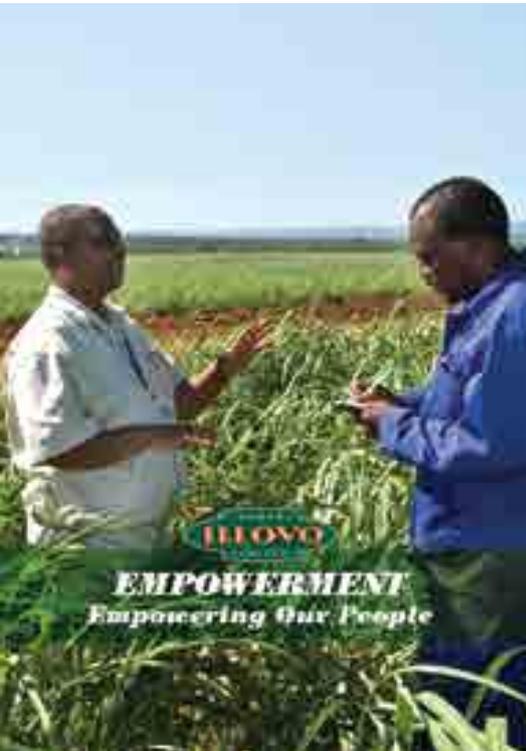
We strive to provide fair working conditions and maintain a safe and healthy working environment. Open communication is encouraged to resolve workplace issues between team members or between our employees and management. Where employee issues cannot be resolved by direct line management, these are taken up through various dispute resolution mechanisms. Permanent employees receive training in these values, which include unfair discriminatory practices and employee and trade union rights, as part of induction upon commencement of service. Human rights principles are also included in Illovo’s labour relations policies pertaining to safety, health and environment, and corporate social responsibility.

In South Africa, human rights abuses are monitored by the South African Human Rights Commission, under the auspices of the Human Rights Commission Act, No 54 of 1994. Outside of South Africa, communications relating to human rights abuses are generally directed through the relevant labour unions.

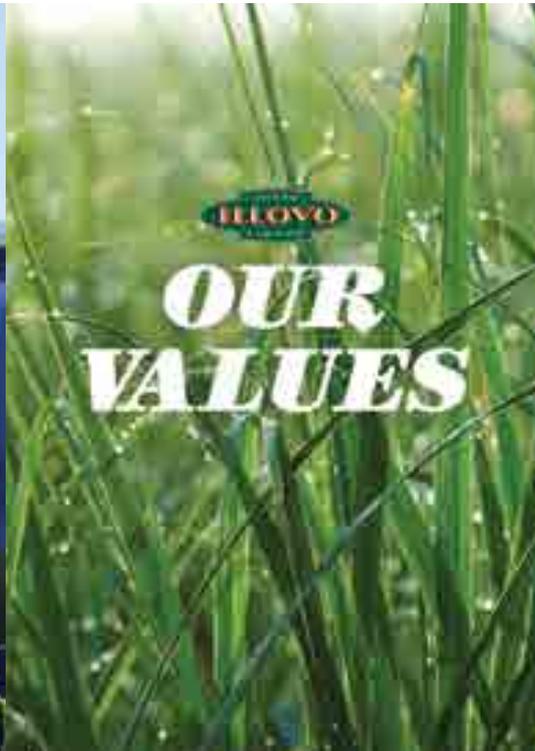
The company has a robust, independently managed anonymous reporting facility, Tip-offs Anonymous, which employees and people outside the group may utilise to report any wrong-doing anonymously.

In order to embrace best practices, we participate in the training sessions conducted by the UN Global Network South Africa and the National Business Initiative (NBI) in relation to the implementation of good human rights practices in our operations, business relationships and supply chain. The knowledge acquired from this training is implemented into policy development and practical embedding of human rights practices by the company.

During the year under review, no incidents of discrimination, limitation or violation of employees’ rights to exercise freedom of association and collective bargaining, or of forced, compulsory or child labour, were reported by any Illovo employees or any other persons. There were also no violations of the rights of indigenous people, and none of the operations were identified as posing any significant risks in this regard.



EMPOWERMENT
Empowering Our People



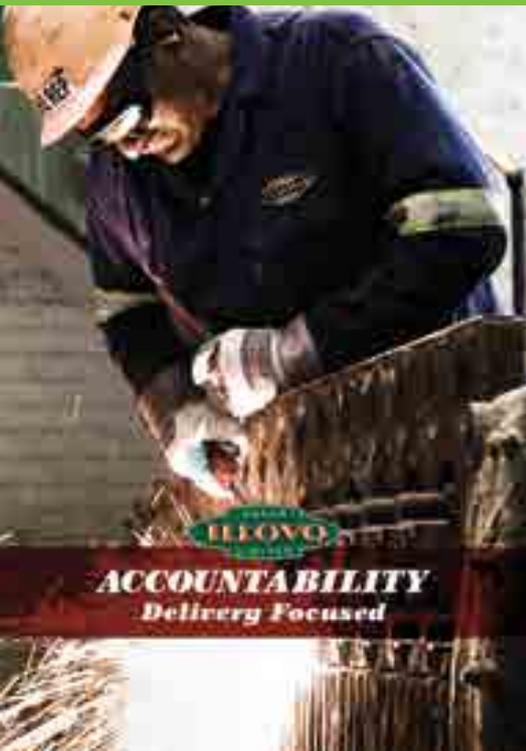
**OUR
VALUES**



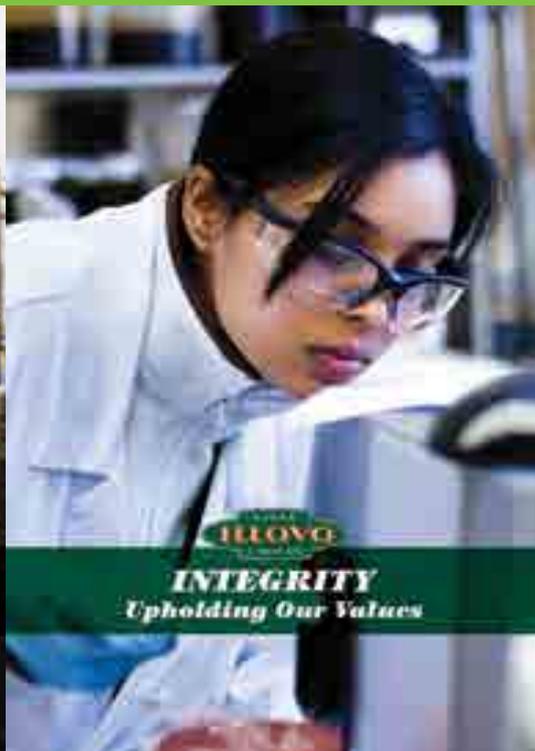
COMMITMENT
Working Collaboratively

Values-driven leadership

The group's values-driven leadership forms part of Ilovo's strategic advantage by creating sustainable and vibrant organisation-driven leadership by motivated and enlightened leaders.



ACCOUNTABILITY
Delivery Focused



INTEGRITY
Upholding Our Values



INCLUSIVENESS
Embracing Diversity

Socio-economic impact

Sugar production

Group sugar production of 1.83 million tons, representing a record output from Illovo's current installed milling capacity, increased by 84 000 tons compared to the previous season, largely driven by a 17% increase in South Africa, amounting to 103 000 tons.



As Africa's largest sugar producer, with agricultural and manufacturing operations in six countries in Africa, certain of which rank as the world's least developed countries and face considerable challenges in the form of poverty, unemployment, inequality and disease, Illovo is conscious of the social and economic obligations associated with an organisation of its size, particularly given the rural location of its operations and the challenges faced by communities in rural areas.

One of the key pillars of Illovo's Strategic Intent and sustainability model is to be welcomed in the communities in which we operate, without whose co-operation we would not be able to sustain our businesses. Recognising that the prosperity and sustainability of our business is intertwined with the well-being and advancement of these communities, Illovo creates valuable jobs and economic opportunities in these rural communities, helping to preserve the long-term sustainability and competitiveness of the wider sugar industry in the region, as well as providing various essential health and welfare services (as more fully detailed in the Human capital report on page 59).

The group impacts a wide range of stakeholders in its local communities and wider national economies, through three main channels:

- **Direct impacts**, through Illovo's direct employment of workers on farms and in factories, as well as investments, tax payments, interest spending, shareholder distributions and other payments. The provision of direct and indirect employment in areas where very few other opportunities exist increases the economic security of people in rural areas, helping preserve rural communities in countries where rural to urban migration is often high.
- **Indirect impacts** in the value chain in Africa, through purchasing sugar cane from farmers, payments to suppliers and distributors, as well as impacts on those selling Illovo products or using them in their businesses. In addition to the positive contribution it makes through its in-country local procurement practices (and, in South Africa through preferential procurement (in accordance with the country's broad-based black economic empowerment (B-BBEE) codes)), the re-spending of the money received from Illovo generates further economic activity and employment.
- **Induced impacts**, through spending by direct and indirect employees of Illovo, leading to increased consumption and employment elsewhere in the economy.

Illovo's total economic impact in southern Africa, including direct, indirect and induced impacts on GDP in all six countries, is estimated at about R18.5 billion, as illustrated further on.

Our Value-added Statement on page 19 and our Five-year Review of financial performance and statistics on page 20, provide further information on the considerable positive economic impact that our operations have on the socio-economic development of the regions in which we

operate and the wealth we create through manufacturing, trading and investment and its subsequent distributions to shareholders and reinvestment in the business.

Illovo strives to make a positive impact and eliminate, or at least minimise negative impacts on the communities in which we operate. Recognising that failure to respect internationally recognised human rights principles presents a significant reputational risk, affecting the sustainability of a business, our risk identification processes identify stakeholders' interests and expectations relative to human rights issues, through interaction with non-governmental organisations, governmental authorities, and local communities, as well as through responding to issues identified in reporting initiative frameworks such as CDP's Climate Change and Water responses, the JSE SRI Index requirements, the GRI requirements, the UN Global Compact Principles and self-assessment toolkit, the UN Guiding Principles on Business and Human Rights, as well as legal and regulatory requirements. Mitigating measures include requiring adherence to our Code of Conduct and Business Ethics and the integration of our human rights policies in our businesses and the supply chain. During the year, a number of externally contracted security personnel were provided with training in "Basic Human Rights", an initiative which is intended to be implemented across the group. In relation to both our existing business operations and proposed new projects and business activities, a robust "stage and gate process" includes the identification of both positive and negative impacts on local communities. Our Social and Ethics Committee work plans include human rights monitoring processes to track performance against our human rights objectives.

Procurement

Illovo supports long-term growth and stability of the surrounding communities by sourcing correct quality at an acceptable premium, notwithstanding the economic advantages that would otherwise be gained by sourcing bulk supplies and technologies through the group procurement function in South Africa. A further benefit for the local communities is the indirect employment creation by suppliers providing sugar cane and other goods and services to Illovo.

During 2013/14, Illovo procured 54.1% of its supply requirements from local suppliers in the countries in which it operates, to the value of approximately R4 412 million. Furthermore, in the year under review the company procured 3.6 million tons of sugar cane from local emergent growers, earning these growers R1 568 million in revenue. Through this an estimated 46 000 people were supported by the outgrowers.

In South Africa the company complies with the preferential procurement requirements in terms of which B-BBEE points are earned for procurement from black-owned businesses, thus making the company a preferred supplier for local customers in terms of the country's B-BBEE codes.

Socio-economic impact report

Socio-economic impact and materiality assessments

To form a deeper understanding of its impact, in 2013 Illovo commissioned an independent socio-economic impact assessment of its operations in each of the countries in which it operates. This complex undertaking, which was conducted by an international company, Corporate Citizenship, provides a clearer picture of our impact on the economies, communities and individual livelihoods in Africa and highlights opportunities for Illovo to enhance its positive social, economic and environmental impact.

Corporate Citizenship's report on the Illovo group, which is available in full on our website at, www.illovosugar.com, summarises the key findings from a detailed study of each of the group operations which involved the review of the financial and operational information provided by Illovo and a series of site visits to its operations, which included visiting surrounding communities, interviewing senior management and key stakeholders affected by the business, including sugar cane farmers, smallholder association representatives, employees, trade union representatives, local suppliers, doctors, teachers and other beneficiaries of Illovo's social investment spend. Corporate Citizenship also conducted its own desk-based research and analysis. A summary of the key findings of the group report is set out below.



Key findings of the Corporate Citizenship group report



CONTRIBUTED an estimated R18.5 billion to African economies, including direct, indirect and induced economic impacts. This is equivalent to about 50% of the GDP of Malawi.

EMPLOYED over 31 000 people directly (including seasonal workers), supported an estimated 46 000 people through outgrowers, and supported further employment in the value chain and wider economy of at least 15 000 using the most conservative estimates. This rises to at least 66 000 when other (still conservative) estimates are applied. Illovo's total employment impact is therefore estimated at between 92 000 and 143 000 people across the six countries. For every worker directly employed by Illovo, between 1.9 and 3.6 additional workers are supported in the wider economy. In Tanzania where there is a high reliance on outgrowers; this equates to approximately 7.8 additional workers for every Illovo employee in that country, while in South Africa it includes approximately 2.4 workers for every Illovo employee.

SUPPORTED the livelihoods of between 400 000 and 625 000 people across southern Africa. This is based upon average household sizes applied to total employment estimates.

SPENT nearly R2 billion on employee wages, salaries and benefits. Employees received over 47% of Illovo's value added in 2012/13. Benefits extended to employees and immediate dependants include the provision of accommodation (eg electricity, sanitation services and potable water supplies); healthcare (including wellness programmes); and education-related benefits (including educational allowances and bursary schemes).

PAID direct and indirect tax totalling over R900 million across all six countries.

SPENT 30% of its revenues (R3.4 billion) with independent, outgrower farmers in 2012/13.

PROCURED cane from nearly 17 000 smallholder farmers, with smallholders supplying over 90% of outgrower cane in Malawi, and 70% in Tanzania.

SPENT R4.9 billion on non-cane procurement suppliers in 2012/13. 64% was spent in-country, benefiting hundreds of small, local businesses. Much of the remainder was sourced through Illovo group procurement function in South Africa.

CONTRIBUTED R197 million on social benefits to employees and neighbouring communities, including healthcare, education, housing and other projects.

GENERATED 90% of total energy consumption from renewable sources, and in Swaziland, generated surplus electricity which is supplied to the national grid.

The process also looked at opportunities for improvement and provided detailed management reports for each country, together with group-wide recommendations to improve economic, social and environmental performance which are available on the summary report online. An updated socio-economic impact assessment will be conducted in due course.

Illovo strives to make a positive impact and eliminate, or at least minimise negative impacts on the communities in which we operate. Recognising that failure to respect internationally recognised human rights principles presents a significant reputational risk, affecting the sustainability of a business, our risk identification processes identify stakeholders' interests and expectations relative to human rights issues, through interaction with non-governmental organisations, governmental authorities, and local communities, as well as through responding to issues identified in reporting initiative frameworks such as CDP's Climate Change and Water responses, the JSE SRI Index requirements, the GRI requirements, the UN Global Compact Principles and self-assessment toolkit, the UN Guiding Principles on Business and Human Rights, as well as legal and regulatory requirements. Mitigating measures include requiring adherence to our Code of Conduct and Business Ethics and the integration of our human rights policies in our businesses and the supply chain. During the year, a number of externally contracted security personnel were provided with training in "Basic Human Rights", an initiative which is intended to be implemented across the group. In relation to both our existing business operations and proposed new projects and business activities, a robust "stage and gate process" includes the identification of both positive and negative impacts on local communities. Our Social and Ethics Committee work plans include human rights monitoring processes to track performance against our human rights objectives.

Human rights in the supply chain

In addition to our commitment to upholding the human rights of our employees, we are committed to developing a broader culture of human rights in the communities around our operations and among those with whom we conduct business.

Further to the direct economic benefits which it brings to its supply chain, Illovo contributes to supply chain integrity through the promotion of globally accepted human rights practices by requiring its suppliers, contractors, service providers and representatives to comply with and to seek to develop similar relationships with their own supply chains, in compliance with all the applicable local laws and codes of best practice and consistent with the UN Global Compact Principles. These requirements are embodied in the company's Code of Conduct and Business Ethics (available on the company's website at www.illovosugar.com) and are incorporated into our supplier contracts, which requires our employees and suppliers:



- to avoid any complicity in human rights abuses and to adopt practices to protect against abuses of human rights in their activities and in their business relationships with others;
- to conduct business in compliance with all applicable legal requirements and in a manner that respects the rights and dignity of all their employees and the local communities in which they operate, including legitimate tenure rights and freedom of association;
- to adhere to the principle of free, prior and informed consent in all dealings with the indigenous communities in the areas in which our businesses operate;
- to procure that any adverse impacts resulting from their activities are minimised and justly and fairly compensated; and
- to encourage all suppliers and other persons contracting with Illovo to adhere to the same principles.

Our employees, suppliers, contractors, service providers and representatives are also required to uphold the protection of internationally proclaimed human rights, including freedom of association and effective recognition of the right to collective bargaining; elimination of all forms of forced and compulsory labour; abolition of child labour; elimination of discrimination in respect of employment and occupation; promoting environmental responsibility; working against corruption in all its forms; and providing a safe working environment for employees (see page 65 in relation to our safety practices).

Concerning child labour, Illovo recognises the distinction drawn by the ILO between child labour and child work. It is aware that the social and economic circumstances in some countries are such that the economic unit is the family as a whole and that circumstances dictate that everyone in the household makes some contribution to the economic activity. Therefore, in relation to family and smallholder farms, it is acknowledged that light work may be carried out by children under the age of 15 years, but Illovo accepts this situation only on condition that they do not handle hazardous tools and/or chemicals or perform physically dangerous tasks and that such work does not interfere with their education or physical, emotional or psychological wellbeing. In its own operations Illovo does not allow the employment of children under the age of 18.

Stakeholder engagement

Our engagement with local communities and other vulnerable stakeholders is guided by the principle of free, prior and informed consent in relation to all matters where new projects may impact on them. Our procedures involve environmental and social impact assessments, ongoing stakeholder engagement and risk and impact monitoring, while ongoing consultation processes involve mechanisms to address grievances. In relation to matters which do not involve the company directly, and in relation to which the company does not have direct interaction with affected stakeholders, we are nevertheless committed to ascertaining that the third parties involved (including governments) conduct themselves in line with human rights principles and internationally acceptable best practice standards.

Project assessments

As indicated in our Social and Ethics Committee report, our practices and procedures require that all proposed projects undergo a stringent stage and gate process, including legal investigation of land tenure rights, working with local legislative frameworks and land reform programmes, consultation with local communities and public authorities and ensuring mutually agreed compensation where communities are affected by our operations. This includes providing technical and financial support to local community farmers supplying sugar cane to our operations and working with reputable development organisations to ensure projects are in line with accepted international standards.

Although Illovo is seldom involved in land acquisitions relative to its agricultural operations, our procedures reflect our zero tolerance to land-grabbing and prescribe that any proposed land acquisition (whether buying, renting, acquiring or otherwise accessing land or property) must involve consultation with all affected owners and users of the land or property. This is to ensure that they are adequately consulted and compensated; that past users and owners have not been wrongfully removed; that minorities and other vulnerable groups (including indigenous peoples) have been consulted to endeavour to procure "free, prior and informed consent" in relation to any matter affecting them; that the project does not result in scarcity of residential property or food commodities; and that affected owners and users of the land or property are adequately compensated to help them restore their standards of living or livelihoods to the same or higher than before; and the compensation standards are transparent and applied consistently to all communities and persons affected.

In South Africa, Illovo has sold and transferred 52% of its agricultural land holdings to previously disadvantaged communities, both prior to and after the introduction of the Restitution of Land Rights Act. We also work proactively with black farmers, managing and holding training programmes that provide technical and financial assistance to new emerging cane growers ensuring the long-term commercial sustainability of their farms. We are extremely proud of our endeavours in this regard, which have been recognised through our achievement of a Level 3 BEE status in terms of the Broad-based Black Economic Empowerment Codes.

Socio-economic impact report

Corporate social responsibility

As embodied in our Strategic Intent, we endeavour in various ways to ensure the wellbeing and advancement of our employees as well as the local communities and society in which we operate (as also reported in the Human capital report on page 59).

In addition to the significant economic benefits that accrue to the governments of the countries in which we have operations through direct and indirect taxes (which are dealt with more appropriately in the financial sections of this report), we contribute to our local communities through various corporate social investment initiatives, often providing essential community support and, where local authorities are unable to do so, filling gaps in local infrastructure, either alone, or in collaboration with international donors and funders, governments and non-governmental bodies, as demonstrated by the projects detailed below.

Our initiatives include:

- providing access to potable water, which is a particular priority;
- providing medical facilities to some communities and funding local government hospitals;
- in Malawi and Zambia, supporting government strategies to tackle micronutrient deficiencies by fortifying our sugar produced for direct consumption with Vitamin A, thereby contributing to improving public health;
- funding maintenance and equipment for local schools or community organisations, and supporting government and corporate education related campaigns, including national literacy programmes and teacher support; and
- contributing to local sports, arts and culture.

The aim of Illovo's social investment activities is to contribute to the development of thriving and vibrant societies against the background of our stated intent to be welcomed in the communities in which we operate. We are ever mindful of the rural and relatively underdeveloped nature of these locations, characterised by limited infrastructure and significant development needs.

As a long-term investor and major economic partner of the southern African region, the group has developed a social compact with its communities and people, and today administers wide-ranging social investment programmes aimed at infrastructural development, job creation, health and wellbeing, education, the provision of potable water and sanitary services, involvement in community projects and promoting culture and sports development.

Community projects motivated by its members and designated company representatives are subject to a thorough assessment to ensure they meet the prescribed long-term criteria of being meaningful, sustainable and have sufficient community reach and participation. Initiatives are managed either at a group or business unit level, depending on circumstance.

As more fully dealt with in other sections of this report, Illovo continues its involvement in community-based social investment, including:

- **Education** – In terms of community outreach, Illovo has been involved in a number of educational upliftment projects, including upgrades and administration assistance at 27 schools in five countries; support for government and corporate education-related campaigns such as national literacy projects and teacher support programmes, and the provision of necessary educational equipment.
- **Health and medical** – In areas where no public medical facilities exist, Illovo provides access to healthcare through the network of group-run primary healthcare clinics and hospitals to the local communities at nominal cost. We also provide programmes focusing on primary and secondary healthcare, occupational health, HIV and AIDS, malaria and TB, working closely with national programmes in our countries of operation. Control programmes for non-communicable diseases such as obesity, high blood pressure and diabetes exist at all our operations, and continues to provide services in respect of maternal and child health, reproductive health and neglected tropical disease (eg bilharzia).
- **Civic services** – Illovo has gone above and beyond in community involvement, supporting community centres, estate community policing, estate football leagues and day-care centres. We support community-based welfare and fundraising organisations, involving national health initiatives, feeding schemes, upgrading of public facilities and self-help programmes.

During the year under review, we contributed in excess of R22.7 million towards social investment projects, mostly for the benefit of the communities within the immediate vicinity of our operations. This figure includes expenditure on enterprise development initiatives not previously reported.

SOCIAL INVESTMENT SPEND (Rm)			
CATEGORIES	2014	2013	2012
Healthcare	2.1	1.0	3.9
Education	7.3	3.9	3.9
Community Support Services	3.3	8.7	6.6
Donations/Sports, Arts and Culture	10.0	0.6	0.3
Total	22.7	14.2	14.7

Note: The reporting format on social investment expenditure has been reviewed. Where some expenditure had previously been reported as "Donations" it has now been allocated to a specific type of contribution such as Health, Education or another appropriate category.

Projects and case studies:

some of our key projects include the following:



Tanzania and Malawi: innovative vehicles for community investment

In Tanzania and Malawi, Illovo companies have adopted a Trust model to help channel investments from development agencies and industry partners into the local community. The group's Tanzanian subsidiary, Kilombero Sugar Company Limited, has established the Kilombero Community Charitable Trust, which supports the development of vital local infrastructure including electricity, drinking water, roads, health services and schools. In Malawi, Illovo has helped to set up the Kaombe Community Farm Trust in collaboration with the local community. The Trust sells sugar cane to Illovo's Nchalo mill with profits invested in local community projects. One future project is the establishment of a rural health clinic, jointly funded by the Trust, Illovo and donors.



Programme for Technological Careers (PROTEC), corporate office – South Africa

Nature of project

The number of South Africans with qualifications which require a basic education in mathematics, science and technology related studies remains inadequate to meet the country's economic and other challenges. The number of pupils who study and pass these subjects at school level is also low. PROTEC is a programme established in 1982 to contribute to addressing this challenge by providing additional classes and other support activities for pupils in the last three school years in these subjects. Illovo Sugar Limited supports the Umlazi branch of PROTEC.

Reasons for supporting this project

PROTEC provides pupils with assistance in subjects that are vital for the development of the country and pupils who have been through the PROTEC programme have, over the years, performed well at final school year examinations and have achieved post-school qualifications in the disciplines that require a school foundation in the relevant subjects.

Outcome achieved

The programme achieved a 100% pass rate for pupils participating in it for 2013. Of the 35 participating pupils who wrote final school year examinations in 2013, 30 achieved a pass that allowed them to get admission to a degree and five qualified for admission to a diploma. In terms of post-school placements from the beginning of 2013, the programme was able to have 17 of its former pupils get a place at university, 16 at universities of technology and two at further education and training colleges, with 29 (83%) pursuing studies in engineering and science.

As part of our ongoing commitment towards our employees and their children, together with support of community-based education-related initiatives, we spent approximately R34 million on education in 2013/14.



Socio-economic impact report

Outgrower development

We work closely with local indigenous farmers through our established cane grower development programmes, to improve the indigenous farmer participation in the respective country's mainstream economies and to benefit both the farmers and the company by improving cane yields and quality, enabling the growers to boost their income while ensuring sustainable cane supply to the mills. The types of support provided to the sugar cane growers include:

TYPE OF OUTGROWER SUPPORT	DESCRIPTION
Seed cane incentives	Funds for planting on new, uncultivated land
Transport subsidies	Supplementary payments to outgrowers located more than 50 to 60 km from Illovo's mills
Small-scale grower development costs	Supplementary payments to small growers for purchasing fuel and other inputs that compensate for lack of bargaining power
Other supplementary payment	Amounts paid to outgrowers to guarantee a steady supply of cane to Illovo's mills
Cane ripener subsidies	Subsidies for chemical ripeners which accelerate cane maturity and increase sucrose content
Training schemes	Training and mentorship schemes for outgrowers, including technical assistance and business management support
Guaranteed purchases	Illovo signs cane supply agreements with outgrower associations and smallholder schemes, through which it guarantees the price and quantity of sugar cane which it buys
Access to inputs	Illovo provides seed, fertilisers and other inputs to smallholders to allow them to benefit from bulk discounts
Access to finance	Illovo helps smallholders gain access to finance, including co-ordinating with local banks and in some cases providing loans directly to farmers. It has assisted with identifying and supporting donor funding opportunities
Access to infrastructure	Outgrowers often benefit from infrastructure funded by Illovo, including roads and irrigation; they may also have access to schools and hospitals opened by Illovo, usually for free

During the period under review, we spent R19.1 million on outgrower schemes across the group.

Development projects

Because of our successful track record in delivering community development projects, particularly in relation to our ongoing development and improvement of the technical skills of local community farmers, non-governmental organisations are attracted to, and are willing to participate in and provide funding for, community projects in collaboration with our operations, as we assist these organisations, as well as governments, to deliver their objectives.

Malawi

Solidaridad and Illovo Sugar Malawi participated in a large EU funded project in Malawi focused on improving the livelihoods of the members of the Kasinthula and Dwangwa sugar outgrowers, by strengthening the farmers' technical skills in order to increase the sustainability, productivity and income. Both schemes assist more than 1 000 small growers covering in excess of 3 100 hectares of land. The training programme included agricultural skills, environmental management and sustainability, sustainable agricultural practices, occupational health and safety, gender, HIV and AIDS and civic education (including the abolition of child labour) and has significantly improved the technical knowledge and capacity of the outgrowers involved. The project was underpinned by several community-awareness campaigns which focused on other community based issues including gender-based violence, promotion of afforestation, the importance of education and ABET (adult basic education and training) and the roles of the community in ensuring proper care and guarding of the sugar cane irrigation equipment. In excess of 15 000 community members participated in these campaigns.

Mozambique

Illovo's Maragra operation has been instrumental in assisting medium-scale growers in expanding their sugar cane areas, through loans for the development of an additional 840 hectares of new development area.

Maragra has also secured two major EU grants for outgrower development projects, one of which focuses on flood protection, drainage and water management and the other on capacity building and training for small growers. The beneficiaries of these projects are 30 farmer associations representing 4 064 registered indigenous smallholder farming families currently operating under subsistence conditions.

South Africa

Illovo played an integral part in securing government grants and commercial finance on behalf of small and medium-scale growers under the emergent grower mentorship programme, resulting in the continued development and economic viability of this sector of our operations. We have also embarked on various projects and cane development programmes to ensure that small-scale farmers who farm on tribal land are mentored and supported at Illovo's cost. The cane development programmes focus on ensuring that local communities enjoy food security. Illovo has also entered into mentorship agreements with large commercial growers to mentor and assist small-scale growers. Several investment

grants allocated to small-scale growers by the South African government for development schemes are administered and managed by Illovo on behalf of the growers. This forms part of ongoing initiatives co-ordinated by Illovo and local cane growing bodies to increase cane supply from the small-scale grower sector and includes rehabilitation of existing land under cane, as well as the development of new land to sugar cane agriculture.

Swaziland – LUSIP Project

A very effective smallholder development undertaken with the support of external funders, government, agricultural development organisations, NGOs and the private sector, is the Lower Usuthu Smallholder Irrigation Project (LUSIP) in Swaziland which, at a relatively early point of its development, has already brought about commercial viability to participants in the scheme. With secured funding and support from the EU and the Swaziland government, the LUSIP depended on the building of a R1.4 billion dam to provide enough irrigation water for the agricultural development of 12 000 hectares of land, 5 000 hectares of which was to be ultimately dedicated to sugar cane, under the stewardship of small-scale Swazi farmers. An important partner to the ambitious plan was Illovo's Swaziland operation which committed to a significant R1.3 billion expansion of its own factory milling capacity and the upgrading of its power plant to produce enough electricity for its own operations and supply to the Swaziland national grid on a commercial basis, solely from biorenewable fuel stock – bagasse and biomass.

To date, a total of 2 600 hectares of land has been developed to cane by smallholders, collectively organised as associations and comprising around 30 landowners each, with aggregated farming areas of around 100 hectares or more. The agricultural expertise and infrastructural support from the local agricultural development agency, the Swaziland Sugar Association, Illovo and other partners, has resulted in smallholder farmers seeing their holdings turn from desolate brown scrub to rich green fields of sugar cane. Through extensive training and development offered by Illovo and the sugar industry, these farmers have developed their agronomic skills commensurately and armed with this knowledge, now

tend fertile plots of land under cane, in some cases yielding more than 140 tons per hectare.

Key to the project was the commitment of the EU and the Swaziland government to provide grant funding for the development costs of the land, amounting to around 70% of the total costs. With cane in the ground for collateral, farming associations were able to borrow the balance of the funding required, primarily for crop husbandry costs in the first year to harvesting. The success of the project is demonstrated by the fact that certain of the associations have been able to settle their loans within the first two years of operation, distribute profits among their members, and invest in other income-generating projects.

The project is a sustainable development initiative which goes well beyond poverty alleviation, contributing handsomely to the socio-economic profile of Swaziland.

Tanzania

The Kilombero Community Charitable Trust (KCCT), established by Illovo's Kilombero operations, inter alia, for the purposes of carrying out community projects, secured funding of €400 000 from Solidaridad for a capacity building project on a pilot irrigation project, focusing on technology transfer as well as the development of a world-class training resource centre and a capacity building programme for outgrower smallholders. The collection and sharing of information enables the outgrower associations to assess their operations, identifying gaps in their sustainability due to capacity and organisational weaknesses as well as providing electronic training. The grower resource centre allows growers to access information and advice, hold meetings and training sessions, and use interactive technology, for training purposes.

Financial assistance received from government

In general, Illovo receives limited financial assistance from governments, as noted above in South Africa, and in our other countries of operation in the form of tax relief/credits, subsidies, investment grants, research and development grants, awards and financial assistance from export credit agencies or financial incentives.

Members of the Mganyaneni Farmers' Company, together with Ubombo smallholder development managers, represent 30 other shareholders who have all benefited significantly from their inclusion in LUSIP – having built new houses, paid for better education for their children and funded revenue-generating investments.



Climate change

IGNATIUS PHIRI

BScMechEng, DipMechEng, SMRI Certificate in Sugar Engineering
Factory Engineering Manager, Nchalo mill, Illovo Sugar (Malawi) Limited

Illovo career: Joined 1 January 2002 as Packaging and Warehouse Manager.

Career highlights: Moving from operations to core engineering maintenance and in 2012, re-designing the cooling elements arrangement on Nchalo's C-vertical crystallisers and mentoring an EIT who won the annual Group EIT presentation and as a result, travelled to AB Sugar's sugar operations in China to gain further experience in his field.

What excites me about my work: My job - running a sugar mill - gives me the opportunity to think creatively, explore alternative solutions to problems and keeping an open mind about everything I do! My career aspiration is to continue to add value to Nchalo mill, across all of my spheres of influence and align my work with Illovo core values.

What about your home life: The hallmark of my home life is to be there for my family, providing leadership and guidance. Being playful at home and having a regular, spirited laughter is good for maintaining good mental and physical health and drives stress away!



Illovo's commitment to improve environmental management processes is underpinned by continuous improvement in the management of direct environmental impacts across its value chain. Our management of the environment is guided by the commitment to minimising, and ideally eliminating, negative impacts on climate change. Our reporting on the environment, guided by the GRI and the UN Global Compact communication requirements, is structured to reflect the inputs, outputs and modes of impact the organisation has on the environment. Materials, energy and water represent three standard types of inputs used by all of our operations. These inputs result in outputs of environmental significance, which are captured under the parameters of emissions, effluent and waste. Land and biodiversity are also related to the concepts of inputs to the extent that they can be viewed as a natural resource.

We have identified energy, emissions, water, waste and effluent, and biodiversity as the most material environmental indicators throughout the group's operations. In line with our commitment, the environmental strategy responds to environmental statute and a guiding environmental management framework, including those developments brought by our participation in mandatory and voluntary disclosure programmes, such as the CDP Climate Change and Water Disclosures (www.cdproject.net).

The environmental strategy aims to further:

- guide our operations to improve on their sustainability-linked environmental strategic objectives, eg climate change mitigations, water resource management, responsible operational and agriculture practices;
- implement comprehensive environmental improvement plans which respond to both risk and maximising opportunities;
- create wider environmental awareness and improve responsiveness to key environmental performance indicators;
- undertake rigorous assurance and external audits to continue the focus on reducing legal liabilities and environmental impact; and
- leverage improved environmental performance throughout the value chain.

In respect of the UN Global Compact, and with reference to the Rio Declaration on Environment and Development, Illovo's precautionary approach is that when considering new business ventures and expansions, comprehensive due diligence and environmental impact assessments are undertaken to ensure that potential negative environmental impacts are identified and mitigated.

In a further example of our progress towards sustainable agricultural operations, the World Wildlife Fund, in partnership with the Noodsberg Cane Growers' Association, and supported by our own Noodsberg sugar factory and refinery, was instrumental in the development of a Sustainable Sugar Cane Farm Management system for growers, termed

SUSFARMS®. This concept is based on three fundamental environmental principles for sustainable sugar cane production – natural assets are conserved, critical ecosystem services are maintained and agricultural resources are used sustainably, all in conjunction with social and economic drivers. Performance relative to the principles is judged according to verifiers, making for a potentially creditable certification system for implementation at other sites. The South African Sugarcane Research Institute (SASRI) continues to enhance the SUSFARMS® model. Through our membership of the South African sugar industry, we contribute to the pursuit and practice of the SUSFARMS® ideology in this country. We aim to carry out a SUSFARMS® gap analysis across our operations outside South Africa during the course of the 2014/15 season with the goal to further enhance our credibility going forward.

Environmental management at our operations is implemented according to the NOSA Integrated Five-star Management System and ISO 14001. Illovo extends the control of environmental aspects and impacts by ensuring contractors accept comprehensive safety, health, environmental and quality specification requirements prior to providing services to Illovo, thereby controlling their environmental impacts into our business. We conduct legal and operational risk control audits on a regular basis as part of our operational risk management systems assurance programme. In 2013, our Zambian subsidiary received the Zambia Chamber of Commerce and Industry's environmental award for Business Leader in Corporate Environmental Stewardship 2013, which recognises companies that show leadership in addressing environmental issues. It also received the 2013 Environmental Award for Overall Contribution to Sound Management Practices in Industry from the Zambia Environmental Management Agency (ZEMA) as well as the Best Environmental Awareness Award in 2013 at the Agricultural and Commercial Show of Zambia (ACSZ) in Lusaka, which recognises an exhibitor who showcases exhibitions that promote best environmental management practices.

Technology, research and development

Illovo's future sustainability objectives are underpinned by technology, research and development. In order to optimise the return from our existing installed capacity, we have well established in-house resources which provide technical expertise in agricultural production and sugar and downstream product manufacture to all operations. A centralised core of expertise exists to ensure technical standards are optimised and maintained for both existing equipment and new agricultural and factory installations, and to keep abreast with technical innovations. This in-house function is also involved in investigating opportunities to expand our operations, and in the planning and implementation of approved projects.

Our collaboration with regard to the application of new technology and energy and process performance optimisation between our own technical service function and AB Sugar is ongoing. Benchmarking to improve productivity and reduce unit costs is a major area of attention at all operations, resources having been allocated to enhance operational performance and benchmarking across the group.

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We continue to benefit from research and development undertaken by the South African Sugar Milling Research Institute and SASRI. These organisations are funded by the member sugar industries which are represented on the respective boards of the institutes.

During the year under review, we spent R13.4 million on research and development.

Energy

Energy efficiency continues to be increasingly important to Illovo, given the growing demand for and increasing cost of energy and the corresponding impact on the environment together with that of the risk of power outages from national grids. We are focused on reducing the environmental impact of our products, including efforts to drive new levels of energy-efficient performance. We proactively monitor and manage energy consumption throughout the group's operations, and constantly look for ways to improve the energy efficiency of its production processes.

This includes employing better management systems, improving our own staff awareness and investing in new technologies. Sugar cane offers excellent opportunities and competitive advantages for the production of renewable energy sources compared to other agricultural crops. Our operations continue to explore increased use of renewable energy where possible, thereby reducing their dependency on fossil fuel. The Eston site in South Africa has reported zero use of coal during the 2013/14 season by improving energy efficiency in the production process. Across the group, 90% of all energy consumed within Illovo's operations was sourced from renewable resources, replacing fossil fuel alternatives. Another energy initiative to reduce reliance on imported

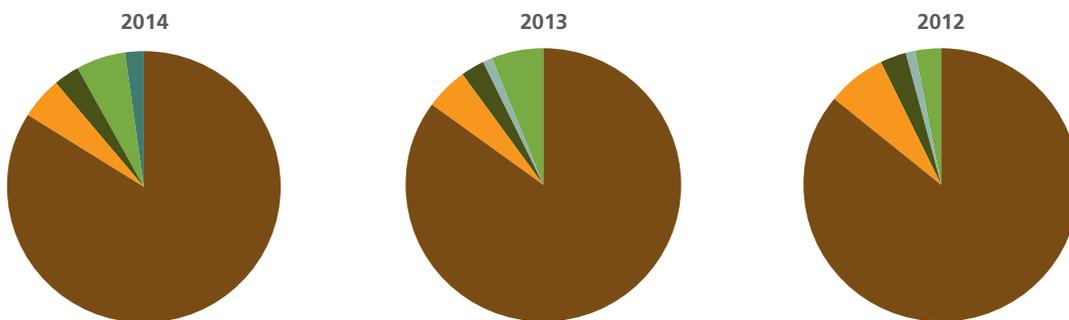
electricity is being undertaken at the Merebank site where we are investigating the viability of an anaerobic digestion plant which will provide an estimated 80% of the site's gas requirements in the form of methane gas.

Our energy strategy is generally site-dependent and for sites where we burn supplementary fuel, ie fuel in addition to bagasse (and biomass), our energy reduction target is to rule out the use of supplementary fuel altogether. Reducing energy consumption beyond this target would result in excess bagasse residue stored on site and carry additional handling costs.

TOTAL ENERGY CONSUMPTION BY FUEL CATEGORY		
GWh	2014	2013
Non-renewable energy used during the year	1 062	963
Renewable energy used during the year	9 557	9 134

ENERGY CONSUMPTION BY PRIMARY ENERGY SOURCE	
ENERGY SOURCE	MWh
Synthetic gas	160 570
Diesel	85 707
Petrol	2 799
Coal	474 942
Heavy fuel oil	2 682
LPG	1 123
Renewable – bagasse	8 920 141
Renewable – biomass	112 379
Renewable – wood	515 811

Percentage consumption of energy types across Illovo operations*



(%)	2014	2013	2012
Bagasse	84	85	86
Coal	5	5	7
Electricity	3	3	3
Imported steam	0	1	1
Biomass and wood	6	6	3
Other fuels	2*		

* Synthetic gas use replaced imported steam.

Indirect energy is produced outside Illovo and consumed for Illovo's intermediate energy needs.

INDIRECT ENERGY CONSUMPTION BY PRIMARY ENERGY SOURCE (MWh)	
ENERGY SOURCE	MWh
Imported electricity	334 592

The energy intensity achieved was 5.8 MWh of energy per ton of sugar produced, representing a decrease when compared to 6.5 MWh per ton of sugar achieved in 2012/13. For sites where we burn supplementary fuel, ie in addition to bagasse, our energy reduction plan is to reduce the supplementary fuel burnt to zero.

Investing in renewable energy

Various by-products of the sugar manufacturing process present the industry with the opportunity of generating the bulk of its energy requirements. A world-wide trend has seen sugar mills reaching a point where they have generated surplus energy to be exported, creating significant ecological and economic benefits.

Co-generation

Dry, fibrous bagasse, remaining after the extraction of juice from the crushed stalks of sugar cane, provides us with a substantial renewable energy opportunity for co-generation, replacing fossil fuel sources such as coal and electricity generated from coal, thereby reducing GHG emissions. In addition to bagasse, certain of our operations, Ubombo in Swaziland, Nchalo in Malawi and Noodsberg in South Africa, are able to supplement their co-generation capacity by utilising additional green cane biomass and wood/woodchips as boiler feedstock. During the year under review, these operations utilised approximately 160 000 tons of biomass and wood/woodchips as renewable fuel sources to produce over 387.1 GWh of heat and energy in their dual-fired boilers. We are continuing to assess opportunities to increase the co-generation capabilities of all our operations.

In addition to the environmental and cost benefits, co-generation provides a potential source of additional revenue through the export of energy into national grids. With its integrated co-generation facility, it is anticipated that our Ubombo mill in Swaziland will export 55 GWh to the national grid over a 48-week period by 2015. During the year under review, a total of 44.8 GWh, was exported to the grid, an increase from 36.9 GWh exported during the previous season. The sale of this renewable energy directly enables the Swaziland Electricity Company (SEC) to reduce its Scope 1 emissions and consequently its customers' Scope 2 emissions. Based on the Swaziland grid emissions factor published by the UNEP Risø Centre (National GEF for Swaziland – 796 kg CO₂ per MWh), the sale of this electricity enabled SEC to avoid 36 218 tCO₂ in 2013/14. Zambia Sugar exported a small amount of power on a test basis into the national grid, while Dwangwa in Malawi exports power to an external organisation.

Bioethanol

An additional renewable energy opportunity provided from the by-products of sugar processing is the fermentation of molasses to produce bioethanol. We continue to give consideration to entering the bioethanol market at certain operations, as we believe that there are significant potential commercial opportunities associated with renewable energy, which currently only represent a very small fraction of the total global energy use. Following a series of preliminary investigations, detailed technical feasibility studies in Zambia are currently underway. However, our move into the market will depend largely on the commercial viability and implementation of enabling blending regulations within the country of operation.

The production of bioethanol would provide us with the opportunity to further decrease our fossil fuel usage, increase use of renewable cleaner fuel and provide an additional revenue stream.

Non-renewable energy

The largest use of non-renewable energy across Illovo occurs within our South African operations at our four sugar mills and two ethanol distilleries. During the year under review, these manufacturing operations collectively consumed 55 542 tons of coal, representing 85% of Illovo's total coal usage.

In an effort to reduce overall coal consumption and improve energy efficiencies within these business units, we have initiated a broad-scale Performance Optimisation Plan (POP) at an operational level. Together with the planned increased substitution of coal with renewable sources of energy, such as bagasse and woodchips, we anticipate that there will still be a substantial reduction going forward in the consumption of coal and purchase of electricity. By 2017, the South African operations aim to reduce their coal consumption by 25%, from the 2009 base line.

Continuing energy-saving projects undertaken at operations within Illovo during 2013/14 included the energy mass balance assessments of the Ubombo, Sezela and Noodsberg mills in order to maximise factory modifications and monitor energy reduction equipment performance.

Emissions

The group's primary source of energy is from the use of bagasse which substantially decreases process GHG emissions at Illovo's operations, in comparison to the use of fossil fuel sources. Certain of our operations have adopted "green cane harvesting" where practical, which decreases agricultural emissions caused by the burning of sugar cane prior to harvesting. During "green cane harvesting", green biomass is stripped off the cane, either mechanically or by hand, as an alternative to the traditional practice of burning. This trash removed from the cane is either left infield to render back into the soil, potentially improving soil moisture retention, nutrient levels and carbon sequestration, or used as a renewable boiler fuel. Green cane harvesting operations are currently being undertaken in Malawi, Swaziland and South Africa.

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Illovo will again respond to the CDP, demonstrating our commitment to transparency concerning our Scope 1, 2 and 3 GHG emission reduction initiatives at our operations and to supporting global climate change mitigation. Scope 1 are direct GHG emissions as a result of fuel combustion, process and fugitive emissions; Scope 2 are indirect GHG emissions from purchased electricity while Scope 3 are indirect GHG emissions from services such as third part transport of Illovo products.

In terms of our air emissions strategy, we aimed to reduce GHG emissions across the group by 10.7% on the 2010 emissions level, by 2020. As a result of Merebank's switch from EB Steam to Sasol Gas which accounted for 134 027 tCO₂e (Scope 2) in the previous year, we produced 30 612 tCO₂e (Scope 1) in 2013/14. The net effect was a reduction of approximately 99 540 tCO₂e. We have thus already exceeded our group target by decreasing GHG emissions by 14% compared to the 2010 baseline.

Based on the projected increase in sugar production, the effective GHG emissions reduction will be 34% from the 2010 base year, supported by these and other projects in our global climate change mitigation strategy:

- Merebank is investigating the viability of an anaerobic digestion plant which will provide an estimated 80% of the site's gas requirements in methane gas;
- we are presently engaged in an energy optimisation project at Sezela to reduce its coal burn by an estimated 8 500 tons per annum and reduce its imported electricity by 19 GWh. This will reduce Scope 1 emissions by approximately 18 000 tCO₂e and Scope 2 emissions by approximately 18 000 tCO₂e;
- energy reduction initiatives are ongoing at Noodsberg where a boiler upgrade aimed at reducing the factory's need for supplementary fuel has been commissioned; and
- we are investigating energy opportunities at Ubombo which will have the impact of reducing the factory's reliance on supplementary fuel, particularly coal and woodchips.

As per the graph below, in 2013/14, the group produced 550 001 tCO₂e (Scope 1 and 2) GHG emissions at an intensity ratio of 0.3005 tCO₂e/ton of sugar produced. This represents a reduction in the intensity ratio from the 0.3153 tCO₂e/ton of sugar produced achieved in the previous year. The

increase in Scope 1 emissions resulted from the reporting of new streams of GHG emissions incorporating those from wastewater treatment and direct emissions from managed soils within the group's agricultural operations.

As part of our efforts to monitor environmental impact from indirect sources such as agriculture outgrowers, transport of sugar cane and finished product, we have begun to monitor their GHG emissions contribution (Scope 3). Approximately 57 059 tCO₂e (Scope 3) GHG emissions were released from Illovo-controlled downstream transport and distribution; whilst 168 863 tCO₂e (Scope 3) emissions were released from outgrower crop and land management-based activities.

Air quality is monitored for both point source emissions (stack emissions) and ambient air quality (fugitive emission) in line with respective country legislation. The key improvement priorities in relation to point source emission are:

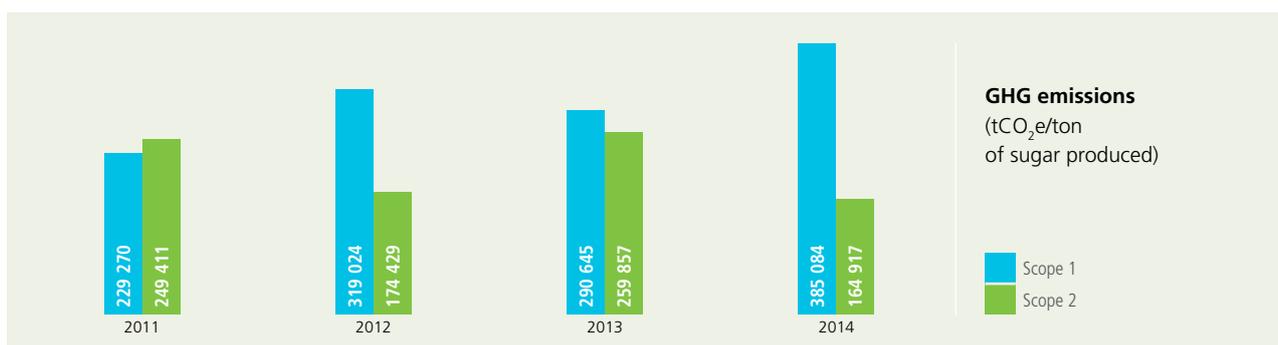
- improvement in the boiler technology in order to increase the efficiency of the boilers and to reduce carbon monoxide, sulphur dioxide and particulate matter; and
- improvement in the current incineration technology used for the incineration of medical waste from on-site clinics in order to sufficiently and safely incinerate medical waste, and to reduce the risk of exposure to dioxins.
- improvement plans based on the adoption of preventative and mitigation measures, including appropriate maintenance procedures, to reduce fugitive bagasse and stack emission, ie particulate matter.

Water

Illovo recognises that water is a global resource that requires local management. The risk management strategy identifies that risk factors concerning water are exacerbated by issues of scarcity and accessibility across community and national boundaries, and often involve interdependent factors that vary from country to country and region to region.

Ensuring access to a reliable supply of water is a critical strategic priority for Illovo to meet both its business needs and that of surrounding communities.

Illovo is currently implementing a water footprint strategy so as to optimise the use of water and hence energy per unit of production. Ultimately, through developing a better understanding of our water-related risks, our objective is to be able to provide strategic direction to our operations and



TOTAL WATER ABSTRACTION ACROSS ALL OPERATIONS						
Source	VOLUME (million litres)			PERCENTAGE		
	2014	2013	2012	2014	2013	2012
Surface (rivers)	942 695	866 369	916 557	99.78	99.67	99.79
Ground (borehole)	980	1 330	735	0.09	0.15	0.08
Municipal	1 248	1 582	1 216	0.13	0.18	0.13
Total	944 923	869 281	918 508	100.00	100.00	100.00

an elevated understanding of localised water resource risk factors.

Examples of actions undertaken by the company to improve the management of water resources and to mitigate the impact from our activities on natural water ways include the following:

- the phased approach to reduce the burden on municipal water supply and thereby subsequently producing less effluent for discharge at the Merebank site. Water will be recovered from the process stream to be used in the alcohol fermentation process;
- the sale of vinasse (a by-product of the molasses distillery process) directly to farmers, is progressing well, which will aid in the reduction of overall effluent discharge volumes;
- an amount of 623.5 million litres of water was recycled and re-used within our operations across the group;
- in Malawi, both Dwangwa and Nchalo spray our roads with vinasse so as to suppress dust and also use the vinasse solids as a liquid fertiliser in the fields. Due to the high COD-load of vinasse, care is taken to avoid spraying on roads that directly impact on run-off's to rivers; and
- in South Africa, our effluent treatment plants and ash dams have overflows which release cleaned water into the neighbouring natural courses.

We undertake water abstraction operations in compliance with existing water-use licences which are issued by the relevant authorities within the countries of operation. Water discharge volumes and methods vary by site, but are usually monitored and regulated to ensure compliance with relevant national statutes. We continually evaluate and implement new processes to improve efficiencies in an effort to reduce overall water consumption and maximise the recycling of water in our secondary processes.

As a result of the detailed water footprint study, coupled with improvements in water monitoring and reporting, the

group's water usage in 2013/14 reflects an increase compared to the previous season. Despite this, there has, however, been improvement in water reuse and water recycling. It is anticipated that the water management strategy completed during this year will improve our operational responsiveness and assist greater water conservation goals.

Waste

Illovo's overall approach is the "duty of care" principle from "cradle to grave" by way of operational guidelines which are aligned to legal requirements and focus on facilitating comprehensive waste inventories in order to reflect classification and rating of waste generated by operations. Colour coded bins, labelling and signage is used widely to create awareness and facilitate compliance. Waste management in terms of better on-site segregation with particular attention to avoid the mixing of hazardous and non-hazardous waste, recycling, and waste disposal tracking, is improving across all sites. The on-site waste management programmes ensure that waste which is reusable, recyclable and waste to be disposed of, is stored in the designated waste bins and/or storage facilities. All the waste is quantified using weighbridge or safe disposal certificates to reconcile quantities generated.

The recycled input material applicable to our operations is limited to the toner cartridges and the copper chrome catalyst sent to the manufacturer BASF in Germany, and returned to our downstream plant for reuse. A total 28 tons of copper chromate catalyst was recycled. In Swaziland waste such as fluorescent tubes, leaded filter paper from the laboratory, asbestos containing waste, expired chemicals (non-medicine) and used transformer oil is transported via an accredited waste management company to South Africa for final disposal. A Basel Permit is obtained from the South Africa Environmental Department through the Swaziland government and in 2013/14, a total of 15 tons of hazardous waste was removed under this permit system.

All operations hold relevant waste management permits as prescribed by country legislation. In South Africa, operations

COMPARATIVE TABLE IN TONS SHOWING PERCENTAGE IMPROVEMENT			
	2014	2013	% IMPROVEMENT
Non-hazardous waste	10 283	14 901	31
Hazardous waste	1 707	2 183	22
Recycled waste	4 272	2 831	51
Send to landfill	5 083	11 027	54

Climate change report

have been registered as waste generators in terms of the Waste Management Act of 2008. Outside of South Africa, operations are developing internal waste management strategies in order to provide suitable systems for waste disposal, including the licensing of hazardous and general landfill sites, as well as the regular monitoring of effluent and emissions.

In the year under review, the company generated 10 283 tons of non-hazardous waste and 1 707 tons of hazardous waste. Of the non-hazardous waste, 49% went to landfill, 42% was recycled, 3% reused, with the balance being composted, incinerated or stored on site.

Materials

Input materials used are relevant to the company's sustainability as they impact on our contribution to:

- the conservation of the global resource base;
- efforts to reduce resource intensity; and
- management of the operations' overall costs.

Where practical, we use input materials, in both cane growing and sugar and downstream processing, that promote environmental responsibility. Factory by-products, in the form of filter cake, vinasse and boiler ash are applied to the fields, while herbicides, pesticides and fungicides are applied at an average rate of less than one litre per annum for every seven tons of cane grown. Various chemicals are used in both sugar and downstream processing, with the biggest quantities being, 664 000 litres of sulphuric acid, 7.026 million litres of hydrochloric acid, 453 000 litres of phosphoric acid, and 4.745 million litres of flocculent in 2013/14.

Associated with the above, Illovo used 545 000 litres of oils and lubricants which are reused or recycled. The packaging material for certain product lines is eco-labelled to reflect recyclable packaging material while bulk sugar is transported in one-ton polypropylene bags considered to be durable, reusable and recyclable, thereby delaying early landfill site disposal. A total of 8 600 tons of packaging material was used during this reporting period.

Effluent

The effluent produced outside South Africa is, after treatment to an acceptable level, disposed of under permit into water courses, except for our operations at Dwangwa and Glendale, where the effluent is retained in dunder dams and then used for irrigation. Treatment outside Malawi varies from lime application to being mixed with clean water or being retained in settling maturation ponds, before discharge into rivers/ waterways.

In South Africa effluent is, after various treatment processes at our different sites, discharged under permit either into rivers, the sea, settling dams, a municipal sewage works, or, as is the case with the Glendale distillery, used for irrigation under controlled conditions. The majority of operations measure the quality of effluent discharged in terms of COD, biochemical oxygen demand, total suspended solids, total dissolved solids and acidity (pH).

Biodiversity

We operate over vast tracts of land, some of which are situated in close proximity to areas of potential sensitivity. The protection of biodiversity is addressed formally in new projects through environmental impact assessments (EIAs) and in existing agricultural operations through managing farming activities according to field conservation guidelines as advocated by the SASRI, so as to ensure agricultural production on a sustainable basis with limited impact on the environment.

Illovo makes every effort to preserve and manage the natural surrounding areas, as well as certain areas within the group's operations due to their high conservation status. We are mindful of our potential impacts on these areas and accordingly support a number of initiatives to preserve ecosystem integrity and protect biodiversity. These include:

- management of the Mhlongsinga Nature Reserve at Ubombo in Swaziland;
- management of the Nyala Park at Nchalo in Malawi;
- continued support of the Mwananchingwala Conservation Area adjacent to the Nakambala estate in Zambia;
- continued support of conservation projects to protect the Magombero Forest adjacent to the Kilombero estate in Tanzania;
- ongoing support of the Malawian Government Re-forestation Initiative; and
- ongoing surveys for invader species and the implementation of an eradication plan to protect riverine adjacent to steep forested areas not under cane at Sezela in South Africa.

As with any agricultural commodity, there is always the risk of a pest or disease outbreak resulting in a negative impact on crop yield and/or quality. With Eldana saccharina being a major pest in the South African sugar industry, Illovo adopts an integrated pest management system (IPM), a sustainable approach to pest management which relies on a number of preventative and control practices. Habitat management is just one of the tools in the IPM basket that growers are implementing to control Eldana. In collaboration with the SASRI, the Sezela operation has implemented this habitat

EFFLUENT PRODUCED						
m ³	MALAWI	MOZAMBIQUE	SOUTH AFRICA	SWAZILAND	TANZANIA	ZAMBIA
2014	48 239 215	6 089 024	2 706 726	53 395 200	57 102 409	76 162 846
2013	47 462 702	5 040 840	2 184 201	42 163 200	48 041 992	80 691 387

These figures have been restated for the 2012/13 season following an extensive water footprint exercise.

management approach to determine the impact of such a system on Eldana infestation on a field basis.

Investing in environmental compliance

Illovo continues to invest in environmental improvements. These investments are based on a precautionary approach ensuring that cost-effective measures to prevent environmental degradation and improvements to environmental management systems are realised:

- use of cleaner fuel, energy efficiency and resultant GHG emission reduction at Merebank;
- understanding our water footprint and planning for sustainable water resource management resulting in a detailed water management strategy;
- planning improvement of waste water treatment infrastructure in Kilombero, Nchalo and Ubombo;
- research and development into wastewater treatment technology whereby biogas can be generated from anaerobic digesters using effluent created on-site;

- improving guiding procedures to facilitate accurate data reporting;
- implementing limited assurance processes on specific environmental KPIs through environmental resources management (ERM), KPMG and IRAS; and
- on environmental protection, Illovo spent R1.3 million on waste disposal, emission treatment and remediation costs and R1.9 million on prevention and environmental management costs.

Environmental compliance

No enforcement notices, environmental prosecutions or environmental citations were issued to any of the group's operations and no fines or penalties were imposed. We encourage and plan interactions with local government authorities to discuss changing environment legal requirements and solicit clarity where aspects impact on our operations. As a result, there were 29 visits by environmental authorities across all our operations.

Illovo recognises that water is a global resource that requires local management and as a consequence is currently implementing a water footprint strategy so as to optimise the use of water and hence, energy per unit of production.



Corporate governance

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Downstream

Kilombero's new ethanol distillery was commissioned in August 2013, contributing significantly to Illovo's record production in 2013/14 of 63 000 litres of ethanol. In addition, the downstream side of the business recorded increases in furfural production, as well as electricity co-generation.



Governance framework and accountability

In pursuance of its ongoing commitment to ensure that the group is managed in an efficient, responsible and ethical manner and in the interests of all its stakeholders, Illovo remains committed to achieving the highest standards of corporate governance and corporate citizenship, by adhering to the relevant codes of best practice, principles of fairness, accountability, responsibility, transparency and integrity.

Our governance framework is structured to ensure compliance with the laws, regulations and codes of best practice applicable in all the countries in which we operate, including the South African Companies Act 2008 and Companies Regulations 2011, the Listings Requirements of the JSE, and the requirements of King III. In addition, we are guided by the principles of the Global Reporting Initiative and the Socially Responsible Investment Index of the JSE.

As more fully reported in the Social and Ethics Committee Report on page 97, in accordance with the South African Companies Regulations, the Illovo group is guided by the UN Global Compact Principles, the OECD recommendations regarding corruption and the ILO Protocol relating to working conditions.

Our board of directors, its sub-committees and management are responsible for ensuring that these principles are applied in all our businesses, in all countries in which the group operates. Adherence to these principles is achieved through the implementation of various policies and monitoring procedures that require compliance by all group companies with all applicable laws and regulations, as well as recognised codes of good practice.

In accordance with its business strategy to strive for continuous improvement, and recognising that the achievement of a long-term sustainable business is dependent on stable, well-functioning and well-governed environmental, social, economic and governance practices, Illovo has embarked upon a restructuring of its group governance framework to further define and embed these practices into its governance and operational structures, with the ultimate aim of ensuring that the group businesses are well-managed and driven by socio-economic imperatives producing responsible, accountable outcomes. These practices include socio-economic impact audits, human rights impact assessments and due diligence processes in relation to both our existing businesses and proposed new projects, as well as our supply chain.

Each group operating subsidiary company is governed by a board of directors, established in accordance with the laws and regulations of the country in which the relevant company operates. Certain of the members of the Illovo Executive Committee serve as directors on the boards of the subsidiary companies and report to the Illovo board on their activities at each board meeting.

Board responsibilities

The company's board of directors is ultimately responsible for the effective control of the group and its management and is involved in all decisions that are material for this purpose.

The board functions in terms of a formal Board Charter which requires that there is an appropriate balance of power and authority on the board, and in terms of which the board takes responsibility for, inter alia:

- exercising leadership, enterprise, integrity and judgement in directing the company so as to achieve its Strategic Intent, and goals and objectives;
- acting as a focal point for and custodian of corporate governance;
- approving the strategic direction, and the goals and objectives of the company; always appreciating that strategy, risk, performance and sustainability are inseparable;
- ensuring that the business is a going concern;
- considering and approving annually the company's strategic plan and its operating and capital budgets;
- considering and approving all material investments, and acquisitions and disposals of business activities;
- defining and monitoring levels of materiality, reserving specific powers to itself and delegating other appropriate matters to the relevant board committees and/or management;
- determining the Terms of Reference of the board committees, and appointing or recommending the appointment of, as the case may be, the members of such committees;
- ensuring that appropriate policies, procedures and practices are in place and are duly observed;
- identifying and monitoring the non-financial sustainability issues relevant to the business of the company;
- ensuring that the company maintains and develops good corporate governance standards, the governance of risk, identifying and monitoring the company's key risks and key performance indicators, ensuring that there is due compliance with all risk-related policies, procedures and standards, and that internal controls are effectively maintained and, where necessary, reviewed;
- ensuring that the company has an effective internal audit function;
- overseeing the preparation of and approving the company's annual financial statements, and ensuring that disclosures in this report, particularly those pertaining to sustainability matters, are adequate and meet regulatory requirements, approving the company's interim and final results announcements, and determining distributions to shareholders;

- ensuring that succession planning is undertaken, the remuneration strategy of the company is appropriate to the business, and remuneration levels of directors and senior management are appropriate;
- recommending to shareholders at the AGM, the level of fees payable to the non-executive directors; and
- ensuring that there is effective communication with the company's shareholders and other key stakeholders.

The Board Charter is reviewed annually, and during the year under review, the board satisfied its responsibilities in compliance therewith.

Board of directors

Illovo has a unitary board of directors, comprising 14 directors, 10 of whom are non-executive directors. As required by King III, the majority of the non-executive directors are independent and are chosen for their business acumen and skills pertinent to the business of the group. Brief curricula vitae of all the directors appear on pages 137 and 138 of this report.

New appointments to the board are made in accordance with the recommendations of the Remuneration/Nomination Committee and, following approval by the board, such appointments are subject to confirmation by shareholders at the next annual general meeting.

The roles of the Chairman and chief executive are distinct and separate. The Chairman is an independent non-executive director who is appointed annually by the board, on the recommendation of the Remuneration/Nomination Committee.

The independence of the Chairman and the non-executive independent directors is assessed by the Remuneration/Nomination Committee on an annual basis, in accordance with the criteria prescribed by the Companies Act and the JSE Listings Requirements, which provides an appropriate report thereon to the board. During the year under review, particular assessments were carried out relative to the independence of Dr D Konar and Prof P M Madi, both of whom having served on the board as independent non-executive directors for more than nine years. Both were found to remain independent, after taking into account all relevant factors, including the absence of any relationships or circumstances likely to affect, or appearing to affect, the relevant director's judgement. In addition, written confirmation was obtained from each of the independent non-executive directors that he/she continued to meet the requirements for independence contemplated in paragraph 67 of Chapter 2 of King III.

In accordance with the company's Memorandum of Incorporation, at each AGM, not less than one-third of the non-executive directors (being those who have been longest in office since their appointment or last re-election) must retire, but may be proposed for re-election. The Remuneration/Nomination Committee conducts an assessment of the performance of each of the retiring directors who makes himself or herself available for re-

election and submits its recommendations to the board. In turn, the board makes appropriate recommendations to the shareholders relative to the re-election of directors. Favourable evaluations were carried out in respect of the capabilities of the retiring directors who are making themselves available for re-election to the board at the 2014 AGM (ie Dr M I Carr and Messrs A R Mpungwe and T S Munday).

The non-executive directors do not have service contracts with the company and all remuneration paid to non-executive directors is in accordance with the approval given by the shareholders at each AGM.

The executive directors are full-time employees of the company and, as such, each has an employment contract, the terms of which are substantially in accordance with the company's standard conditions of service, but with a notice period of three months and more comprehensive confidentiality undertakings. The executive employment contracts have recently undergone external and internal review. The Memorandum of Incorporation of the company provides that an executive director's appointment as a director terminates immediately upon the termination of his employment for any reason.

At each meeting of the board and committees, directors are required to declare other directorships held and any other interests that might create a conflict of interest with their responsibilities as directors of Illovo, or in relation to any matter for discussion at a board or committee meeting.

Members of the board may, in appropriate circumstances, take independent professional advice at the company's expense. The company provides insurance cover for directors' and officers' legal liabilities within the ambit of that permitted in terms of the Companies Act.

Provision is made for professional development programmes for directors if required, but having regard to the level of experience and expertise of the current members of the board, this has not been considered necessary during the year under review. The Company Secretary provides the directors with updates on amendments to relevant laws, regulations and the JSE Listings Requirements.

Board meetings

The board has six regular meetings each year and the company's Memorandum of Incorporation makes provision for decisions to be taken between meetings by way of written resolutions, when required. During the year under review, six meetings were held.

Resignations from and appointments to the board

During the year under review, Mr G J Clark resigned as Managing Director and Mr G B Dalglish (formerly Operations Director) was appointed Managing Director in his stead with effect from 1 September 2013. With effect from the same date, Mr J P Hulley was appointed as Operations Director in place of Mr G B Dalglish. Mr R N Pike resigned with effect from 31 August 2013 and was replaced by Mr G M Rhodes with effect from 1 September 2013.

Board committees

To assist the board in carrying out its responsibilities, various functions are delegated to board committees and management.

The board committees operate under board approved mandates and Terms of Reference, which define their functions and responsibilities. The Terms of Reference are reviewed annually and updated when necessary to keep them aligned with current best practice.

With the exception of the Executive Committee, all committees are chaired by independent non-executive directors who attend the AGM to respond to any shareholder queries. The chairmen of the committees report to the board on all matters delegated to them.

Audit Committee

In compliance with the Companies Act and the JSE Listings Requirements, the company has appointed an Audit Committee, whose responsibilities and activities are covered in the Audit Committee Report on pages 114 and 115. Audit Committees are also established at operating subsidiaries.

Social and Ethics Committee

In terms of the Companies Act and the Companies Regulations, a Social and Ethics Committee was established in March 2012. The composition and responsibilities of the committee are covered in the Social and Ethics Committee Report on pages 97 to 99 of this report.

Remuneration/Nomination Committee

The Remuneration Committee and Nomination Committee are combined to form the Remuneration/Nomination Committee which consists of five non-executive directors, four of whom are independent. The members of the committee are Messrs M J Hankinson, D G MacLeod, T S Munday, Prof P M Madi and Dr M I Carr. When dealing with remuneration matters, the committee is chaired by Mr M J Hankinson and when dealing with nomination matters, by Mr D G MacLeod, the Chairman of the board. The Chief Executive (Mr G B Dalgleish) and the human resources executive (Mr N M Hawley) attend meetings by invitation. The Group Company Secretary acts as secretary to the committee. The committee meets at least three times a year. In the past year, five meetings were held, attendance at which is reflected in the table on page 90 of this report.

The committee acts under formal Terms of Reference approved by the board and is responsible for the assessment and approval of the remuneration strategy for the group.

The responsibilities and activities of the Remuneration Committee are covered in the Remuneration Report on pages 100 to 104 of this report.

The Nomination Committee gives consideration to the composition of the board and board committees and makes appropriate recommendations in this regard to the board. On an annual basis, the committee reviews the group's succession plan and assesses the performance of executive and non-

executive directors and senior management. The committee also plays an integral role in relation to senior executive appointments. In accordance with the criteria prescribed by the Companies Act and the JSE Listings Requirements, the Nomination Committee carries out annual assessments to satisfy itself that the Chairman and the independent non-executive directors remain independent. During the year under review, assessments were carried out relative to the independence of Dr D Konar and Prof P M Madi, both of whom having served on the board as independent non-executive directors for more than nine years. Both were found to remain independent, after taking into account all relevant factors, including the absence of any relationships or circumstances likely to affect, or appearing to affect, the relevant director's judgment. In addition, written confirmation was obtained from each of the independent non-executive directors that he/she continued to meet the requirements for independence contemplated in paragraph 67 of Chapter 2 of King III. Interviews are conducted with each of the directors and confirmation is obtained that each of them continues to hold the required business acumen and skills pertinent to the company's business.

For the year under review, the Remuneration/Nomination Committee met its responsibilities in compliance with its Terms of Reference.

Risk Management Committee

During the year under review, the Risk Management Committee comprised five non-executive directors (four of whom are independent) and three executive directors. The committee meetings are also attended by the Company Secretary and five members of senior management, one of whom acts as the secretary of the committee.

The committee meets at least twice a year and is responsible for reviewing the company's risk philosophy, strategy and policies, and ensuring compliance with such policies; reviewing the adequacy and overall effectiveness of the company's risk management function; ensuring the implementation of an ongoing process for risk identification, mitigation and management; ensuring the establishment of a comprehensive system of controls; pursuing measures for increasing risk awareness throughout the group; reviewing any significant legal matters; reviewing the adequacy of insurance coverage; and providing reports and information to the board as well as the Social and Ethics Committee in relation to matters relevant to the latter. The committee gives particular focus to operational risks, including health and safety and compliance with the legislative and regulatory requirements in each country of operation.

The group ERM Policy, ERM Framework and Combined Assurance Framework which were implemented in 2013 for the purposes of procuring effective and consistent risk management across all group operations, is more fully dealt with in the Risk Management Report on pages 105 to 107.

During the year under review, the committee satisfied its responsibilities under its Terms of Reference.

Corporate governance report

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS DURING THE YEAR ENDED 31 MARCH 2014												
	BOARD		AUDIT COMMITTEE		REMUNERATION/ NOMINATION COMMITTEE		RISK MANAGEMENT COMMITTEE		SOCIAL AND ETHICS COMMITTEE		ANNUAL GENERAL MEETING	
	A	B	A	B	A	B	A	B	A	B	A	B
Abdool-Samad M H	6	5	3	3++	n/a	1	2	2	2	2	1	1
Carr M I	6	6	n/a	n/a	4	4	n/a	n/a	n/a	n/a	1	1
Clark G J	2	2	2	2++	1	1	1	1	1	1	1	1
Dalgleish G B	6	6	1	1++	3	3	2	2	2	2	1	1
Hankinson M J	6	6	3	3	4	4	2	2	n/a	n/a	1	1
Hulley J P	4	4	n/a	n/a	n/a	n/a	1	1	1	1	n/a	n/a
Konar D	6	5	3	3	n/a	n/a	n/a	n/a	n/a	n/a	1	1
Lister P A	6	3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1	1
MacLeod D G	6	6	3	2**	4	4	2	2	2	2	1	1
Madi P M	6	6	n/a	n/a	4	4	n/a	n/a	2	2	1	1
Molope C W N	6	6	3	3	n/a	n/a	n/a	n/a	2	1	1	1
Mpungwe A R	6	6	n/a	n/a	n/a	n/a	2	1	n/a	n/a	1	1
Munday T S	6	6	3	3	4	4	2	1	2	2	1	1
Pike R N	2	1	2	1+	n/a	n/a	1	0	n/a	n/a	1	0
Riddle L W	6	6	n/a	n/a	n/a	n/a	n/a	n/a	2	2	1	1
Rhodes G M	4	4	1	1+	n/a	n/a	1	1	n/a	n/a	n/a	n/a

Column A indicates the number of meetings held during the year while the director was a member of the board/committee.

Column B indicates the number of meetings attended by the director.

++ Participation in his capacity as a member of the Executive Committee, as an attendee.

+ Participation in his capacity as a non-independent, non-executive director, as an attendee.

** Participation in his capacity as Chairman of the board, as an attendee.

Executive Committee

The four executive directors constitute the Executive Committee, whose meetings are also attended by the human resource executive and the Company Secretary. Under the leadership of the Managing Director, the Executive Committee is responsible for pursuing the Strategic Intent and for implementing the strategic plan of the company as well as for managing its business and affairs generally. It acts as a medium of communication and co-ordination between the board and the operations and functions of the company, and reports to the board and board committees on all pertinent matters.

The Executive Committee meets on a weekly basis and reviews operational performance, capital programmes, major investment and capital expenditure proposals, as well as issues of strategic importance to the group, for recommendation to the board. Daily involvement of the members of the Executive Committee with operational and functional executives ensures the interactive nature of the overall management reporting structure.

Annual evaluations

Formal annual evaluations, following the requirements outlined in the Companies Act and King III, are carried

out to assess the performance of the board and the board committees, which are presented to and discussed at the meetings of the board and the relevant board committees. The evaluations undertaken in March 2014 concluded that the performance of the board and its committees was adjudged to be good and no deficiencies were identified.

In addition to the evaluation of the Company Secretary referred to below, a formal evaluation was carried out in respect of the Chairman of the board, which was favourable. An assessment of the appropriateness of the expertise and experience of the Financial Director, Mr M H Abdool-Samad, was carried out by the Audit Committee.

Company Secretary

The Company Secretary, Ms J A Kunst, is responsible for carrying out all the duties of a Company Secretary as prescribed by section 88 of the Companies Act, King III and the JSE Listings Requirements, which she is appropriately empowered by the board to fulfil. She is also responsible for overseeing the legal, secretarial, governance, compliance, sustainability and corporate citizenship functions. Ms Kunst holds a BA LLB, DipMarLaw, was a practising attorney for 35 years, and is considered by the board to be suitably qualified to carry out her functions. All directors have

access to the professional services and support of the Company Secretary, inter alia, with regard to legal, corporate governance and compliance matters.

In accordance with the JSE Listings Requirements the board carried out a detailed formal annual evaluation of the Company Secretary's performance during the year under review. The board also evaluated and concluded that the Company Secretary retains an arm's-length relationship with the board having regard to the fact that she is not a director of the company, nor a major shareholder of the company or any of its subsidiaries; is not related to, or in any other manner connected with, any of the directors in any manner which could cause there to be a conflict of interest; is independent from management and does not have extensive executive duties and responsibilities in addition to the core responsibilities of a Company Secretary; is empowered by the board to act as the gatekeeper of good corporate governance; is not a party to any major contractual relationship which may affect her independence; and there are no matters affecting the Company Secretary's ability to adequately and effectively perform her company secretarial duties. The board concluded that the Company Secretary continues to be competent to perform her duties as such and is a fit and proper person to hold the position.

JSE sponsor

J P Morgan Equities South Africa Proprietary Limited is appointed the company's sponsor, in compliance with the JSE Listings Requirements.

GOVERNANCE PROCESSES

Code of Conduct and Business Ethics

A fundamental principle of our Strategic Intent requires all group operations to conduct business with honesty, integrity and in accordance with the highest legal and ethical standards. Our Code of Conduct and Business Ethics embody our key principles and values and prescribe the conduct required of all employees to achieve these values.



Our Code of Conduct and Business Ethics (which may be viewed on our website at www.illovosugar.com) applies to all our businesses and business relationships. It prescribes the standards required not only from all our group employees, but also from suppliers, service providers and representatives. The Code is reviewed annually to ensure that it keeps abreast of international best practice and latest practices to in relation to the 10 principles of the UN Global Compact and other internationally recognised human rights and other principles.

Our contracts with our contractors, service providers and representatives require them to comply with (and to seek to develop relationships with their own supply chains consistent with) the principles set out in our Code of Conduct, which records the following, failing which the contract may be terminated for breach:

Anti-bribery and corruption

Our zero tolerance approach to all forms of bribery and corruption is enshrined in our Anti-bribery and Corruption, Fraud and Whistle-blowing policies, which apply to all our business relationships, and require all our businesses to work against corruption in all its forms, including extortion and bribery. All our business units have been analysed and assessed for bribery and corruption risks and are regularly monitored as part of Illovo's Enterprise Risk Management process.

The giving and receiving of bribes and facilitation payments and the making of political donations is strictly forbidden. The stringent procedures prescribed by these policies are implemented throughout the group's operations and all group businesses are audited for risks relating to bribery, corruption, fraud and theft. A group-wide monitoring process requires detailed registers of gifts and hospitality to be kept by anti-bribery and corruption officers appointed at each of the group operations, which is reviewed by the internal audit personnel.

In 2012, we implemented an extensive training programme for employees and suppliers aimed at eliminating corruption and promoting ethical behaviour on the part of employees and third party service providers, who are also contractually required to comply with the policy requirements. We have also implemented a robust anti-bribery and corruption assessment procedure for our suppliers, which incorporates an ongoing risk assessment. During the year under review, approximately 3 800 employees underwent governance, fraud, anti-corruption, and compliance training. This training also forms part of the induction process for applicable new employees and the annual compliance and governance refresher training sessions conducted at all operations.

In compliance with section 159 of the Companies Act, Illovo has established and maintains a system to receive whistle-blowing disclosures. All reports are dealt with confidentially and routinely and the availability of the system is published regularly. The Illovo Tip-offs Anonymous reporting line operates throughout the group and enables both internal and external stakeholders to report any suspected wrong-doings anonymously. The reporting line is operated by independent service providers, Deloitte & Touche, and all matters reported are appropriately investigated. During the year under review, 81 reports were received through the Tip-offs Anonymous line, all of which were investigated. This process resulted in four disciplinary enquiries which led to the dismissal of four employees. Of the two ongoing fraud investigations carried forward from 2012, one resulted in the dismissal of an employee and the second was finalised without any dismissal or prosecution.

Compliance

Illovo's compliance methodology, whilst aligned to international best practice, has been specifically formulated and adapted to meet the growing needs of our geographically diverse businesses throughout the group. Our methodology focuses on a number of key areas, with a view to ensuring the efficient and sustainable management of our businesses

and underpinned by our commitment to comply with the myriad of local and international laws, rules, codes and standards that apply to our various operations. Given the challenging regulatory environments within which we operate, compliance is built into the fabric of our corporate governance structures and frameworks.

The compliance function monitors and assesses compliance with, and the impact of, the applicable laws and regulations on the business, as well as assessing compliance with our internal and external policies and procedures, including the implementation and monitoring of, and reporting on, the Anti-bribery and Corruption procedures. Governance developments are monitored on an on-going basis to ensure adherence to local regulatory requirements.

The compliance officers who are appointed at each of the operating group companies, report to the head office Compliance Manager who, in turn, reports to the Group Company Secretary. The reporting structure of the function enforces the independence of the compliance department and ensures that dedicated focus is given to compliance matters throughout all business areas in the group. This is an important component of good corporate governance and is a requirement of King III and other legislation.

Group compliance utilises a risk-based methodology for monitoring. Assessment of the group's legal compliance is also embodied in, and forms an integral part of, our comprehensive ERM framework which is more fully reported on pages 105 to 107 of this report.

Compliance and compliance risks are monitored and tracked by management, internal audit and group compliance.

The board monitors compliance by means of committee reports which are supported by annual compliance certificates submitted by each of the operational group companies. Where required, external specialists are engaged to assist and advise in this regard.

During the year under review, the board approved our new Compliance Policy, Compliance Manual and Compliance Plan. In accordance with the Compliance Plan, various initiatives to embed more effective compliance and governance practices throughout our business were initiated, with focus being given to the following areas:

- **Identification and implementation of changes in regulatory requirements**

The group operates in a dynamic and continuously evolving regulatory and supervisory environment. A regulatory universe is compiled annually and all key legislation is continually monitored.

- **Compliance framework**

We have made significant progress in reviewing our compliance controls with a view to streamlining and enhancing these. An enhanced group compliance framework has been developed to embed the group strategy of compliance with all applicable laws and regulations, adherence to ethical corporate behaviour, and managing compliance for business value.

- **Compliance training**

Annual compliance and governance training was carried out at all our operations across Africa, in conjunction with the implementation of our "Do the Right Thing" campaign, with record attendance by all levels of employees.

- **Revision of group policies and procedures.**

A group-wide project was implemented to review group policies and procedures in order to align these with the environmental, social and governance (ESG) principles espoused by the company, the UN Global Compact Principles and various other international standards.

During the year under review, no instances of material non-compliance were noted and no judgements, damages, penalties or fines were recorded or levied against any group company, its directors or employees for non-compliance with any legislation.

Consumer and product legislation

Illovo manufactures a wide range of sugar and downstream products which are sold into domestic, regional and international markets. We endeavour to produce consistently high-quality products for our customers and as such have a formalised support structure to ensure an appropriate, ordered, group-wide response towards product stewardship. This includes a set of detailed standards relating to raw materials, packaging materials and to production processes.

The group's adherence to the consumer protection laws in the countries in which it operates is monitored regularly, particularly with reference to the following:

- **Customer health and safety**

The health and safety of our customers is of utmost importance for Illovo. We comply with all relevant safety, health, environmental and quality legislation in the relevant countries of operation as well as industry best practice standards. All our production facilities have been certified under the ISO 9001:2008 quality management system. In South Africa, our Noodsberg and Merebank operations have received Food Safety System Certification FSSC 22000 accreditation, while the Eston, Umzimkulu, Sezela and Illovo Syrup operations are currently making progress towards this accreditation. Our warehousing facilities in Germiston, Pietermaritzburg and Cape Town have also received FSSC 22000 accreditation. Our Nchalo (Malawi), Nakambala (Zambia) and Ubombo (Swaziland) operations have received the FSSC 22000 accreditation while other operations in Malawi, Tanzania and Mozambique are currently making progress towards this accreditation. Noodsberg, Umzimkulu, Illovo Syrup and the operations in Malawi and Zambia are registered with the Supplier Ethical Data Exchange (SEDEX), a membership organisation for businesses committed to continuous improvement of the ethical performance of their supply chains.

Certain downstream products, ie furfural, furfuryl alcohol, diacetyl, 2,3-Pentanedione, methanol and ethyl alcohol require specific handling and storage as they may be considered hazardous. To this end, all of our products are supported with Material Safety Data Sheet (MSDS) documentation, together with certificates of analysis which endorse the quality of the products, and provide recommended procedures relating to health, safety, handling and storage. This documentation is available on our website at: www.illovosugar.com.



- **Product and service labelling**

All products carry product labels containing pertinent product information, in compliance with the respective country legislation and labelling regulations. In addition, downstream products supplying the pharmaceutical industry are highly regulated and are required to meet the South African Food and Drugs Act standards. Any amendments to food labelling and advertising legislation is promptly adopted, as evidenced by the our rapid response to the new food labelling and advertising legislation promulgated in South Africa in March 2010 under the Consumer Protection Act, 2008.

- **Market communications**

We strive to conduct all marketing and communication activities in a responsible manner and in accordance with the relevant legislation and country-specific requirements. Together with our advertising agencies, we subscribe to good marketing practices and the code of responsible advertising, including the communication rules and guidelines as prescribed by the Advertising Association of South Africa. There were no incident reports relating to marketing and communications, including advertising, promotion and sponsorship during the year under review. The Illovo annual Cane to Customer course was presented to our South African sugar operations' customers at our Noodsberg mill and included delegates from Kellogg's, Edward Snell, Unilever, NBL Snackworks, Coca-Cola franchise bottlers and SABMiller.

- **Customer relations**

Formal complaints from our customers are processed through an internal sugar customer care line facility in South Africa, Malawi and Zambia, details of which are reflected on all domestic sugar and syrup pre-packs. This enables customers to contact Illovo directly to address any issues relating to products and/or service. Customer complaint procedures are implemented according to the company's group complaints procedures, which provide guidelines and best practice on how customer complaints are required to be handled and resolved and for maintaining an accurate customer complaints register. Support for our industrial customers is provided by a specialised department, providing valuable assistance to the group's industrial customers across all countries of operation.

Regular supplier and customer audits are undertaken, while customer feedback mechanisms guarantee open communication between Illovo and our customers subsequent to complaints and investigations. All relevant customer queries and complaints are investigated internally by Illovo operations and rectified where appropriate.

As a result of its initiatives and interventions as reported above, in the year under review, we did not experience any incidents of non-compliance with any laws, regulations, standards or voluntary codes concerning product responsibility, ie customer health and safety, product and service labelling, marketing communications and customer privacy.

Combined assurance

In accordance with the combined assurance model introduced by King III, Illovo's combined assurance framework provides for a comprehensive combined assurance process across the group, as more fully reported in the Risk management report on page 106.

The Audit Committee and the Risk Management Committee are each responsible for monitoring the appropriateness of the group's combined assurance model, to ensure that it caters for the integration, co-ordination, and alignment of risk management and assurance processes, thereby optimising and maximising the level of risk, governance and control oversight across the group.

The Company Secretary provides a report to the board annually on matters related to combined assurance.

Internal audit and controls

The group maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for its assets. These controls and systems are based on established policies and procedures and are implemented by trained personnel with an appropriate segregation of duties. The effectiveness of these internal controls and systems is monitored in a number of ways, including internal audits and audit reports, internal control checks and reporting procedures, fraud, theft and defalcation reporting procedures.

The purpose, authority and responsibility of the internal audit department are defined in a formal charter approved by the Audit Committee and the board. The department acts as an independent appraisal function established to conduct reviews of operations and procedures and report findings and recommendations to management, the Audit Committee or the board, as may be appropriate. The head of the department reports functionally to the Chairman of the Audit Committee and administratively to the Financial Director, and also has unrestricted access to the Chief Executive, the Audit Committee, and the Chairman of the board.

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Corporate governance report



King III Index		
On an annual basis, the application of the King III principles is reviewed by the board, and in accordance with the recommendations of the JSE, a register recording the respects in which the 75 principles of King III are applied has been compiled and may be viewed on our website at www.illovosugar.com . The following table summarises the respects to which Illovo applies these principles:		
King Code of Governance for South Africa 2009 – Compliance Assessment Summary		
CHAPTER 1 - ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP		
1.1	The board should provide effective leadership based on an ethical foundation	✓
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen	✓
1.3	The board should ensure that the company's ethics are managed effectively	✓
CHAPTER 2 – BOARDS AND DIRECTORS		
2.1	The board should act as the focal point for the custodian of corporate governance	✓
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	✓
2.3	The board should provide effective leadership based on an ethical foundation	✓
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	✓
2.5	The board should ensure that the company's ethics are managed effectively	✓
2.6	The board should ensure that the company has an effective and independent audit committee	✓
2.7	The board should be responsible for the governance of risk	✓
2.8	The board should be responsible for information technology (IT) governance	✓
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓
2.10	The board should ensure that there is an effective risk-based internal audit	✓
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	✓
2.12	The board should ensure the integrity of the company's Integrated Annual Report	✓
2.13	The board should report on the effectiveness of the company's system of internal controls	✓
2.14	The board and its directors should act in the best interests of the company	✓
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act (note 1)	✓
2.16	The board should elect a Chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of Chairman of the board	✓
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	✓
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	✓
2.19	Directors should be appointed through a formal process	✓
2.20	The induction of, and ongoing training and development of, directors should be conducted through formal processes (note 2)	✓
2.21	The board should be assisted by a competent, suitably qualified and experienced Company Secretary	✓
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	✓
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	✓
2.24	A governance framework should be agreed between the group and its subsidiary boards (note 3)	✓
2.25	Companies should remunerate directors and executives fairly and responsibly (note 4)	✓
2.26	Companies should disclose the remuneration of each individual director and prescribed officer	✓
2.27	Shareholders should approve the company's remuneration policy	✓
CHAPTER 3 – AUDIT COMMITTEES		
3.1	The board should ensure that the company has an effective and independent audit committee	✓
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors	✓
3.3	The audit committee should be chaired by an independent non-executive director	✓
3.4	The audit committee should oversee integrated reporting (note 5)	✓
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities (note 5)	✓
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	✓
3.7	The audit committee should be responsible for overseeing of internal audit	✓
3.8	The audit committee should be an integral component of the risk management process	✓
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	✓
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties	✓

CHAPTER 4 – THE GOVERNANCE OF RISK		
4.1	The board should be responsible for the governance of risk	✓
4.2	The board should determine the levels of risk tolerance	✓
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities	✓
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	✓
4.5	The board should ensure that risk assessments are performed on a continual basis	✓
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓
4.7	The board should ensure that management considers and implements appropriate risk responses	✓
4.8	The board should ensure continual risk monitoring by management	✓
4.9	The board should receive assurance regarding the effectiveness of the risk management process	✓
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	✓
CHAPTER 5 – THE GOVERNANCE OF INFORMATION TECHNOLOGY		
5.1	The board should be responsible for information technology (IT) governance	✓
5.2	IT should be aligned with the performance and sustainability objectives of the company	✓
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	✓
5.4	The board should monitor and evaluate significant IT investments and expenditure	✓
5.5	IT should form an integral part of the company's risk management	✓
5.6	The board should ensure that information assets are managed effectively	✓
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	✓
CHAPTER 6 – COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS		
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	✓
6.3	Compliance risk should form an integral part of the company's risk management process	✓
6.4	The board should delegate to management the implementation of an effective compliance framework and processes	✓
CHAPTER 7 – INTERNAL AUDIT		
7.1	The board should ensure that there is an effective risk-based internal audit	✓
7.2	Internal audit should follow a risk based approach to its plan	✓
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	✓
7.4	The audit committee should be responsible for overseeing internal audit	✓
7.5	Internal audit should be strategically positioned to achieve its objectives	✓
CHAPTER 8 – GOVERNING STAKEHOLDER RELATIONSHIPS		
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	✓
8.2	The board should delegate to management to proactively deal with stakeholder relationships	✓
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	✓
8.4	Companies should ensure the equitable treatment of shareholders	✓
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	✓
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	✓
CHAPTER 9 – INTEGRATED REPORTING AND DISCLOSURE		
9.1	The board should ensure the integrity of the company's Integrated Annual Report	✓
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	✓
9.3	Sustainability reporting and disclosure should be independently assured	✓

Notes to index

1. It has not been necessary to consider business rescue proceedings during the year under review. However, in terms of paragraphs 2.15.1 and 2.15.2 of King III, the board ensures that the solvency and liquidity of the company is continuously monitored.
2. Given the level experience and expertise of the board members, mentorship and professional development programmes have not been considered necessary during the year under review.
3. A governance framework applies across the group, but as five of the company's six operating subsidiaries are registered and operate in countries outside South Africa, those subsidiaries are guided by local reporting and listings requirements.
4. Fees are determined with due regard to relevant market surveys. However, given the high level of attendance at meetings and other input received, the non-executive directors' fees do not comprise a meeting attendance fee in addition to a base fee.
5. The Audit Committee reviews all disclosures in this report. Non-financial sustainability matters are also dealt with by the Risk Management Committee.

The independent auditors, through the audit work they perform, confirm that these monitoring procedures have been implemented. During the year under review, nothing has come to the attention of the directors or the independent auditors to indicate any material breakdown in the functioning of the group's internal controls and systems.

Information technology (IT)

The IT policies and procedures cover, inter alia, the use and safeguarding of the company's information and IT systems, the use of social media, disaster recovery plans, and the regular updating and improvement of IT technology.

The Audit Committee is responsible for monitoring IT governance. An IT Steering Committee, under the chairmanship of the Financial Director, is responsible for carrying out the responsibilities assigned to it in terms of an IT Steering Committee Charter, which include, inter alia, motivating and monitoring IT project budgets, the IT governance framework, integrating a strategic IT planning process in line with the business strategy development process and identifying and exploiting opportunities for IT to improve the company's performance and sustainability. The General Manager: Group IT reports to the Audit Committee on all these matters.

Management conducts an annual assessment of the relevant provisions of King III relative to its IT management philosophy, governance framework and processes.

Dealing in securities

In terms of the company's Code of Conduct for dealing in securities, the directors and company secretaries of Illovo and its major subsidiaries are required to obtain clearance from either the group Chairman or Chief Executive Officer before dealing in the securities of the company and its listed subsidiaries. Directors and officers of the group who have access to unpublished, price-sensitive information in respect of any of these companies are prohibited from dealing in the shares of such companies during defined restricted periods, including those periods immediately prior to the announcement of interim and final financial results and periods during which cautionary announcements are operative.

Access to information

The company has complied with the requirements of the Promotion of Access to Information Act, 2000. The relevant manuals are available on the company's website at www.illovosugar.com. No requests for access to records or other information were received during the year under review.

Reporting to stakeholders

As more fully described in the report on stakeholder engagement on page 73, the company is committed to the timeous and transparent reporting of all relevant matters to its shareholders and other stakeholders as required in terms of the Companies Act and the JSE Listings Requirements, recognising that our long-term sustainability objectives are supported through engaging with our stakeholders to address matters of mutual interest.

Going concern assessment

The directors regularly assess the solvency and liquidity of the company as well as its ability to continue to operate as a going concern. Having conducted a review, the directors are of the opinion that the company's business will be a going concern in the year ahead and the external auditors concur with the opinion of the directors.

Financial statements

The company's directors are responsible for overseeing the preparation of the financial statements and other information presented in reports to shareholders in a manner that fairly presents the state of affairs and results of the group's business operations. The independent auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their findings.

The annual financial statements are prepared in accordance with IFRS and the Companies Act. They are based on appropriate accounting policies which have been consistently applied, except when otherwise stated, in which case full disclosure is made.

Independent third party assurance

Integrated Reporting & Assurance Services (IRAS) has provided independent third party assurance over the sustainability information contained within this report, confirming that it meets the GRI's Application Level B requirements (B+ with its assurance). A summary of this assurance statement is provided below, and the full statement appears on our website.

IRAS was engaged by Illovo to provide Independent Third Party Assurance (ITPA) over the sustainability content within Illovo's 2014 Integrated Annual Report.

Our engagement was limited to the sustainability content within the Integrated Annual Report. Based on our reviews of the Integrated Annual Report, as well as our interviews and desktop research exercises at both the group and operational level (inclusive of site visits to Nchalo, Ubombo and Noodsberg), the information contained within this Integrated Annual Report is deemed fair, factual and reflective of Illovo's adherence to AccountAbility's AA1000AS principles of Inclusivity, Materiality and Responsiveness and meets the GRI G3 Level B+. A comprehensive assurance statement has been submitted to Illovo, and will be available on the company's website at www.illovosugar.com.

For information about our assurance processes and/or findings, please email michael@iras.co.za.



Michael H Rea

Managing partner

Integrated Reporting & Assurance Services

23 May 2014
Johannesburg



Social and Ethics Committee report

The company's Social and Ethics Committee is a statutory committee, established by the board in March 2012 in accordance with the Companies Act. The committee comprises five non-executive directors (four of whom are independent), four executive directors, the Human Resources Executive and the Company Secretary. A member of senior management acts as secretary to the committee.

In accordance with its Terms of Reference, the committee is required to meet at least twice a year in order to fulfil the functions assigned to it in terms of the Companies Regulations and such other functions as are assigned to it by the board from time to time, in order to assist the board in ensuring that the group remains a responsible corporate citizen. At each of its meetings it receives reports from other committees and management, and in turn reports on relevant matters within its mandate to the board.

Responsibilities

The objectives and responsibilities of the committee, which are aligned with the committee's statutory functions as set out in the Companies Act and Companies Regulations, and which form the basis of its annual work plan, include the following:

- social and economic development, including the group's standing relative to the UN Global Compact Principles, the OECD recommendations regarding the combating of corruption, and South Africa's Employment Equity Act and B-BBEE;
- good corporate citizenship, including the group's positioning and efforts in promoting equality, preventing unfair discrimination and combating corruption, the group's contribution to the development of communities in which it operates or markets its goods and the group's record of sponsorships, donations and charitable giving;
- the environment, health and public safety, including the impacts of the group's activities and products on the environment and society;
- consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws;
- labour and employment, including the group's standing relative to the ILO Protocol on Decent Work and Working Conditions, and the group's employment relationships and contribution to the educational development of its employees;
- promotion of equality, transformation and social responsibility policies and strategies; prevention of unfair discrimination; and
- generally, the monitoring of the social, ethics, economic, governance, employment and environmental activities of the group against internationally recognised human rights principles and other relevant best practice standards.

The committee monitors adherence to the relevant legislation, regulations and codes of best practice in relation to matters within its mandate.

Performance

During the year under review, the committee met twice, in May and September 2013. This report describes how the committee discharged its responsibilities in respect of the financial year ended 31 March 2014 and will be presented to the shareholders at the AGM to be held on 16 July 2014.

In May 2013, the board approved a new Code of Conduct and Business Ethics (available on the company's website at www.illovosugar.com) which prescribes the standards required from all our group employees, suppliers, service providers and representatives and is guided by the 10 principles of the UN Global Compact and other internationally recognised human rights and other principles and practices.



UN Global Compact Principles

During the year under review, the committee progressed with its ongoing process of monitoring the company's application of the UN Global Compact Principles and embedding them into the company's operations, focusing initially on three of the principles, namely, human rights, child labour and the environment. The respects in which the group has espoused these principles are reported on more fully elsewhere in this report.

The company's Code of Conduct and Business Ethics was reviewed and amended during the course of the year to include more emphasis on the protection of internationally recognised human rights, including those set out in the International Bill of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work. In terms of the amendments to the code, the group businesses are required:

- to avoid any complicity in human rights abuses and to adopt practices to protect against abuses of human rights in their activities and in their business relationships with others;
- to conduct business in compliance with all applicable legal requirements and in a manner that respects the rights and dignity of all their employees and the local communities in which they operate, including legitimate tenure rights and freedom of association;
- to adhere to the principle of free, prior and informed consent in all dealings with the indigenous communities in the areas in which our businesses operate;
- to procure that any adverse impacts resulting from their activities are minimised and justly and fairly compensated; and
- to encourage all suppliers and other persons contracting with Illovo to adhere to the same principles.

During the year, a gap analysis was carried out to assess the extent to which the UN Global Compact Principles are currently incorporated in the policies and business practices of the group, the intention being to implement practices across the group in a cohesive manner, and to incorporate the principles into the business practices.

Land and land distribution

In response to global anti-land grabbing campaigns, Illovo has re-affirmed its zero tolerance approach to land grabbing. Illovo is not, and never has been, involved in land grabs or any improper land acquisitions of any kind. One of the key pillars of our Strategic Intent and sustainability model is to be welcomed in the communities in which we operate, without whose co-operation we would not be able to sustain our businesses. We have a comprehensive and compelling business sustainability and corporate social investment profile, with the preservation of community land rights being a key component.

Our practices and procedures require that all proposed projects undergo a stringent stage and gate process, including legal investigation of land tenure rights, working with local legislative frameworks and land reform programmes, consultation with local communities and public authorities, ensuring mutually agreed compensation where communities are affected by our operations, providing technical and financial support to local community farmers supplying sugar cane to our operations, and working with reputable development organisations to ensure projects are in line with accepted international standards.

In South Africa, Illovo has voluntarily sold 52% of its agricultural land holdings to black South Africans (equating to 26 682 hectares, with an area under cane of approximately 17 120 hectares), and to ensure the continued commercial viability of the transferred land, Illovo has instituted an innovative programme to provide technical and financial assistance to new emerging cane growers ensuring the long-term sustainability of farms now under black ownership.

Forced and child labour

During the year under review, Illovo continued its endeavours to eliminate any forced and child labour in its supply chain, its endeavours in this regard having received positive acknowledgment. Meetings were once again held with representatives of the ILO to seek guidance on methods to assist management in implementing procedures to eliminate this scourge. In order to procure compliance by Illovo's suppliers and service providers with the UN Global Compact Principles 4 and 5 relative to forced and child labour, as well as other principles of the UN Global Compact, the company's Code of Conduct and Business Ethics records that the use of forced or child labour in our supply chain is not permitted and we require our suppliers to provide contractual undertakings to adhere to the Code. Our initiatives in relation to child labour are also reported in our Human Capital Report at page 58.

Environment

The precautionary approach to environmental challenges required by UN Global Compact Principle 7 is dealt with in the Climate Change Report, on pages 79 and 85, which also reports on our continued initiatives relative to the development and diffusion of environmentally friendly technologies.

A new group Environmental Policy as well as an environmental strategy was considered. The environmental strategy process, which covers a range of objectives and responsibilities, defines a five-year approach to the environmental management implementation by the company. Environmental initiatives during the year included Illovo's involvement in the CDP water and CDP climate change reporting process. A comprehensive water footprinting exercise carried out by WSP was completed across all group operations, which will assist the company in determining its water risk profile and identifying water-related opportunities.

Ethics

The Anti-bribery and Corruption Policy, Fraud Policy, Code of Conduct and Business Ethics (more fully referred to at pages 91 and 92 of the Corporate Governance Report), embody our key principles and values.

The group Whistle-blowing Policy, which facilitates the Illovo Tip-offs Anonymous reporting line and Crime-line, operated by Deloitte & Touche, continues to provide an appropriate balance between encouraging reporting and discouraging malicious and frivolous reporting. A review of the Tip-offs Anonymous and Crime-line reporting process is carried out regularly, and during the year training on these facilities was conducted by Deloitte & Touche in conjunction with the company's compliance personnel at all group operations.

Labour

Our Employment Equity Policies embody our commitment to implementing employment equity across the group. Our Employment Equity forums continue to provide input into the employment equity management of the group. During the year under review, attention was again given to our compliance with the Broad-based Black Economic Empowerment Act and codes, as well as to the development and advancement of local talent in the other countries in which the group operates. These initiatives are elaborated upon at page 67 of this report. Skills development remains an area of focus and the various skills development programmes that have been implemented are reported on more fully on page 60. Entry level accommodation conditions across the group were reviewed during the year, and each operation's current progress relative to the agreed standard was examined.

Health and safety

The group once again achieved a world-class achievement in relation to its health and safety practices and a new group Health and Safety Policy was approved. Health and safety practices continue to improve annually and are reported at page 65 of this report.

Safe evacuation of employees from various territories in emergency situations remains a priority and our crisis management plan and evacuation procedures were reviewed and tested. In relation to health measures, attention continues to be given to the impact of HIV and AIDS and malaria initiatives. Our extensive healthcare programmes are reported on more fully at page 64 of this report.

Socio-economic development

In line with our Strategic Intent to be welcomed in the communities in which we operate, Illovo strives to support the advancement of all communities where its operations are located and our Corporate Social Investment Policy entrenches this philosophy. Sustainable community development is achieved, inter alia, through employment, procurement and supply chain development. The group continues to provide much-needed employment and other social benefits in the areas in which it operates, as well as providing revenue to the emergent farmers who supply sugar cane to our factories and other suppliers of services and goods, thereby directly and indirectly benefiting the surrounding communities as a whole.

During the year under review, an independent company, Corporate Citizenship, was engaged to conduct a socio-economic impact assessment of the group's operations.



Corporate Citizenship's group report is available on the company's website at www.illovosugar.com. The numerous contributions we make are also reported upon on page 74 of this report.

Sustainability

The group's sustainability framework gives focus to energy and emissions, biodiversity, water, sustainable farming practices, economic factors including outgrower development and agricultural productivity, and product responsibility. These matters are elaborated upon in the Climate change report on page 79 of this report.

The key sustainability risks and opportunities which received focus in the year under review were energy and carbon management; water usage, by adopting a water footprint methodology; and a culture of continuous improvement and "doing more with less" in agricultural productivity, an initiative which is being embedded across the group.

Consumer legislation

During the year under review, the committee's work plan was amended to include provision for the attestation of compliance with applicable consumer laws, as required in terms of regulation 43(5)(a)(iv) of the Companies Regulations 2011. Our endeavours in this regard are more fully reported in the Corporate governance report on page 92.

Evaluation of committee performance

An evaluation of the performance of the committee was carried out in March 2014 as part of the evaluation process detailed in the Corporate governance report. The evaluations recognised that although the committee was still in its formative stages, it was evolving and developing its role and was gaining good momentum.

Prof P M Madi

Social and Ethics Committee Chairman

23 May 2014

Remuneration report

Role and responsibility

The committee is tasked with the development and determination of the company's general policy on executive and senior management remuneration, and the positioning of senior executive salary packages relative to local and international industry benchmarks, such that they are sufficient to attract, retain and motivate executives of the quality required by the company. The remuneration packages include basic salary, annual bonuses, performance-based incentives, share related incentives and retirement benefits.

For the year under review, the committee met its responsibilities in compliance with its Terms of Reference.

On an annual basis, the committee:

- reviews the company's remuneration policy for approval by the board and shareholders;
- reviews and approves the remuneration packages of the executive directors and senior managers of the group;
- approves the salary mandate to be implemented for the group's employees in the various countries of operation, which includes the foreign allowances paid to employees who are deployed on assignment into the countries of operation outside South Africa;
- approves the group's short-term performance bonus scheme for the forthcoming year and signs off on the awards achieved in the prior year;
- approves the annual award of options in terms of the group's longer aligned PSS;
- makes recommendations to the board on the fees payable to the company's non-executive directors; and
- ensures compliance with relevant legislation.

During the course of the year, the committee engaged the services of remuneration consultants to audit and review the level of the executive directors' remuneration packages when compared with the market. On the basis of the subsequent report, the committee was satisfied that these are in line with positions of similar content and complexity in the market.

In assessing the Chairman's fee, regard is had to the length and depth of his experience in the sugar industry and the time that he devotes to his duties as Chairman of a group that operates in six African countries.

In keeping with the Remuneration Committee's Terms of Reference, the Chairman is required to report to the board after each meeting and attend the AGM to respond to any questions from shareholders on remuneration.

Remuneration philosophy and policy

In line with the company's strategy, the remuneration philosophy and policies recognise the importance of our people in the continued growth and sustainability of the group and its overall performance.

As far as possible, the committee aligns the outcomes of the remuneration policy with the interests of shareholders

and also seeks to encourage and reward the longer-term sustainable growth of the group. The principles of the remuneration policy are designed not only to attract, retain and motivate employees, but also to reward them for their contribution to the group's operating and financial performance, taking into account market conditions at both industry and country levels.

Apart from fixed remuneration, an element of variable remuneration that is aligned to value creation in the form of short and longer-term incentive schemes is also catered for and linked to the achievement and performance of specified targets and objectives, with payment being made out of increased returns. This also assists in attracting and retaining key personnel.

General salary and wage reviews

The committee ratifies the salary mandates, along with mandates that determine substantive wages and benefits for the unionised category of employees, through collective bargaining processes with representative trade unions in all countries of operation.

Criteria adopted for determining non-negotiated salary and wage increases are as follows:

- individual performance reviews;
- CPI (inflation);
- market surveys, where the group subscribes to pegging key high-performing employees at the median to upper quartile of the market;
- internal equity where applicable;
- short-term incentives, whereby all employees participate in a performance-related bonus scheme (PRBS) designed and implemented on a financial year basis, and are remunerated against pre-set performance criteria at the end of the group's financial year. The targets are both of a financial and operational nature, directly relevant to the performance expectations for each operation in the ensuing year. The former are set against financial parameters such as growth in headline earnings per share (HEPS) and profit after tax (PAT), as well as achievement of relevant return on net assets (RONA) targets. The operational targets typically relate to the achievement of set line-of-sight production forecasts and safety standards and well defined operational efficiency metrics which are readily measured and in respect of which progress towards achievement thereof is communicated to participants on an ongoing basis; and
- long-term incentives which are catered for by the PSS, which is extended to key senior staff members, are directly aligned to the company's share performance and incorporate a performance hurdle, thus only being of value when beneficial to shareholders. This scheme is more fully referred to below and on page 111 of this report.

Other substantive benefits include in-house healthcare facilities, medical aid contribution subsidisation and provident and pension funds. In countries where these do not exist, company contributions to national security insurance-type funds are paid.

Executive remuneration

The executive directors are full-time employees of the company and, as such, each has an employment agreement, the terms of which are in accordance with the company's standard conditions of service, but with a notice period of three months and more comprehensive confidentiality undertakings.

The group aims to adhere to the broad guidelines of executive remuneration as contemplated by King III, in respect of remuneration packages of the company's executive directors and senior managers, ensuring that the following is achieved:

- **Guaranteed remuneration**

The positioning of guaranteed remuneration packages is aligned between the market median and upper quartile of local and international industry benchmarks. To this end, external consultants are used to ensure that these levels are conducive to the attraction and retention of key skills. The guaranteed remuneration packages are based on the complexity of the role of each director and senior manager and his/her performance and contribution to the group's overall performance. Contributions towards medical, retirement and disability benefits, as well as car allowances are applicable to all senior employees in accordance with the rules of the relevant company scheme.

- **Short-term incentive**

The performance-related bonus scheme (PRBS) mentioned above is also applicable to executive management, focusing on specific annual targets.

In addition to the financial targets mentioned above, individual specific objectives identified by the Remuneration Committee for that particular executive function are also set. The attainment of these targets contributes towards the achievement of the company's strategic objectives, which are aligned to the delivery of sustained shareholder value. The principle of paying for performance is a key underpin to the PRBS and any variable payments achieved are directly aligned to performance outcomes.

The PRBS is capped at 125% of annual salary for executive directors and senior general managers. For the executive directors the breakdown of the targets, the relative bonus caps as a percentage of annual salary and the averaged payments are as follows:

EXECUTIVE DIRECTORS PERFORMANCE BONUS CRITERIA	Bonus cap (% of annual salary)	Executive directors performance average achievement (%)
Group financial results	80	0
Working capital management	10	8
Key performance objectives	35	27.5
Total	125	35.5

- **Long-term incentive**

This is currently catered for by the PSS, referred to below, which was introduced in 2005, and previously by the closed Illovo Sugar 1992 Share Option Scheme.

However, due to the relative stability of the Illovo share price, the board has recognised that the PSS does not provide an adequate incentive mechanism to enable the company to attract and retain executives and other key management whose skills are necessary for the company to fulfil its long-term goals. Accordingly, in line with global best practice and emerging South African practice, the company intends to introduce a forfeitable share plan (FSP) as an additional long-term incentive plan for directors and selected key executive senior employees. Details of the FSP are set out in the Directors' Report at page 111 and in the Notice of Annual General Meeting and Appendix 1 thereto at pages 134 and 135 of this report.

Illovo Sugar 1992 Share Option Scheme (option scheme)

None of the directors hold any options in the closed option scheme, all such options having been exercised. The shares in the company held by the directors as at 31 March 2014 are reflected on page 113 of this report.

PSS

Further information regarding the PSS is reflected at page 111 of this report. The PSS is "cash-settled" and therefore is not classified as a share incentive scheme in terms of the JSE Listings Requirements. It is directly aligned to the company's share performance. It incorporates a financial performance hurdle and benefits only accrue where positive real growth in shareholder returns has been achieved, which entails that one-third of the options granted may only be exercised in each of the third, fourth and fifth years following the date of grant, provided that certain financial hurdles are met. During the year under review, there were 151 recipients of the scheme.

Financial performance hurdle, information and allocations:

A performance base is set as being the average HEPS achieved over the preceding three financial years, with one-third of the options granted in that year vesting in years three, four and five. A performance target hurdle is also set, which requires that the group HEPS cumulative performance from year of grant must exceed the cumulative South African gross domestic product (GDP) for the same period:

- cumulative GDP plus 2.5% for 50% of the vested options to become exercisable; or
- cumulative GDP plus 5.0% for 100% of vested options to become exercisable.

Remuneration report

If the target hurdle is achieved at the end of the third financial year from date of grant, the options become exercisable, subject to the vesting rule referred to above. In the event that the target hurdle rate is not achieved at the end of the third financial year from date of grant, vested options accrue until the target is met, provided that this is within the 10-year option life.

The performance targets were introduced in 2007 and performance has been as follows:

- grant date 2007: HEPS outperformed GDP plus 5% at the end of year three. Therefore, vested options are exercisable (ie subject to the “vesting rule” referred to above);
- grant date 2008: HEPS outperformed GDP plus 2.5% at the end of year five. Therefore, 50% of the options for this year are exercisable as the hurdle has been met at GDP plus 2.5% (ie subject to the “vesting rule” referred to above). The GDP plus 5% target is still to be achieved and 50% of the options therefore remain unexercisable;
- grant date 2009: HEPS underperformed GDP plus 2.5% at the end of year five. Therefore, vested options remain unexercisable;
- grant date 2010: HEPS underperformed GDP plus 2.5% at the end of year four. Therefore, vested options remain unexercisable;
- grant date 2011: HEPS outperformed GDP plus 2.5% at the end of year three. Therefore, 50% of the options for this year are exercisable as the hurdle has been met at GDP plus 2.5% (ie subject to the “vesting rule” referred to above). The GDP plus 5% target is still to be achieved and 50% of the options therefore remain unexercisable; and
- the 2012 and 2013 allocations are still to be measured against the three-year HEPS target.

The Remuneration Committee have recently taken the decision that the performance target hurdle for the 2014 allocation will change from GDP to the South African Consumer Price Index (CPI) and will require that the group HEPS cumulative performance from year of grant must exceed the cumulative CPI for the same period:

- cumulative CPI plus 1.5% for 50% of the vested options to become exercisable; or
- cumulative CPI plus 3.0% for 100% of vested options to become exercisable.

Phantom options granted to executive directors

The table adjacent reflects the phantom options previously granted to executive directors, those granted during the year under review, any phantom options exercised during the year under review, and the unexpired and unexercised phantom options as at 31 March 2014.

	Options as at 31 March 2013	Option price (cents)	Options granted during the year	Options exercised during the year	Exercise price (cents)	Options forfeited during the year	Options as at 31 March 2014	Expiry date
Abdool-Samad M H	150 000	2 702		–	–		150 000	26.05.2021
	63 100	2 573		–	–		63 100	22.05.2022
		3 445	68 500				68 500	21.05.2023
	213 100		68 500	–	–		281 600	
Clark G J	16 700	1 634		16 700	3 100			29.10.2016
	60 000	2 364		60 000	3 100			23.07.2017
	70 000	2 867		35 000	3 100	35 000		09.07.2018
	240 000	2 808		–	–	240 000		13.07.2019
	172 500	2 856		–	–	172 500		20.07.2020
	162 000	2 702		–	–	162 000		26.05.2021
	155 500	2 573		–	–	155 500		22.05.2022
		3 445	129 500	–	–	129 500		21.05.2023
	876 700		129 500	111 700	–	894 500		
Dagleish G B	8 500	1 634			–	–	8 500	29.10.2016
	12 500	2 364			–	–	12 500	23.07.2017
	20 000	2 702			–	–	20 000	26.05.2021
	141 500	2 573			–	–	141 500	22.05.2022
		3 445	77 500				77 500	21.05.2023
	182 500		77 500			260 000		
Hulley J P	5 500	2 364			–	–	5 500	23.07.2017
	20 000	2 867			–	–	20 000	09.07.2018
	25 000	2 808			–	–	25 000	13.07.2019
	11 000	2 856			–	–	11 000	20.07.2020
	10 500	2 702			–	–	10 500	26.05.2021
	15 500	2 573			–	–	15 500	22.05.2022
		3 445	13 000				13 000	21.05.2023
	87 500		13 000		–	–	100 500	
MacLeod D G #	100 000	2 364			–	–	100 000	23.07.2017
	140 000	2 867			–	–	140 000	09.07.2018
	240 000				–	–	240 000	
Riddle L W	20 000	1 634		20 000	3 860	–		29.10.2016
	33 500	2 364			–	–	33 500	23.07.2017
	25 000	2 867			–	–	25 000	09.07.2018
	60 000	2 808			–	–	60 000	13.07.2019
	56 000	2 856			–	–	56 000	20.07.2020
	36 000	2 702			–	–	36 000	26.05.2021
	51 500	2 573			–	–	51 500	22.05.2022
		3 445	77 000				77 000	21.05.2023
	282 000		77 000	20 000	–	–	339 000	
1 881 800		365 500	131 700	–	–	894 500	1 221 100	

Options granted to Mr D G MacLeod while an executive director.

Remuneration report

Compensation of directors/prescribed officers

Executive directors

The remuneration of executive directors for the year ended 31 March 2014 was as follows:

	Salary R000	Bonus R000	Retirement, medical and UIF contributions R000	Car allowances R000	Housing relocation allowance R000	Option gains R000	Total reward R000
Abdool-Samad M H	3 069	1 320	407	261	–	–	5 057
Clark G J*	2 942	–	843	260	–	2 713	6 758
Dalgleish G B	3 167	1 140	400	323	–	–	5 030
Hulley J P#	1 223	351	171	151	358	–	2 254
Riddle L W	2 361	826	330	240	–	445	4 202
Total	12 762	3 637	2 151	1 235	358	3 158	23 301

* Resigned on 31 August 2013

Appointed on 1 September 2013

The remuneration of executive directors for the year ended 31 March 2013 was as follows:

	Salary R000	Bonus R000	Retirement, medical and UIF contributions R000	Car allowances R000	Housing allowance R000	Option gains R000	Total reward R000
Abdool-Samad M H	2 732	2 787	363	224	208	–	6 314
Clark G J	4 663	4 780	745	325	–	–	10 513
Dalgleish G B	2 000	2 080	267	251	–	–	4 598
Riddle L W	1 981	2 060	281	240	–	–	4 562
Total	11 376	11 707	1 656	1 040	208	–	25 987

Non-executive directors

The fees paid to non-executive directors for the years ended 31 March 2013 and 31 March 2014 were as follows:

	2014 R000	2013 R000
Hankinson M J	597	580
Konar D	501	440
MacLeod D G**	2 200	2 200
Madi P M	447	440
Molope C W N	436	405
Mpfungwe A R	317	320
Munday T S	630	590
Carr M I#	–	–
Lister P A#	–	–
Pike R N#	–	–
Rhodes G M#	–	–
Total	5 128	4 975

** The Chairman's remuneration is approved by the Remuneration Committee, having regard to the complexity of his role and his expertise in the sugar industry.

These directors, who are nominated for appointment by Illovo's majority shareholder, have each elected not to receive the payment of the fees due to them as non-executive members of the board and the board committees on which they serve.

Other than the directors, there are no employees of the company who are "prescribed officers", as defined in the Companies Act, the directors being the only persons who exercise, and who are empowered to exercise, or who regularly participate to a material degree in the exercise of, general executive control over and management of the whole, or a significant portion of the business and activities of the company, as contemplated in regulation 38 of the Companies Regulations.

Post-retirement medical aid

Post-retirement medical aid contributions paid on behalf of past directors amounted to R83 463 for the year under review, compared to R67 906 for the year ended 31 March 2013.

Illovo's board regards risk management as a key process in the responsible pursuit of strategic objectives and the effective management of related material issues across the group. Illovo's management culture is underpinned by effective risk identification and mitigation processes which are applied, on a day-to-day basis, through the group Enterprise Risk Management (ERM) system, including internal controls, monitoring mechanisms and relevant stakeholder engagement activities. In accordance with the group's risk philosophy, business activities and plans are aligned to the group's governance, economic, environmental and social aspirations, and form an integral component of the group's materiality assessment processes.

Our ERM process is designed to facilitate the achievement of our business strategy and plans, through the identification and exploitation of opportunities that meet the risk appetite criteria set by the board, and to ensure that the risk profiles of our business activities and investments are maintained within the approved risk tolerance levels, thereby optimising the risk return parameters for the creation of sustainable growth and value for shareholders and stakeholders.

The Risk Management Committee is responsible for the oversight of the ERM process and embedding of the ERM framework across the group. Management is tasked with the process of developing and enhancing our comprehensive systems for risk identification and management. Risk assessments in line with the ERM framework are conducted regularly, with the resulting risk improvement plans being closely monitored. These procedures form an integral part of the risk management process, and ensure that any residual risk exposures are properly and timeously managed.

The ERM process considers strategic, operational, financial, compliance and reputational risks. Other risks inherent in the sugar industry generally are also identified, monitored, recorded and appropriately managed. Risk indicators and levels of risk appetite are reviewed and approved by the board on an annual basis or more frequently if required. Our risk appetite represents the amount and type of risk we are willing to accept in pursuit of our business objectives. Salient risks and their relevant mitigating strategies are subject to regular assessment by the Risk Management Committee and are given consideration in the annual strategic plan approved by the board.

Business continuity plans for all group operations are incorporated in the ERM framework, and training to ensure capability to deal with interruptions to the business is carried out at all operations.

The following risks were identified through our ERM process in the year under review as being the top strategic, financial and operational risks considered as potentially having the most material impact upon the group, if realised.

- ***Sugar imports***

The risk of duty-free sugar being imported into countries at prices below which Illovo can compete at acceptable margins, caused by subsidies granted to major sugar producers around the world, together with the imminent de-regulation of the EU sugar regime, can lead to unfair competition leading to lower prices in our own markets and loss of revenue and profits. The mitigating controls are referred to in the Commercial Director's Review on page 48.

- ***Country and investment***

Broad political issues and government relations as a result of change of government, or civil unrest can cause political uncertainty and lead to lack of availability of foreign exchange, reduction in regulatory support (eg import tariffs, etc), shortage of basic commodities and a deteriorating infrastructure. The stakeholder engagement initiatives referred to on page 73 are an important mitigating factor. Additional controls include monitoring of political situations in operating countries through specialist service providers and ongoing country risk assessments.

- ***Price and market***

Exposure to pricing variations, particularly due to world sugar price volatility, changes in market demand and supply (particularly where market supply exceeds market demand), and market protective measures implemented by governments create an inability to maintain acceptable margins. This risk and mitigating actions are fully discussed in the Commercial Director's Review on page 48.

- ***Weather***

The impact of abnormal weather conditions is a significant risk to the business. This might be caused by global warming and deforestation resulting in lower yields leading to inability of our factories to utilise capacity. Current controls in place to mitigate against adverse weather conditions include:

- development of agriculture infrastructure including drainage systems, dykes and canals;
- irrigation systems in place at most non-South African operations;
- use of weather forecasting tools and an early warning system for flooding;
- continually evaluating and selecting drought tolerant cane varieties; and
- completion of a water footprint exercise so as to better understand and manage our water resource.

- ***Direct and indirect tax exposure***

Exposure to complex tax legislation in the international environment remains a risk to the business. Various mitigating controls are in place including engagement with tax authorities on all new transactions and the review of tax returns by the group tax department. The company continues to make use of independent assessments in complex related transactions.

- **Advocacy and stakeholder relations**

Poor, inadequate or infrequent communication to the market, shareholders, analysts, employees and government may lead to reputational damage and impact on our share price. Lack of or inadequate communication of our social, environmental and other impacts, and the way in which we address these, could also have adverse reputational risks. In order to strengthen our ongoing communication with stakeholders, we have reviewed our stakeholder engagement approach, as discussed in the stakeholder engagement section on page 73.

- **Cane supply**

This key risk is described by our ability to maintain area under cane, and the maintenance of cane yield and quality. Challenges to the former include land tenure and expropriation, competitive crops, as well as competition for cane supply. The direct consequence of the above is lower yields leading to the inability of factories to utilise capacity. Various controls are in place to mitigate the risk including:

- sustainable cane variety selection;
- increased cane replant programmes; and
- proactive engagement with government and financial institutions/donors to provide cost effective funding for grower development and ratoon management.

- **Bulk water supply**

This is the inability to secure water required for agriculture and factory processes as well as potable consumption by employees and communities. Potential causes of this key risk is Illovo having drought or abstraction permits revoked, as well as poor maintenance of our canal systems and irrigation infrastructure. This will lead to lower yields which will impact the ability of factories to utilise capacity. Amongst the current controls for this risk are planned maintenance and replacement of infrastructure, irrigation scheduling and drought mitigation strategies, having our estates in close proximity to perennial water supply, appropriate investment in irrigation systems (centre pivots), and a group-wide water footprint assessment leading us to a better understanding of our water use.

- **Currency exposure**

Exposure to fluctuations in exchange rates are caused by country risk and the inherent macro-economic factors within countries. This could cause significant financial impact in the translation and transaction of foreign earnings. The following controls are in place:

- strict hedging policies and procedures;
- foreign cash flow forecasting of proceeds; and
- a centralised treasury function.

- **Skills and capabilities**

The inability to attract and retain a workforce with the required technical skills and capabilities remains a key risk facing the business. There are additional pressures in terms of the retention of critical skills. Some of the challenges are caused by the increased competition for scarce human resources, including competitors establishing a footprint in African markets where we are operating. In addition to those identified in the Human Capital Report on page 59, mitigating measures include:

- talent management processes for all disciplines;
- bursary and training programmes; and
- our establishment of a world class training centre for the agriculture and sugar processing disciplines.

Combined assurance

Our combined assurance model aims to optimise the assurance coverage obtained from management as well as internal and external assurance providers relative to the risk areas affecting the group. Collectively, they provide the board with assurances on the effectiveness of controls that mitigate the risks identified during risk assessments, as part of the governance practice recommended by King III.

Our combined assurance framework, which covers all the business operations of the group, is monitored by the Audit Committee and the Risk Management Committee, ensuring the integration, co-ordination, and alignment of risk management and assurance processes, and thereby optimising and maximising the level of risk, governance and control oversight across the group.

A combined assurance forum, which meets on a quarterly basis, assesses feedback on the effectiveness of the internal controls received from the assurance providers in a co-ordinated manner so as to identify gaps or improvement areas in the internal control framework. The forum also provides assurance that current control measures in place are adequate. The combined assurance plan is reviewed and updated on a quarterly basis and is used to provide an overall opinion and assurance to the Risk Management Committee on an annual basis.

Materiality assessment

The Risk Management Committee drives an ongoing risk assessment process to identify and rank our key risks and opportunities according to their probability and potential to materially impact our operations. This process informs the prioritisation of various material issues affecting all operations within the group, ensuring a dynamic and responsive business strategy.

We acknowledge the importance of a robust, continuous materiality assessment process to ensure that matters impacting upon the organisation's ability to create value over the short, medium and long term are identified. Through materiality assessments we identify, quantify, prioritise and respond to important stakeholder issues, both negative

and positive. A wide range of factors, both external and internal and encompassing regulatory, economic, social, political and global influences on the group, together with legitimate stakeholder expectations, impact our daily business operations. These are deliberated upon at both the operational and board levels across the group, feeding into our strategic framework and the identification of risk impacts on the organisation.

The issues identified are quantitative and qualitative in nature and cover internal and external perspectives. Internal issues are identified by considering our policies and procedures, codes of conduct and business ethics, strategies, targets, risk management processes and employee engagement. Identification of external risks takes into account stakeholders' interests and expectations, and matters identified in reporting initiative frameworks such as CDP's climate change and water responses, the JSE SRI Index requirements, the GRI requirements, the UN Global Compact, the UN Guiding Principles on Business and Human Rights, as well as legal and regulatory requirements. These are compared and prioritised, based on internal and external assessments.

The materiality assessment process also guides the prioritisation of topics identified during the stakeholder engagement process. Engagement with employees, shareholders, customers, service providers, non-governmental organisations and other interested persons leads to the identification of the primary issues governing these relationships and the topics of importance to our stakeholders generally. This ongoing engagement throughout the year is used as the basis for defining report content and prioritising business initiatives.