

CORPORATE GOVERNANCE

APPROACH TO EFFECTIVE GOVERNANCE

The Board of Directors (the Board) recognises the inextricable link between effective governance, sustainable organisational performance and creating long-term value for all stakeholders. The Board is therefore committed to transparency, accountability, integrity and ethical leadership.

Tongaat Hulett continues to apply the principles of the King Report on Governance for South Africa and the King Code on Governance Principles 2009 (King III), and the recommendations relevant to its business. Tongaat Hulett's King III compliance register is available at www.tongaat.com. It includes detail of how each principle has been applied and is reviewed on a regular basis to ensure that the disclosures are current and remain relevant. The company's approach to corporate governance continues to reflect that governance is regarded by the Board not as a mere compliance exercise that measures basic compliance with King III, but rather confirms that best practice principles are effectively utilised and embedded by the company in its daily activities.

Tongaat Hulett has commenced with the process of ensuring compliance with King IV which is applicable from April 2017, and will disclose as such in the 2018 integrated annual report.

This corporate governance report has been aligned to King III, the Companies Act, the Listings Requirements of the JSE Limited (JSE), and other pertinent statutes and regulatory requirements guiding the Board's and company's conduct for the period under review.

BOARD OF DIRECTORS

BOARD COMPOSITION

Tongaat Hulett has a unitary Board structure, which at 31 March 2017 comprised nine non-executive and two executive directors, drawn from a broad spectrum of the business community. Collectively, the directors possess a wide array of skills, knowledge and experience, and bring independent judgement to Board deliberations and decisions, with no one individual or group having unfettered powers of decision-making. The Board acknowledges that its demographic diversity (including race, historically disadvantaged groups, age and nationality) promotes the consideration of various perspectives and thus enhances robust, balanced and effective discussions at the top tier of the organisation. The Board is sufficiently gender diverse, with five out of eleven directors on the Board being women, and has formally adopted a gender policy in accordance with the JSE Listings Requirements. The roles of the Non-Executive Chairman, CB Sibisi, and the Chief Executive Officer, PH Staude, are separate with a clear division of responsibilities. The Chairman is not considered fully independent by virtue of his involvement in the company's BEE equity participation structure. Ms John, who is an Independent Non-executive Director is the Lead Independent Director in situations where the Chairman is not independent.

BOARD CHARTER AND DELEGATED AUTHORITIES

The Board has an approved charter and an annual work plan that outline matters identified and reserved for its consideration.

| Board Of Directors | | Board Committees | | | |
|---|----------------|----------------------|--------------|------------|------------------------------|
| Name | Year Appointed | Audit and Compliance | Remuneration | Nomination | Risk, SHE, Social and Ethics |
| Non-Executive Directors | | | | | |
| CB Sibisi (Chairman) | 2007 | | Member | Chairman | |
| SM Beesley* | 2014 | Member | | | Member |
| F Jakoet* | 2008 | Member | | | Member |
| J John (LID)** | 2007 | Chairman | | | |
| RP Kupara* | 2009 | Member | | | |
| TN Mgoduso | 2010 | | | | Member |
| N Mjoli-Mncube* | 2008 | | Member | Member | Chairman |
| SG Pretorius* | 2011 | | Chairman | Member | |
| TA Salomão* | 2015 | | | | |
| Executive Directors | | | | | |
| PH Staude (CEO) | 1997 | | | | Member |
| MH Munro | 2003 | | | | Member |
| * Independent non-executive directors ** Lead independent director | | | | | |

It records the Board's objective to provide responsible business leadership with due regard to the interests of shareholders and other stakeholders, whilst reflecting a demonstrable concern for sustainability as a business opportunity that guides strategy formulation. It includes the Board's responsibility to amongst others, approve strategy, business plans and budgets, provide effective leadership based on an ethical foundation, oversee governance of risk and information technology, ensure succession planning, approve annual results and review significant policies and governance frameworks. The charter also highlights the role of the Board as the custodian of corporate governance, and addresses the fiduciary duties and responsibilities of the board and directors.

The Board has mandated the following four committees, each with a Board approved terms of reference, to support it in the execution of its governance responsibilities.

- Audit and Compliance
- Nomination
- Remuneration
- Risk, SHE, Social and Ethics

The Board has further delegated the authority to run the day-to-day affairs of the company to the Chief Executive Officer and other senior executives. Levels of authority and materiality delegated to management are approved by the Board and clearly recorded in the Authorities Framework contained in the Corporate Governance Manual that is utilised by all operations within Tongaat Hulett.

BOARD CHANGES AND ROTATION AT AGM

In accordance with the company's memorandum of incorporation, directors are required to retire either by rotation at intervals of three years, or at the close of business of the next annual general meeting (AGM) after a director attains the age of seventy years. Directors retiring by rotation who avail themselves may be re-elected at the AGM at which they retire. New directors may only hold office until the next AGM, where they will be required to retire and offer themselves for election.

Retiring at the next AGM by rotation are SM Beesley, F Jakoet and TN Mgoduso, who being eligible and available, will seek re-election as directors. The Nomination Committee has assessed each of the retiring directors and the Board unanimously recommends their re-election.

There were no new appointments to the Board during the period under review. There are no term contracts of service between any of the directors and the company or any of its operations.

BOARD INDUCTION AND DEVELOPMENT

On appointment, new directors have the benefit of induction activities aimed at broadening their understanding of the company and the markets within which it operates. The Company Secretary ensures that directors receive accurate, timely and clear information. The Chief Executive Officer and key executives hold detailed discussions with new

directors on business performance, strategic objectives and key themes. This, together with business reports of prior Board and committee meetings, discussions with heads of operations accompanied by site visits of the mills, agriculture and development sites, provides new directors with sufficient exposure of the company's operating dynamics. Directors are also encouraged to update their skills, knowledge and experience through participation in relevant programmes as deemed appropriate from time to time.

BOARD EVALUATION

The formal self-evaluation process of the Board and its committees, the assessment of the Chairman's performance by the Board and the assessment of the performance of individual directors by the Chairman, which are conducted annually, are an integral element of the Board's activities to review and improve its performance continually. During the period under review, this evaluation process included assessing the independence of non-executive directors as envisaged in King III. Of the nine non-executive directors, seven are considered independent, whilst two are not considered independent by virtue of their involvement in the company's black economic empowerment equity participation structure. In arriving at the conclusion of independence, the requirements of the Companies Act and King III on independence are taken into account and consideration is given amongst others, to whether the individual non-executive directors are sufficiently independent of the company so as to effectively carry out their responsibilities as directors, that they are independent in judgement and character, and that there are no instances of conflicts of interest in the form of contracts, relationships, share options, length of service or related party disclosures that could appear to affect independence. Two of the directors, CB Sibisi and J John, have been with the company for a period longer than 9 years (both directors have been on the Board for 10 years). CB Sibisi is not independent by virtue of his participation in the company's black economic empowerment equity participation structure. J John has been assessed in accordance with the requirements of the King Code and was confirmed to be independent. The outcome of the Board evaluation process for the period under review has been positive.

The Board meets at least five times a year, with special or additional meetings convened as circumstances dictate. Comprehensive Board documentation is prepared and distributed in advance of each meeting, with an opportunity to propose additional matters for discussion at meetings. Independent professional advice is available to directors in appropriate circumstances at the company's expense.

EVALUATION OF COMPANY SECRETARY

All directors have access to relevant information and to the advice and services of the Company Secretary, MAC Mahlari, who holds BA and LLB qualifications, and has over 10 years'

Board and committee composition and attendance for the year ended 31 March 2017

| Director | Board | | Audit and Compliance | | Remuneration | | Nomination | | Risk, SHE, Social and Ethics | |
|-----------------------|-------|---|----------------------|---|--------------|---|------------|---|------------------------------|---|
| | A | B | A | B | A | B | A | B | A | B |
| C B Sibisi (Chairman) | 5 | 5 | | | 2 | 2 | 1 | 1 | | |
| PH Staude (CEO) | 5 | 5 | | | | | | | 2 | 2 |
| S M Beesley* | 5 | 4 | 2 | 2 | | | | | 2 | 2 |
| F Jakoet | 5 | 5 | 3 | 3 | | | | | 2 | 2 |
| J John | 5 | 4 | 3 | 3 | | | | | | |
| R Kupara | 5 | 5 | 3 | 3 | | | | | | |
| TN Mgoduso | 5 | 5 | | | | | | | 2 | 2 |
| N Mjoli-Mncube | 5 | 5 | | | 2 | 2 | 1 | 1 | 2 | 2 |
| MH Munro | 5 | 5 | | | | | | | 2 | 2 |
| SG Pretorius | 5 | 5 | | | 2 | 2 | 1 | 1 | | |
| TA Salomão | 5 | 5 | | | | | | | | |

A: Indicates the number of meetings held during the year while the director was a member of the Board and/or committee.
B: Indicates the number of meetings attended during the year while the director was a member of the Board and/or committee.
* S M Beesley was appointed to the Audit and Compliance Committee on 26 May 2016.

experience as a Company Secretary. She was appointed in December 2009. After assessing the Company Secretary as required by the JSE Listings Requirements, the Board concluded that Ms Mahlari is suitably qualified, competent and meets the appropriate experience requirements to carry out the functions of Company Secretary of a public listed company. Furthermore, the Board is satisfied that Ms Mahlari maintains an arm's length relationship with the Board of directors. She is not a director of the company, nor does she enjoy any related or inter-related relationship with any of the directors or executives of the company that could give rise to a conflict of interest.

BOARD COMMITTEE STRUCTURES AND RESPONSIBILITY

In accordance with the Board charter, the Board has reserved certain matters for its exclusive mandate and has approved and delegated authority for specific matters to various committees, all of which have formal terms of reference. Through transparency, disclosure, review and regular reporting by the committees, the Board is able to receive assurance that, inter alia, key risk and opportunity areas, operational, financial and non-financial aspects relevant to the company's various businesses are monitored. The formal terms of reference and the delegated authority regarding each committee are set out in the Corporate Governance Manual, and are summarised as set out below.

REMUNERATION COMMITTEE

The Remuneration Committee, which meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The current members are SG Pretorius (Chairman), CB Sibisi and N Mjoli-Mncube. PH Staude, as CEO, and relevant HR Executives, attend by invitation and MAC Mahlari is the secretary. The record of attendance is contained above.

The report of the Remuneration Committee commences on page 73.

NOMINATION COMMITTEE

The Nomination Committee, which comprises only non-executive directors, meets as needed, and as required by the JSE Listings Requirements, is chaired by the Chairman of the Board. Its current members are CB Sibisi (Chairman), N Mjoli-Mncube and SG Pretorius. PH Staude, as CEO, attends by invitation and MAC Mahlari is the secretary. The committee's terms of reference are summarised as follows:

- Ensures that for Board appointments, a rigorous, fair and open nomination and appointment process is followed to provide a balance of appropriate skills, knowledge and experience in the boardroom and support strong corporate performance.
- Makes recommendations to the Board on the size, composition and demographics of the Board, particularly in relation to the balance between executive, non-executive and independent directors.
- Ensures that there is a diversity of experience, gender, race and backgrounds to create a cohesive, balanced and effective Board.
- Gives consideration to succession planning, and ensures that processes and plans are in place for orderly succession and for appointments to the Board and senior management.

During the period under review, the Nomination committee discussed the directors who would retire by rotation at the next AGM, and recommended the re-election of SM Beesley, F Jakoet and TN Mgoduso to the Board and AGM. The Committee also recommended the election of the Audit and Compliance Committee until the next AGM, comprising of J John, SM Beesley, F Jakoet and RP Kupara. In making the recommendations to the Board and ultimately the AGM, the Nomination committee considered the current skills set on the Board as a collective, the relevant experience and expertise of