Corporate Governance Report

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. We strive for continuous improvement, 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.

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, our business operations are guided by the principles contained in the United Nations Global Compact (UNGC), the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights, the OECD (Organisation for Economic Co-operation and Development) recommendations regarding corruption, International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work and the Voluntary Principles on Security and Human Rights.

Our board of directors, committees and management are responsible for embedding practices into our businesses, consistent with these principles, in the six countries in which the group operates. This is achieved through group policies and guidelines, as well as audit and assurance procedures, which ensure compliance by all group companies with the applicable laws and regulations as well as the recognised codes of good practice. During the year under review, we embarked upon a restructuring of our group governance framework, with the aim of ensuring that the group businesses are well-managed and driven by socio-economic imperatives producing responsible, accountable and sustainable outcomes. The refinements include enhanced socio-economic impact audits, human rights impact assessments and due diligence processes in relation to our existing businesses and proposed new projects, as well as our supply-chain.

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 its interim and final results announcements, ensuring that these meet regulatory requirements, 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 annual general meeting, 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.

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 it 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 of directors

Illovo has a unitary board of directors, which during the year under review, comprised 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 the directors appear on pages 107 to 108 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, 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.

In accordance with the company's Memorandum of Incorporation, at each annual general meeting, 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 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.

At the 2015 annual general meeting, Messrs D G MacLeod and Hankinson, Prof P M Madi and Mrs C W N Molope will retire. Mr Hankinson and Mrs Molope have made themselves available for re-election and based on the favourable evaluations carried out in respect of each of them (see further page 64 dealing with the annual evaluations), the board, on the recommendation of the Nomination Committee, recommends their re-appointment.

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 annual general meeting.

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 undergo annual 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 M Rhodes resigned as a non-executive director with effect from 31 October 2014 and Mr J Cowper was appointed as non-executive director with effect from 10 March 2015. Following the year-end, Mr G Gomwe was appointed as an independent non-executive with effect from 1 June 2015 and Dr S Kana was nominated as a director subject to his election by the shareholders at the annual general meeting on 15 July 2015.

The board of directors has appointed Mr T Munday as Chairman of the board with effect from the close of the annual general meeting on 15 July 2015.

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 annual general meeting to respond to any shareholder queries. The chairmen of the committees report to the board on all matters delegated to them.

Attendance at board and committee meetings during the year ended 31 March 2015

	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	6	3	3[++]	n/a	n/a	3	3	2	2	1	1
Carr Dr M I	6	5	n/a	n/a	5	4	n/a	n/a	n/a	n/a	1	1
Cowper J[#]	1	1	n/a	n/a	n/a	n/a	1	1	n/a	n/a	n/a	n/a
Dalgleish G B	6	6	3	3[++]	5	5	3	2	2	2	1	1
Hankinson M J	6	6	3	3	5	5	3	2	n/a	n/a	1	1
Hulley J P	6	6	n/a	n/a	n/a	n/a	3	3	2	2	1	1
Konar Dr D	6	5	3	3	n/a	n/a	3	3	n/a	n/a	1	1
Lister P A	6	5	n/a	n/a	n/a	n/a	n/a	n/a	2	0	1	1
MacLeod D G	6	6	3	3**	5	5	3	3	2	2	1	1
Madi P M	6	5	n/a	n/a	1	0	n/a	n/a	2	2	1	1
Molope C W N	6	4	3	1	n/a	n/a	n/a	n/a	2	2	1	0
Mpungwe A R	6	5	n/a	n/a	n/a	n/a	3	3	1	0	1	1
Munday T S	6	6	3	3	5	5	3	3	2	2	1	1
Riddle L W	6	6	3	2[++]	n/a	n/a	n/a	n/a	2	2	1	1
Rhodes G M[^]	3	2	2	1[+]	n/a	n/a	2	2	n/a	n/a	1	0

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.*
^ *Mr Rhodes resigned as a director with effect from 31 October 2014.*
# *Mr Cowper was appointed as a director with effect from 10 March 2015.*

Audit Committee
In compliance with the Companies Act, King III and the JSE Listings Requirements, the company has appointed an Audit Committee, whose responsibilities and activities are covered in the Audit Committee Report. Audit committees are also established at each of the 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.

Remuneration/Nomination Committee
The Remuneration Committee and Nomination Committee are combined to form the Remuneration/Nomination Committee which consists of four non-executive directors, three of whom are independent. The members of the committee are Messrs M J Hankinson, D G MacLeod, T S Munday, and Dr M I Carr. Prof P M Madi, who was also a member, resigned from the committee during the course of the year.

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 Managing Director (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.

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 set out in the Remuneration 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 plays an integral role in relation to senior executive appointments. In addition to the assessments mentioned above in this report, the committee also carries out formal assessments of the performance of the Managing Director, and considers the Managing Director's reports on the performance of the executive directors and senior management.

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. Mr G M Rhodes ceased to be a member of the committee with effect from 31 October 2014, when he resigned as a director, and Mr J Cowper was appointed as a committee member with effect from 10 March 2015.

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; 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.

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

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, implementing the strategic plan and 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 include operational and strategic performance on economic, environmental, social and governance factors. Those undertaken in March 2015 concluded that the performance of the board and its committees was good and no deficiencies were identified.

Annual assessments are carried out to confirm the continued independence of each of the independent non-executive directors, including the Chairman, and written confirmation is obtained that each of them continues to meet the requirements for independence contemplated in paragraph 67 of Chapter 2 of King III and the Companies Act. In addition, the Nomination Committee carried out separate assessments in respect of those directors who have served on the board as independent non-executive directors for more than nine years (ie, Dr D Konar and Mr A R Mpungwe), both of whom were, after taking into account all relevant factors, found to remain independent and continue to have the necessary objectivity of business judgement, business acumen and skills pertinent to the businesses of the company. Based on these assessments, their re-appointment is recommended by the board.

The Nomination Committee also carried out assessments of the retiring directors who have made themselves available for re-election (ie, Mr M J Hankinson and Mrs C W N Molope), which were favourable, taking into account the relevant factors mentioned above, and based on such assessments, the board recommends their re-appointment.

In accordance with King III and the JSE Listings Requirements, an annual evaluation of the Company Secretary was carried out by the board and 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, both of which evaluations were favourable.

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, Dip Mar Law, 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 formal annual evaluation of the Company Secretary's performance during the year under review, which was favourable. 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 or 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.

Code of conduct and Business Ethics

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, which can be found on our website at www.illovosugar.com, embodies our key values and prescribes the conduct required of all employees to achieve these. The Code applies to all our businesses and business relationships. It prescribes the standards required not only from all our group employees, but also from our suppliers, service providers and representatives. The Code is reviewed annually to ensure that it keeps abreast of international best practice and the latest practices in relation to the 10 principles of the UN Global Compact and other internationally recognised human rights and guidelines.

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 are assessed for bribery and corruption risks and are regularly monitored as part of Illovo's Enterprise Risk Management process. We have a robust anti-bribery and corruption assessment procedure for our suppliers, which incorporates an ongoing risk assessment.

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 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 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 and Crime-line reporting process operates throughout the group and enables both internal and external stakeholders to report any suspected wrongdoings anonymously. The reporting line is operated by independent service providers, Deloitte & Touche, and all matters reported are appropriately investigated.

During the year under review, 78 reports were received through the Tip-Offs Anonymous line, all of which were investigated. This process resulted in 11 disciplinary enquiries which led to the dismissal of six employees. An investigation into corruption at the Swaziland operation was carried over from 2014. The allegations were substantiated and disciplinary enquiries are currently in progress.

Compliance

Illovo's compliance methodology, whilst aligned to international best practice, has been 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 ongoing 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 80 to 81 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 Audit Committee reviewed the Compliance Policy, Compliance Manual and Compliance Plan. In accordance with the Compliance Plan, various initiatives to embed 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 frameworks:** Our 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 is carried out at all our operations, as part of our "Do the Right Thing" campaign.
- **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. No legal proceedings for anti-competitive behaviour, anti-trust or monopoly practices were instituted against any of the group companies.

Training

Since 2012 we have carried out 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 company's Code of Conduct and Business Ethics and the policies and guidelines referred to therein.

To date, approximately one-third of our permanent employees have undergone governance, fraud, anti-corruption, and compliance training and all key employees have undergone dawn-raid and competition law training. This training also forms part of the induction process for new employees and the annual compliance and governance refresher training sessions conducted at all operations.

Supplier assessments

In pursuance of our commitment to adhere to high levels of compliance with both local and international law and best practice, 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 and the policies and guidelines referred to therein, and to be compliant with all the applicable local laws and codes of best practice in the countries in which they operate, failing which the contract may be terminated for breach.

As an initial step in our Ethical Supply-Chain assessment process, we have embarked upon assessments of our top seven suppliers (ie, those making up more than 50% of the total procurement spend) which assess them for their compliance with the United Nations Global Compact Principles, and other matters referred to in our Code of Conduct. We have also implemented measures to assess our supply-chain through eg, Fairtrade audits, educational programmes and awareness initiatives, to embed a culture that promotes human rights and is committed to abolishing all forms of human rights violations (including forced and child labour, land rights and fair labour practices).

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 Umzimkulu operations, as well as our Eston syrup factory have received FSSC 22000 certification (Food Safety Management System), our downstream plants at Sezela and Merebank have achieved HACCP and ISO 22000 certification (Food Safety Management System) respectively, while the Eston and Sezela mill operations are currently making progress towards this FSSC 22000 certification. Our warehousing facilities in Germiston, Pietermaritzburg and Cape Town have also received ISO 22000 certifications. Our Nchalo (Malawi), Nakambala (Zambia) and Ubombo (Swaziland) operations have received the FSSC 22000 certification while other operations in Malawi, Tanzania and Mozambique are currently making progress towards this certification. 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.

  The growing sugar and health debate is of concern to us, particularly the linkage between sugar consumption and increasing obesity rates. Illovo advocates the promotion of a balanced and healthy lifestyle. AB Sugar's "Making Sense of Sugar" campaign, which was launched last year, aims to educate people about sugar and the role it can play in a healthy balanced diet. We aim to provide factual information, based on robust science, so that everyone is able to make informed choices about what to consume. Further information can be found at www.makingsenseofsugar.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.

- ***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. Our annual Cane to Customer course was presented to our South African sugar operations' customers at our Noodsberg mill and was attended by representatives from Nestle, National Brands, Unilever and Coca Cola franchise bottlers.

- ***Customer relations***

  Formal complaints from our customers are processed through an internal sugar customer care line facility in South Africa, Malawi and Zambia, contact details of which are reflected on all domestic sugar and syrup prepacks. 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 in all the countries in which we operate.

  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.

During the year under review, we did not experience any incidents of material 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.

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, coordination, 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 ensures that the board receives an annual report 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 Managing Director, the Audit Committee, and the Chairman of the board.

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 includes, *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 Managing Director 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 prohibited 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.

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 are continuously monitored.*
2. *Given the level of 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.*

Reporting to stakeholders

As described in the Stakeholder Engagement section of this report and the Social and Ethics Committee Report, 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, the JSE Listings Requirements and best practice guidelines, 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 independent 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 2015 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

May 2015
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.

This report describes how the committee discharged its responsibilities in respect of the financial year ended 31 March 2015 and will be presented to the shareholders at the annual general meeting to be held on 15 July 2015.

Membership of the committee

The committee comprises six 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.

Meetings

In accordance with its Terms of Reference, the committee meets at least twice a year. During the year under review, the committee met in May and September 2014. The attendance of the committee members at those meetings is indicated in the table on page 63 of this report.

At each of its meetings the committee receives reports from other committees and management, and in turn reports on relevant matters within its mandate to the board.

Responsibilities

In accordance with its Terms of Reference and annual work plan, the committee fulfils the functions and responsibilities assigned to it in terms of the Companies Regulations and such other functions as may be 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.

The key 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;
- the group's standing relative to the United Nations Global Compact Principles, the OECD recommendations regarding the combating of corruption, the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights, the OECD (Organisation for Economic Co-operation and Development) recommendations regarding corruption, and the Voluntary Principles on Security and Human Rights;
- compliance with South Africa's Employment Equity Act and B-BBEE legislation;
- good corporate citizenship, including 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;
- good corporate citizenship, including the group's positioning and efforts in promoting equality, preventing unfair discrimination and combating corruption;
- promotion of equality and transformation and preventing unfair discrimination, through its Code of Conduct and Business Ethics and other social responsibility policies and strategies;
- 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; 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. It also monitors the company's adherence to its Code of Conduct and Business Ethics (available on the company's website: www.illovosugar.com) which prescribes the standards required from all group employees, suppliers, service providers and representatives, and which is reviewed annually.

Key focus areas

UN Global Compact Principles

During the year under review, the company introduced a process to track the implementation of the UN Global Compact Principles across the group's operations, the intention being to implement practices across the group in a cohesive manner, and to embed the principles into the business practices. A gap analysis was conducted and the key areas identified are tracked by the committee and progress is reported on at each meeting.

Code of Conduct and Business Ethics

The company's Code of Conduct and Business Ethics ("Code of Conduct") was reviewed against the internationally recognised human rights, including those set out in the United Nations Global Compact Principles, the OECD recommendations regarding the combating of corruption, the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights, the OECD (Organisation for Economic Co-operation and Development) recommendations regarding corruption, the Voluntary Principles on Security and Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights.

In terms of the Code of Conduct, the group businesses are required:

- to avoid any complicity in, 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 local 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.

Social and Ethics Committee Report

During the year under review, a project was implemented to conduct a comprehensive review of all group policies and procedures and to align these with internationally recognised human rights standards and best practice. This process was aligned with a restructure of the group's assurance processes, which incorporate consolidated, streamlined and enhanced third party assessments of the group's operations, and the measuring of these against the group's policies and internationally recognised standards.

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 the Code of Conduct (available on the company's website at www.illovosugar.com) and the policies and guidelines referred to therein, failing which the contract may be terminated for breach. Our ethical supply-chain monitoring process is elaborated upon in the Corporate Governance Report.

Land and land rights

Following a stakeholder engagement process with NGOs and other interested parties, the company implemented its Land and Land Rights Guidelines (available on the company's website at www.illovosugar.com), re-affirming its zero tolerance approach to land grabbing.

The guidelines complement our Strategic Intent and Code of Conduct, and ensure alignment with Illovo's comprehensive business sustainability and corporate social investment profile, with preservation of community land rights forming a key component.

In terms of the guidelines, we recognise our responsibility to take action and to use our influence to protect the land rights of the communities in the areas in which we operate and endeavour to ensure that impacts on the land and livelihood of local communities resulting from our initiatives are minimised and that any unavoidable impacts are managed for the mutual benefit of all stakeholders. Mechanisms to achieve these objectives include:

- assessing the social, economic and environmental impact of our activities to ensure that our projects and other business activities are in line with, and are assessed according to, accepted international standards;
- stakeholder engagement with local communities and public authorities on matters affecting their land ownership and land use rights;
- implementing and providing technical and facilitating financial support to local communities, farmers and small-scale grower schemes, in collaboration with reputable non-governmental organisations, development organisations and banks.

All proposed projects are required to undergo a stringent stage and gate process, including legal investigation of land tenure rights, adherence to 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, and working with reputable development organisations to ensure projects are in line with accepted international standards.

Key projects for the ensuing year include:

- a comprehensive examination of land rights registration in the area surrounding our Mozambique operation. This forms part of a process to develop guidelines to be implemented in relation to smallholder land development, which is being piloted through a multi-stakeholder forum which includes representatives of all key stakeholders and development partners; and
- a multi-stakeholder process, including representatives of the local communities, outgrower organisations, the government, land experts, development partners and international NGOs, with the aim of reaching a fair and equitable resolution of the ongoing competing land rights claims in the areas in which we operate in Malawi.

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

Forced and child labour

The company adopts a zero tolerance to all forms of forced and child labour in its operations and, through the implementation of its Forced Labour and Child Labour Guidelines, is committed to driving the elimination of all forms of forced labour and child labour in its supply-chain, in line with the UN Global Compact Principles 4 and 5.

The guidelines align with the company's Code of Conduct, pursuant to which all suppliers are required to provide contractual undertakings to adhere to the Code. In addition, we take measures to assess the risk of child and forced labour in our supply-chain through eg, Fairtrade audits, supplier assessments, educational programmes and awareness initiatives, to embed a culture that promotes human rights and is committed to abolishing these forms of human rights violations.

Environment

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

Our group environmental strategy, which covers a range of objectives and responsibilities, defines a five-year approach to our environmental management. Our environmental initiatives continue to include participation in the CDP water and CDP climate change reporting process. Our water foot-printing process, carried out by our consultants, WSP, continues to assist the company in determining its water risk profile and identifying water-related opportunities.

Ethics

Our Anti-Bribery and Corruption Policy, Fraud Policy and Code of Conduct 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. We also initiated a group-wide anti-corruption campaign, enforcing our zero tolerance to any forms of corruption in our business as well as our supply-chain.

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.

As indicated in our Human Capital Report, skills development remains an area of focus, implemented through various skills development programmes across the group. Our initiatives relative to the Broad-Based Black Economic Empowerment Act and Codes in South Africa, as well as localisation in the other countries in which we operate, include the development and advancement of local talent and are elaborated upon in the Human Capital Report.

Entry level accommodation conditions across the group continues to be reviewed and improvements made according to the group minimum accommodation standards, formulated in accordance with the International Finance Corporation (World Bank) Guidelines.

Health and safety
Our health and safety practices continued to improve annually, as reported more fully in our Human Capital Report under occupational safety.

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 health care programmes are reported on more fully in the Human Capital Report.

Socio-economic development
One of the key pillars of Illovo's Strategic Intent and sustainability model is to be welcomed in the communities in which it operates, without whose co-operation the group would not be able to sustain its businesses. Accordingly, Illovo strives to support the advancement of these communities, and our Corporate Social Investment Policy entrenches this philosophy. Sustainable community development is achieved, *inter alia*, through employment, procurement and supply-chain development.

As indicated by the independent socio-economic impact assessments carried out by our consultants, Corporate Citizenship (available on the company's website at www.illovosugar.com), the group provides 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.

The numerous contributions we make are also addressed in our Socio-economic Impact Report (which may be viewed on our website at www.illovosugar.com).

Sustainability
As more fully set out in our Climate Change Report, the group's sustainability policy gives focus to energy and emissions, biodiversity, water, sustainable farming practices, economic factors, including outgrower development, agricultural productivity and product responsibility.

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), CI and "doing more with less" in agricultural productivity (an initiative which is being embedded across the group).

Consumer legislation
In terms of regulation 43(5)(a)(iv) of the Companies Regulations 2011, the committee continues to review compliance with applicable consumer laws.

Evaluation of committee performance

During March 2015, an evaluation of the committee's performance, carried out as part of the evaluation process (detailed in the Corporate Governance Report) indicated that the committee had generally fulfilled its obligations in a consistently good fashion.

On behalf of the Social and Ethics Committee

Prof P M Madi
Social and Ethics Committee Chairman

May 2015

Remuneration Report

Role and responsibility of the Remuneration Committee

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, 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 the awards achieved in the prior year;
- approves the annual award of options and shares in terms of the group's longer-term performance Phantom Share Scheme (PSS) and Forfeitable Share Plan (FSP) respectively;
- 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 resultant report, the committee was satisfied that these are in line with positions of similar content and complexity in the market.

In terms of the committee's Terms of Reference, the Chairman is required to report to the board after each meeting and attend the annual general meeting 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.

The committee strives to align 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. 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 include:

- 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 HEPS, as well as achievement of relevant return on net assets (RONA) targets. The operational targets typically relate to the achievement of 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 are catered for by the PSS referred to below, which is extended to key senior staff members. The PSS is directly aligned to the company's share performance and incorporate a performance hurdle, thus only being of value when beneficial to shareholders.

Other substantive benefits include in-house health care 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 PRBS mentioned above is also applicable to executive management, focusing on specific annual targets (including social and environmental performance 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 average payments for the year under review were as follows:

Executive directors' performance bonus criteria	Bonus cap (% of annual salary)	Executive directors' performance average achievement %
Group financial results	80	5.0
Working capital management	10	0
Key performance objectives	35	27.6
Total	125	32.6

Long-term incentive
Long-term incentives were provided by the Illovo Sugar 1992 Share Option Scheme (the options under which have now all been exercised or forfeited) and later by the PSS, which was introduced in 2005. Recognising that the PSS does not necessarily provide an adequate incentive or retention 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, the company introduced the FSP in 2014 as an additional long-term incentive plan for directors and selected key executive senior employees. Details of these schemes are set out below.

Share schemes

The shares in the company held by the directors as at 31 March 2015 are reflected in the Directors' Report.

Illovo Sugar 1992 Share Option Scheme (Option Scheme)

None of the directors hold any options in terms of the closed Option Scheme, all such options having been exercised.

Illovo Sugar Phantom Share Scheme

Further information regarding the PSS is set out in the Directors' 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 154 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. In 2007, performance target hurdles were also introduced. During the period 2007 until 2014, the performance hurdles required that the group HEPS cumulative performance from year of grant must exceed the cumulative South African gross domestic product (GDP) for the same period, as follows:

- 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.

With effect from 2014, the performance target hurdle was amended, with the South African Consumer Price Index (CPI) replacing GDP and requiring that the group HEPS cumulative performance from year of grant must exceed the cumulative CPI for the same period, as follows:

- 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.

Each option remains in force for a period for 10 years after the date of grant thereof (unless it lapses in terms of the rules of the scheme), but is only exercisable if and when the target hurdles are met. In addition, if the target hurdles are met, the options are only capable of being exercised in tranches, ie, as to one-third after three years from the date of grant, two-thirds after four years and the balance after five years.

The performance against the performance targets since 2007 has been as follows:

- grant date 2007: HEPS outperformed GDP plus 5% at the end of year three (2010). Therefore, vested options are exercisable;
- grant date 2008: HEPS outperformed GDP plus 2.5% at the end of year five (2013). Therefore, 50% of the options are exercisable as the hurdle has been met at GDP plus 2.5%. The GDP plus 5% target is still to be achieved and 50% of the options therefore remain unexercisable;
- grant date 2009: HEPS has underperformed GDP plus 2.5% to date (at the end of year six). Therefore, vested options remain unexercisable;
- grant date 2010: HEPS has underperformed GDP plus 2.5% to date (at the end of year five). Therefore, vested options remain unexercisable;

- grant date 2011: HEPS outperformed GDP plus 2.5% at the end of year three (2014). Therefore, 50% of the options are exercisable as the hurdle has been met at GDP plus 2.5% (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 2012: HEPS outperformed GDP plus 5% at end of year three. Therefore, 100% of the options for this allocation are exercisable (subject to the "vesting rule" referred to above); and
- the 2013 and 2014 allocations are still to be measured against the three-year HEPS target.

Phantom options granted to executive directors

The table below 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 2015:

	Options as at 31 March 2014	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 2015	Expiry date
Abdool-Samad M H	150 000	2 702		–	–		150 000	26.05.2021
	63 100	2 573		–	–		63 100	22.05.2022
	68 500	3 445		–	–		68 500	21.05.2023
		2 878	31 000				31 000	20.05.2024
	281 600		31 000		–		312 600	
Dalgleish 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
	77 500	3 445					77 500	21.05.2023
		2 878	75 000				75 000	20.05.2024
	260 000		75 000				335 000	
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
	13 000	3 445					13 000	21.05.2023
		2 878	33 000				33 000	20.05.2024
	100 500		33 000	–	–		133 500	
MacLeod D G#	100 000	2 364		50 000	3 038		50 000	23.07.2017
	140 000	2 867		–	–		140 000	09.07.2018
	240 000			50 000	–		190 000	
Riddle L W	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
	77 000	3 445					77 000	21.05.2023
		2 878	24 000				24 000	20.05.2024
	339 000		24 000		–		363 000	
	1 221 100		163 000	50 000	–		1 334 100	

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

Forfeitable Share Plan

The FSP was approved in May 2014, with the intention of introducing a long-term incentive plan for directors and selected executive senior employees and providing a mechanism to enable the company to attract and retain executives and other key management whose skills are necessary to enable the company to fulfil its long-term goals, which the PSS does not provide due to the relative stability of the Illovo share price.

The FSP is not a share option scheme contemplated in Schedule 14 of the JSE Listings Requirements. Shares allocated under the FSP are purchased on the market and paid for by the company. The FSP therefore does not entail the issue of any equity securities (including options) and does not result in a dilution of the shareholdings of its equity securities holders.

The FSP provides for the award of shares to executive directors and a limited number of senior key employees. Ownership of the awarded shares vests immediately following an award, allowing participants to receive the benefits of ownership (ie, dividends and voting rights), but in order to achieve an alignment of the interests of management and shareholders, performance conditions in the form of continuing employment and financial hurdle achievements must be met, failing which the allocated shares are forfeited.

The total number of shares which may be allocated under the plan may not exceed 1% (one percent) of the issued ordinary shares (ie, a total of 4 607 305), and the maximum number of shares that may be issued to any one person in terms of the FSP is 0.1% of the issued ordinary shares, which equates to 460 730 shares.

In terms of the FSP Rules, the Company's Remuneration Committee ("Committee") has the final authority to grant awards of shares to participants and to set the conditions attaching to each such award. Awards of Shares may comprise "Performance Shares" or "Restricted Shares". Performance Shares may be awarded by the Committee on an annual basis as soon as practicable after the publication of the company's annual or interim results for any period. Performance Shares are subject to the fulfilment of specified performance conditions ("Performance Conditions") measured over a specified period which is aligned with the financial years of the company ("Performance Period") determined by the Committee, as well as the condition that the participant remains employed with the Illovo group for a specified period determined by the Committee ("Employment Condition"). Restricted Shares will only be awarded in exceptional circumstances in order to retain or attract a key executive, and any award of Restricted Shares will also be conditional upon the participant remaining in the employ of the Illovo group for a specified period determined by the Committee.

In line with good corporate governance principles, Performance Conditions are not retested if they are not met at the end of the Performance Period. To the extent that the Employment Condition or Performance Condition(s) (as the case may be) are not met, the relevant Performance Shares or Restricted Shares (as the case may be) in relation to which the conditions are not met will be forfeited. Employees terminating employment due to resignation or dismissal on grounds of misconduct, proven poor performance or proven dishonest or fraudulent conduct will forfeit all unvested awards. Forfeited shares are sold on the market and not repurchased by the company.

The FSP is aimed at approximately 30 executives and senior managers of the Illovo group. The Committee may, however, in its discretion, include any other permanent employee of any company in the Illovo group for participation in the FSP in exceptional circumstances.

Award levels are determined by the Committee having regard to a participant's salary, grade, performance, retention requirements and market practice, as well as other relevant circumstances at that time. Annual awards are made having regard to a market-related level of remuneration as well as the overall affordability to the employer company. Indicative fair value of allocations under the FSP and the PSS will in the aggregate remain similar before and after the introduction of the FSP.

The conditions of the FSP will continue to be reviewed in line with best practice.

In May 2014, the Committee awarded 224 000 shares to executive directors and senior employees. These shares were purchased and transferred to the relevant participants on 2 December 2014.

The table below reflects the forfeitable shares allocated, purchased and transferred to executive directors, as at 31 March 2015:

	Number of shares
Abdool-Samad M H	**31 000**
Dalgleish G B	**75 000**
Hulley J P	**33 000**
Riddle L W	**24 000**

Compensation of directors/prescribed officers

Executive directors

The remuneration of executive directors for the year ended 31 March 2015 was as follows:

	Salary R000	Bonus R000	Retirement, medical and UIF contributions R000	Car allowances R000	Total reward R000
Abdool-Samad M H	3 445	1 034	455	230	**5 164**
Dalgleish G B	4 806	1 300	587	379	**7 072**
Hulley J P	2 715	718	367	275	**4 075**
Riddle L W	2 659	997	370	295	**4 321**
Total	**13 625**	**4 049**	**1 779**	**1 179**	**20 632**

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 re-location 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*

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.

Non-executive directors

The fees paid to non-executive directors for the years ended 31 March 2014 and 31 March 2015 were as follows:

	2015 R'000	2014 R'000
Hankinson M J	**664**	597
Konar Dr D	**525**	501
MacLeod D G**	**2 200**	2 200
Madi Prof P M	**430**	447
Molope C W N	**484**	436
Mpungwe A R	**421**	317
Munday T S	**736**	630
Carr Dr M I#	**–**	–
Cowper J#	**–**	–
Lister P A#	**–**	–
Rhodes G M#	**–**	–
Total	**5 460**	5 128

** *The Chairman's remuneration is approved by the Remuneration Committee, having regard to the extent of the duties that he assumes. The Chairman attends all board committee meetings of the company.*

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.

Post-retirement medical aid

Post-retirement medical aid contributions paid on behalf of past directors amounted to R128 685 for the year under review, compared to R83 463 for the year ended 31 March 2014.

Risk Management Report

The acceptance of risk is an integral part of Illovo's businesses. Management of that risk is therefore critical to Illovo's continuing profitability. The Illovo 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. Where risk is assumed it is undertaken within a calculated and controlled framework that assigns clear roles and responsibilities.

Illovo's risk management culture is underpinned by a three-tiered approach. The first is that the primary responsibility for risk management lies at the business level, and risk owners throughout the group at corporate and country level are responsible for their identified risks and the appropriate management thereof. The following tier is the risk management function which guides effective risk identification and mitigation processes applied on a daily basis, through the group Enterprise Risk Management (ERM) system, including internal controls, monitoring mechanisms and relevant stakeholder engagement activities. The final tier is the group's internal audit function responsible for independent review of the group ERM process, systems and controls. 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 Illovo's materiality assessment processes.

Our ERM process is designed to facilitate the achievement of our business strategy and plans, through the identification and maximisation 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 at both group and country level, with the resulting risk improvement plans being monitored closely. 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, commercial, 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 annually, 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 underpin the annual strategic plan approved by the board.

Business continuity plans for all group operations are incorporated within the ERM framework, and training and testing to ensure capability and capacity 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 most important strategic, commercial, financial and operational risks which are considered as potentially having the most material impact upon the group, should they occur:

- ***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 the lack of market protective measures implemented by governments create an inability to maintain acceptable margins. Mitigating controls include improvement to logistics and a refocus on markets that offer trade advantages. This risk and mitigating actions are also dealt with in the Commercial Director's Review.

- ***Weather***

  The impact of abnormal weather conditions is a significant risk to the business. Causes may be related to global warming and resultant deforestation which impact on cane yields, resulting in the inability of our factories to utilise installed 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 early warning systems for flooding; and
  – continually evaluating and selecting drought tolerant cane varieties.

- ***Sugar imports***

  The importation of duty-free sugar into the countries in which we operate presents a risk to our being able to compete at acceptable margins. Such market conditions are caused primarily on the world market by way of a range of production subsidies which are granted to global sugar producers. Together with the imminent de-regulation of the EU sugar regime, these conditions can lead to unfair competition and lower prices in our own markets, resulting in the loss of revenue and profits. The mitigating controls are referred to in the Commercial Director's Review and include the focus on improving the existing regulatory frameworks in the countries in which we operate.

- ***Interest rate exposure***

  Exposure to fluctuations in interest rates due to both country risk and macroeconomic factors, for example the inflationary effect of a strengthening US Dollar forcing emerging markets to increase interest rates so as to protect their local currencies, has a significant effect on financing costs as well as putting the affordability of capital projects at risk. The mitigating controls are referred to in the Financial Director's Review.

- ***Quality***

  Poor product quality (sugar and downstream) and non-compliance with quality control standards impact upon the company's reputation and may result in reduced sales. This risk has assumed increasing importance as our direct exports into the EU of high-value speciality sugars have grown in volume. The mitigating controls are referred to in the Operations Director's Review and include a project to obtain FSSC 22000 certification at all our operations.

- ***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.

- ***Exceptional input cost increases***

  This key risk is best described by cost pressures on fuel, electricity, fertiliser, salaries and wages, impacting margins and long-term competitiveness. Any one of these risks, or a combination, could potentially result in a margin squeeze on the business. Among the controls in place to mitigate the risk include:

  - centralised supply-chain contracts;
  - natural hedges to purchase US Dollar goods and services, in particular, in Malawi and Zambia; and
  - operation's executives CI targets.

- ***Cane supply***

  Cane supply, cane yields and cane quality are vital for the business. Challenges to the former include land tenure and expropriation, competitive crops, competition for cane supply, as well as the viability of our supplying outgrowers. In terms of cane yield and quality, abnormal weather conditions, power supply interruptions, pests and diseases, can also pose their own risks, all of which could potentially lead to lower cane yields and impact the ability of our factories to utilise their installed capacity. Various controls are in place to mitigate the risk including:

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

- ***Country and investment***

  Broad political/government relations issues as a result for example, of changes in government or civil unrest can cause political uncertainty and lead to lack of availability of foreign exchange, reduction in regulatory support (eg, import tariffs), shortage of basic commodities and a deteriorating infrastructure. The stakeholder engagement initiatives referred to on page 18 are an important mitigating factor. Additional controls include monitoring of political situations in operating countries through specialist service providers and ongoing country risk assessments.

- ***Factory utilisation and performance***

  Sub-optimal factory utilisation and performance continues to be risks to the business. These risks are caused primarily as a result of no cane stops, poor quality of the cane received (which impact recoveries of sugar from cane) and unplanned breakdown of equipment. Risk control measures include:

  - consideration of detailed weekly reports covering factory statistics;
  - de-bottlenecking programmes;
  - securing cane supply; and
  - continuous improvement via capability development and improved logistic management.

Illovo recognises that an effective risk management framework depends on robust processes and controls, together with an embedded and mature risk culture across the business which results in clear goal and expectation setting and leads to the efficient monitoring, measuring and management of key performance indicators at an executive level.

Combined assurance

Our custom-designed combined assurance framework, implemented throughout the group, is aimed at providing the assurance that all identified risks are adequately managed and coordinating the assurance efforts of management, internal assurance providers and external assurance providers. Collectively, they provide the board with assurances that effective controls are in place to mitigate against the identified risks during risk assessments, and 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, coordination, 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 risk management forum, which meets twice yearly, assesses feedback relating to the effectiveness of the internal controls received from the assurance providers in a coordinated 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. One of the most important outcomes of the combined assurance process is to ensure that each operation is continually benchmarked in terms of the assurance that is provided to uphold best practice and limit duplication of effort.

Our materiality assessment is covered in full on pages 16 and 17.