



Integrated Annual Report

for the year ended 31 March 2015

BUSINESS OVERVIEW

LEADERSHIP AND COMMENTARIES

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

Corporate governance > **Social and Ethics Committee report**

Corporate governance report

Social and Ethics Committee report

Remuneration report

Risk management report

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 here](#) in 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.

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:

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 on-going 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

Supporting documents	External Links	AGM	Contact Us
<ul style="list-style-type: none"> ▪ GRI Index and Sustainability Assurance (IRAS) ▪ Full annual financial statements ▪ Excel downloads 	<ul style="list-style-type: none"> ▪ Investor site ▪ Previous reports ▪ SENS 	<p>Date: Wed, 15 July Time: 14:00 Venue: Illovo Sugar Park</p> <p>Notice of AGM Proxy</p>	<p>Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe, KwaZulu-Natal Tel: +27 31 508 4300</p> <hr/> <p>Feedback</p> <hr/>