

## Independent Assurance Statement

### *To the Board and stakeholders of Illovo Sugar Limited (Illovo)*

**Integrated Reporting & Assurance Services (IRAS)** was commissioned by Illovo Sugar Limited (hereafter, 'Illovo') to provide independent third party assurance (ITPA) over the sustainability information contained within Illovo's suite of reports summing to what is hereby referred to as its Sustainability Report, or 'the Report'), covering the 12-month period from 01 April 2015 to 31 March 2016. The Report consists of three documents; the *Environmental Impacts & Climate Change Report*, the *Human Capital Report* and the *Socioeconomic Impact Report*. All three documents being available in .pdf download format on the Illovo website (www.illovo.co.za).

The assurance team comprised primarily of Michael H. Rea, our Lead Certified Sustainability Assurance Practitioner (CSAP), with more than 17 years' experience in environmental and social performance measurement and assurance in 88 assurance engagements in 18 countries, with support provided by our team of junior associates.

### **AccountAbility AA1000AS (revised, 2008)**

To the best of our ability, this assurance engagement has been managed in accordance with AccountAbility's AA1000AS (2008) assurance standard, where the format of the engagement was structured to meet the AA1000AS Type II (Moderate) requirements, complete with visits to selected sites to test the systems and controls in place to collect, collate and report data at source.

### **Independence**

**IRAS** was not responsible for the preparation of any part of the Report and has not undertaken any other engagements for Illovo that would compromise our ability to afford ITPA over the Report. Responsibility for producing the Report belonged to Illovo and its sustainability reporting advisors. Thus **IRAS** is, and remains, an independent assurer over the content and processes pertaining to this Report.

Although this assurance statement is directed at key Illovo stakeholders, as the users of the Report, **IRAS'** ultimate responsibility in performing its assurance activities is to the management of Illovo in accordance with the terms of reference agreed with them.

### **"The Report"**

During the course of the reporting period, Illovo was purchased by its largest shareholder resulting in the company's de-listing from the Johannesburg Securities Exchange (JSE) shortly after the closing of Illovo's financial year end. This significant change in ownership led to management's decision to no longer produce an integrated annual report (IAR), as in prior years, but to continue to provide stakeholders with progress reporting on key environmental, social and governance matters. Thus, the scope of our assurance engagement shifted to reviews of what were previously referred to as "supplemental sustainability reports"; the *Environmental Impacts & Climate Change Report*, the *Human Capital Report* and the *Socioeconomic Impact Report*. **IRAS** did not review Illovo's 2016 financial statements.

### **Assurance objectives**

The assurance process was designed to provide stakeholders of Illovo with an independent 'moderate level assurance' opinion on whether the Report meets the following objectives:

- Adherence to AccountAbility's AA1000AS (2008) principles of **Inclusivity**, **Materiality** and **Responsiveness**;
- Reasonable adherence to local and international expectations for effective reporting; and,
- Accuracy, consistency, completeness and reliability of reported data, relative to a set of selected sustainability indicators, as tested at selected sites.

In meeting the Type II assurance objectives, **IRAS** undertook a review of selected sustainability performance indicators at the following operational sites:

2016: Dwangwa (Malawi), Merebank (South Africa) and Sezela (South Africa)

The site visit at Sezela represented a re-visit, where **IRAS** was able to conduct an assessment of whether or not the site could demonstrate process and/or control improvements based on prior year assurance engagement findings (at Sezela, and via feedback on site visits to other operations).

It should be noted that **IRAS** has provided ITPA services to Illovo for the 2011 through 2015 reporting periods. During our prior engagements, the AA1000AS (Type I) assurance standard was applied (2011 to 2012), with an increase to

AA1000AS (Type II) assurance standard application as from 2013. To meet the Type II requirements, the following sites have been previously visited for assurance purposes:

- 2015: Eston (South Africa), Kilombero (Tanzania) and Maragra (Mozambique).
- 2014: Nchalo (Malawi), Noodsberg and Ubombo (Swaziland)
- 2013: Sezela (South Africa) and Nakambala (Zambia)

This cycle of assurance site visits provides **IRAS** with the ability to assess the overall completeness and reliability of information contained within the Report.

## Scope of work performed

### AA1000AS (2008) Compliance

The process used in arriving at this assurance statement is based on AccountAbility's AA1000AS (2008) guidance, as well as other best practices in assurance. Our approach to assurance included the following:

- A review of sustainability measurement and reporting procedures at Illovo's head offices to determine the context and content of sustainability management by the company;
- A review of Illovo's information collation and reporting procedures to define the content of the Report by looking at the materiality of issues included in the Report, stakeholder engagement responses to issues identified, determination of sustainability context and coverage of material issues, ultimately leading to adherence to the AA1000AS principles of *Inclusivity*, *Materiality* and *Responsiveness*;
- A review of data collection, collation and reporting procedures at selected sites (as stated above), with specific reference to the following selected sustainability performance indicators:
  - **Number of Employees**
    - a) Total number of Permanent Employees
    - b) Temporary Employees (i.e., those working for 90 days or less)
    - c) Fixed-Term Employees (i.e., those not deemed "Permanent", but on an employment contract of >90 days...including "Seasonal Workers")
    - d) Seasonal Workers
  - **Training** Average Rand value of training spend per trained employee
  - **Gender Equity** Percentage of females throughout the workforce, and at management levels
  - **Community Investment**
    - a) Total Rand value of expenditures on socio-economic development projects (i.e., Corporate Social Investment or "CSI")
    - b) Policies and procedures for effective monitoring & evaluation (M&E) over socioeconomic development (SED) projects
  - **Person Hours Worked** Total number of person hours worked (employees and contractors)
  - **FIFR** Fatal Injury Frequency Rate: Number of work-related fatal injuries (i.e., injuries leading to death) per 200 000 person hours worked (employees and contractors)
  - **LTIFR** Lost Time Injury Frequency Rate: the number of 'Lost Time Injuries' (LTIs) per 200 000 person hours worked
  - **TIFR** Total Injury Frequency Rate: the number of 'Injuries on Duty' (IODs), including First Aid Cases (FACs), Medical Treatment Cases (MTCs), LTIs and Fatalities per 200 000 person hours worked
  - **HIV/AIDS**
    - a) Number of persons undergoing Voluntary Counselling & Testing (VCT)
    - b) Number of persons identified as HIV+, including 'new cases'

- **Water consumption**
  - a) Total volume of water imported from all sources (i.e., municipal supply, rivers, streams, groundwater, boreholes, etc.)
  - b) Total volume of water consumed for primary business/operational purposes
  - c) Total volume of water exported to local communities as part of social responsibility programmes
  - d) Total volume of water discharged/returned to source through treated effluent discharge and/or raw water expulsion
  
- **Electricity consumption**
  - a) Total direct & indirect electricity imported (i.e., purchases) from an external power generator
  - b) Total electricity generated for consumption and/or distribution to local communities (or national infrastructure)
  - c) Total electricity consumed for primary business/operational purposes
  - d) Total electricity exported to local communities as part of social responsibility programmes
  - e) Total electricity exported to third parties and/or national infrastructure (sold and/or provided as part of social responsibility programmes)
  
- **Fuels consumption**
  - a) Total volume of petrol consumed, inclusive of vehicles, generators, etc.
  - b) Total volume of diesel consumed, inclusive of vehicles, generators, etc.
  
- Reviews of drafts of the Report for significant errors, anomalies and/or insupportable assertions; and,
- A series of interviews with the individual responsible for collating and writing various parts of the Report in order to ensure selected claims were reported and substantiated.

Due to the scope and nature of this AA1000AS (Type II, Moderate) assurance engagement, site visits were undertaken to test the authenticity of data at the primary source of collection and collation, and the Report has been assessed at the point of data aggregation for accuracy of reporting.

It should be noted that based on the scope of this engagement, inclusive of the environmental indicators reviewed, **IRAS** was further engaged to provide assurance over the content of Illovo's 2016 Carbon Disclosure Project (CDP) and CDP Water submissions. Separate assurance statements were provided for these submissions.

## Findings

Overall, it was determined during this year's assurance process that, in general, the company's sustainability reporting processes are adequate, and it was noted that:

- Site visit inspections concluded that Illovo's systems for data collection, collation and reporting continue to improve, as the group-wide understanding and application of its sustainability Group definitions and internal control procedures, is enhanced at operations. However, it should be noted that at some sites (e.g., Dwangwa) over-reporting of total water consumption may occur due to inadequate systems and controls to measure water outflows back into rivers (i.e., discharges). Although water mass balances continue to improve across the group, process improvements are still required at some sites to ensure that reported data is consistent across the group, and that entities implement their own internal control procedures for data accuracy, consistency, completeness and reliability.
- Although some errors in data accuracy and reliability were identified at each of the sites, the errors have not led to a need for qualification of information contained within the Report, as the tested site-specific data was deemed accurate prior to final reporting. Where identified, process improvements have been recommended and applied by Illovo to ensure that reported data is consistent across the group, and that each reporting entity implements its own internal control procedures for improved data accuracy and reliability. The only significant exception to the above is as follows:
- While investments into communities surrounding operations via socioeconomic development (SED) spend projects are well managed, more should be done to ensure that improved policies and procedures for effective monitoring & evaluation (M&E) over SED projects is implemented to ensure that Illovo can improve its ability to report back to society on the developmental returns each operation is able to effect from projects.

- Within the context of Illovo's reporting for the period under review, inclusive of the move away from producing an IAR, the Report adequately adheres to the Accountability AA1000APS principles of **Inclusivity**, **Materiality** and **Responsiveness**, although more could be done to improve the level of stakeholder engagement disclosure in each of the three documents, but only due to the fact that prior reporting relied heavily on the IAR to better explain the company's stakeholder engagement processes and outcomes.

### Conclusions and Recommendations

Based on the information reviewed via our site visits, desk research and management interviews, **IRAS** is confident that the Report provides a comprehensive and balanced account of Illovo's human capital, health & safety, environmental and socioeconomic impact performance for the period under review. The data presented is based on systematic processes and we are satisfied that the reported performance data accurately represents Illovo's current ability to manage and/or report on its performance, while meeting the AA1000AS (2008) principles of **Inclusivity**, **Materiality** and **Responsiveness**.

However, the following recommendations have been identified:

- With respect to adherence to AccountAbility's AA1000APS principle of **Inclusivity**, particularly with respect to the way in which Illovo now reports to key stakeholders (i.e., in the absence of an IAR), Illovo should continue to ensure that stakeholder engagement progresses towards the active inclusion of all significant stakeholders, and that a regular review of stakeholders tests for completeness and relevance. Moreover, Illovo should continue to ensure that formalised stakeholder engagement policies and procedures are adopted throughout the group, and that each of the three "supplemental sustainability reports" include an adequate discussion of relevant stakeholder engagement processes and outcomes.
- Illovo should continue to ensure that all Socio-economic Development (SED) projects are aligned, monitored and measured according to Group standards for having a significant impact on the developmental priorities (e.g., Health and Education) that are deemed most material to key stakeholders (e.g., the communities in which the company operates) of both the individual sites and the Illovo group.
- Illovo should ensure that all sites capture training attendance registers in a database (e.g., Excel or MS Access) that can be data mined to determine the actual number of persons trained, thereby eliminating the possibility of multiple counting employees if/when they attend more than one training intervention in any given year.
- Even though Illovo is no longer a separately listed company, Illovo should continue to not only produce direct feedback to stakeholders, but should also ensure that reporting is coupled with assurance engagements that include the site visit testing of data.

For more information about the assurance process employed to assess the sustainability information contained within Illovo's 2016 sustainability reporting, email [michael@iras.co.za](mailto:michael@iras.co.za)



### Integrated Reporting & Assurance Services

Johannesburg  
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