REMUNERATION REPORT

This remuneration report outlines the philosophy, policy and details of the reward elements for the remuneration of Executive Directors/ Officers, Executives and for Non-Executive Directors of Tongaat Hulett. The reward philosophy has remained consistent with that previously approved at past annual general meetings (AGMs) in the non-binding advisory vote by shareholders, as required by King III. This will again be applied at the next AGM, in support of good governance.

THE REMUNERATION COMMITTEE

The roles and responsibilities of the Remuneration Committee were determined and approved by the Board, as explained in the corporate governance section of this integrated annual report, which deals with Board committees, structures and responsibilities. The committee, which meets at least twice a year, is chaired by an independent non-executive director and consists only of non-executive directors. The current members are SG Pretorius (Chairman), N Mjoli-Mncube and CB Sibisi. PH Staude, as CEO, and CK Mokoena as the HR Executive, attend by invitation and MAC Mahlari is the secretary.

The overall objective of the Remuneration Committee is to propose, review and administer the broad policy for executive and director remuneration on behalf of the board and the shareholders, in accordance with best corporate practice. It ensures alignment of the remuneration strategy and policy with the overall business strategy, desired company culture, shareholders' interests and the sustainable commercial well-being of the business.

The committee is also responsible for, amongst others, considering and making recommendations to the board on the remuneration policy and on the quantum, overseeing succession planning and retention, structure and composition of remuneration packages of executive directors and senior executives. In addition, it reviews general salary increases for management and the operation of the company's management incentive schemes.

The major principles of the company's remuneration philosophy and policies are set out below together with the relevant details of the remuneration of directors, officers and executives.

REMUNERATION PHILOSOPHY AND POLICY

The objective of the remuneration policy is to align the fair reward for outstanding performance of company executives to company commercial success and sustainability, simultaneously taking into account various stakeholders' perspective and affordability/ cost to company. In developing the remuneration policy, the following factors were considered:

- motivating executives to achieve Tongaat Hulett's business plan, business strategy and budgets;
- creating a strong, performance-orientated environment;
- fair reward for performance;
- alignment between employee and shareholder interests;
- attracting/motivating and retaining high calibe talent and keeping within industry benchmarked pay levels.

These reward elements are structured to allow for appropriate differentiated reward for different roles and performance of executives, managers and employees, while attention is paid to the quantum of gaps between grades.

Rewards are linked to both individual performance and the performance of the company. From time to time, independent external studies and comparisons are used to ensure that compensation is market related, while the total cost to company is taken into consideration to determine quantum of pay overall. As a general principle, good performers are remunerated in line with the market median, with high achievers and exceptional performers being rewarded towards the market upper quartile.

Performance targets include financial and non-financial targets, and are set at various levels; being company-level targets, operating entity specific targets, team and individual performance levels. All targets are pre-determined and approved by the Remuneration Committee and the Board, and performance reviews are conducted at the end of each performance period for the various instruments, in respect of annual targets and multi-year, long-term incentive targets. The pre-determined performance targets for short-term goals are explained in the sections below. For long-term targets, a variety of relevant and appropriate measures are used, as detailed in the section on share incentives schemes below.

To ensure alignment with shareholder expectations, the performance targets are set for both short-term and long-term growth expected, and focus executives on both the business plan and long-term strategic aspirations and achievements of the company. The pay elements comprise guaranteed pay including benefits, variable short-term incentives and long-term incentives, which are also utilised as retention instruments for selected and key individuals in the company.

EXECUTIVE REMUNERATION

The remuneration of executives is determined by taking into consideration market comparisons and an assessment of performance related to the achievement of documented, measurable performance targets. Strategic and business objectives, which are reviewed periodically, as well as a general assessment of performance, are taken into account.

The remuneration structure at senior management level consists of:

- guaranteed pay
  - made up of cash package and benefits
- variable pay
  - short-term incentive bonus schemes, which have maximum levels; and
  - long-term incentives in the form of employee share incentive schemes.

TOTAL REMUNERATION PACKAGE

Guaranteed pay

Basic salary

The cash package of senior management is subject to annual review by the Remuneration Committee and the Board and is set with reference to relevant external market data, as well as the assessment of individual performance.

Benefits

Membership of an approved company pension fund is compulsory for all senior management, and other benefits include the provision of medical aid, gratuity at retirement, and death and disability insurance, as well as housing and car schemes for qualifying employees in Mozambique and Zimbabwe operations.

Variable pay

The primary purpose of the bonus scheme is to serve as a short-term incentive which gives executives and senior managers the opportunity to earn an annual bonus based on the financial performance of Tongaat Hulett and its operations, as well as an element related to individual/team performance.

Incentive Bonus Scheme

The short-term incentive bonus scheme is based on a combination of the achievement of pre-determined targets, and an assessment of the individual's overall general performance. These targets include measures of corporate and, where applicable, operational performance, as well as the achievement of individual and, where applicable, team performance against pre-determined objectives related to key business strategies and requirements. The performance targets of the executive and senior management schemes are made up of 50% financial targets and 50% non-financial targets, which are strategic objectives and team targets. These targets are reviewed annually.

There are various caps for the different levels of executives and employees, as follows:

Level of management	Cap as % of cash package
Chief Executive	80%
Executive Leadership	65%
Senior Management	Up to 50%

Note: No bonus payments are made if headline earnings are below a certain level (2014/15: R710 million). The same principle was applied in 2013/14 and will also be applied in 2015/16.

Financial Targets for Bonus Schemes

All financial targets have an upper limit and a lower limit. If financial results are below the lower limit, zero points will be earned for the element concerned. If financial results exceed the upper limit, the full score related to the relevant element of the bonus will apply.

The financial targets for this year comprise:

- headline earnings
- Return on captital employed (ROCE)
- cash-flow
- operating profit

Refer to the table on page 67 for further detail on financial targets.

Share Incentive Schemes

The objective of the long-term share incentive schemes is to strengthen the alignment of shareholder and management interests and assist in the attraction, retention and appropriate reward of management.

The various instruments are the Share Appreciation Right Scheme 2005 (SARS), the Long Term Incentive Plan 2005 (LTIP) and the Deferred Bonus Plan 2005 (DBP) (collectively referred to as "the Plans"). These share-schemes were amended at the AGM on 27 July 2010 to ensure compliance with Schedule 14 of the JSE Listing Requirements and, where appropriate, King III.

In the SARS, participating employees are awarded the right to receive shares equal to the difference between the exercise price and the grant price, less income tax payable on such difference. The employee therefore participates in the after tax share price appreciation in the company. The vesting of the right is conditional on achievement of Tongaat Hulett performance levels over a three year performance period.

In the LTIP, participating employees are granted conditional awards. These awards are converted into shares on the achievement of performance conditions over a three year performance period.

In the DBP, participating employees purchase shares in the company with a portion of their after tax bonus. These pledged shares are held in trust by a third party administrator for a qualifying three year period, after which the company awards the employee a number of shares in the company which matches those pledged shares released from trust.

Under these share incentive schemes, senior management and professional employees of the company are awarded rights to receive shares in the company based on the value of these awards (after the deduction of employees' tax) when performance conditions have been met, the awards have vested and, in the case of the SARS, when the share appreciation rights have been exercised. These shares have a vesting period of three years. The quantum of instruments allocated each year are determined, inter alia, by taking into account the fair value cost of the instruments. The amendment in 2010 of the LTIP scheme also included the introduction of retention shares that may be awarded on the condition that the employee remains in the service of the company for four years after award. The purpose of such awards of unconditional RLTIPs is to assist with targeted key and high potential employee retention. Retention shares are a small quantum in relation to other share-based instruments and are awarded by exception.

The accounting charges to the income statement required by IFRS 2 Share-based Payment are accounted for as equity-settled instruments. The costs associated with the settlement of awards under the share schemes qualify for a tax deduction by the company.

Details of the schemes and awards made from 2005 to 31 March 2015, after approval by the Remuneration Committee and the Board, are detailed on the following pages. The share incentive scheme in operation prior to 2005 ended in the current financial year.

Performance conditions governing the vesting of the scheme instruments are set at the time of each annual award (refer to the table below for further details) and currently relate to:

- growth in earnings per share
- total shareholder return
- share price
- return on capital employed
- strategic goals in areas such as sugar production, renewable energy and extracting value from land conversion.

The performance targets are relative to targets that are intended to be challenging but achievable. Targets are linked, where applicable, to the company's medium-term business plan, over three-year performance periods, with actual grants set each year considering the job level and cash package of the participating employee, their individual performance, and appropriate benchmarks of the expected combined value of the awards.

King III refers to the application of company performance conditions to govern the vesting of awards under the Plans, and precludes the application of retesting. The application of company performance conditions has been applied since the approval of the Plans. New awards thus have relevant performance conditions, do not provide for retesting, and apply the principle of graduated vesting as recommended by King III.

Type of Scheme and Performance Condition	Description of Performance Condition	Percentage Actually Achieved for Bonus / Share Vesting Calculation	
		2015	**2014**
Bonuses (Note 1)			
Headline Earnings	Specific target range (Rands) for 25% to 100% vesting and 0% if below the lower end of the target range	40%	100%
Return on Capital Employed (ROCE)	Specific target range (Rands) for 25% to 100% vesting and 0% if below the lower end of the target range	0%	88%
Cash Flow	Specific target range (Rands) for 25% to 100% vesting and 0% if below the lower end of the target range	85%	100%
Share Schemes (SARS & LTIPS) (Note 2)			
Total Shareholder Return (TSR) - 50% of LTIP (Note 3)	14 pre-selected and relevant other listed companies that Tongaat Hulett "competed" against to determine vesting scale based on "position in the field"	33%	30%
Return on Capital Employed (ROCE) - 50% of LTIP	Specific target range (Rands) for 30% to 100% vesting and 0% if below the lower end of the target range	54%	0%
Headline Earnings per Share (HEPS) - SARS	Growth of greater than CPI + 6% over 3 years for 100% vesting, using a three year average HEPS	100%	100%
Share Scheme Performance Condition Targets which vest in 2015/16 through to the 2017/18 financial year (Note 4)			
Headline Earnings per Share (HEPS)	Growth of greater than CPI + 6% over 3 years for 100% vesting, using a three year average HEPS		
Total Shareholder Return (TSR)	14 to 16 preselected and relevant other listed companies that Tongaat Hulett "competes" against to determine vesting scale based on "position in the field"		
Return on Capital Employed (ROCE)	Specific target range (Rands) for 30% to 100% vesting and 0% if below the lower end of the target range		
Sugar Production	Target quantums (annual tons of production) - range		
Land Transactions	Target minimum value		
Electricity Generation	Target is to establish a regulatory framework suitable for investment in South Africa		

Note 1: At the executive / senior management level, 50% of the quantum of the bonus is calculated based on the pre-determined performance measures (the remaining 50% being on individual personal performance assessments). This note reflects the performance measures at the consolidated level and for those managers who are based in an operation, then that operation's operating profit and cash flow is also used as a measure on a similar basis, with a similar calibration. The weighting (within the 50% subject to financial performance conditions) of the various performance conditions for the CEO and CFO was Headline Earnings: 30,0%; ROCE: 7,5%; Cash Flow: 12,5%.

Note 2: In the period to 31 March 2015, the share incentive scheme awards that have vested had the following performance conditions, as detailed in this table: Long-Term Incentive Plan (LTIP) had 50% dependant on TSR and 50% dependant on ROCE while the Share Appreciation Rights were all dependant on HEPS growth.

Note 3: For the TSR assessment, over time the population of companies that Tongaat Hulett has "raced" against has included: AECI, Astral Foods, AVI, Bidvest, Clover Industries Limited, Illovo Sugar, Mondi Limited, Nampak, Omnia Holdings Limited, Oceana Group, Pioneer Foods, RCL Foods Limited, Sappi Limited, Tiger Brands.

Note 4: These are awards made from 2012 to date, which vest in the financial years 2015/16 onwards and have the following performance conditions, as detailed in this table: LTIP's are dependant on 4 of these performance measures (25% each), which vary from year to year and SARS are all dependant on HEPS growth.

Note 5: Further details on specific targets are not disclosed due to commercial sensitivity.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive directors receive fees for their services as directors on the board and its committees and includes an attendance fee component. Directors' fees are recommended by the Remuneration Committee, considered by the Board, and proposed to the shareholders for approval at each AGM.

Non-Executive Directors do not participate in short-term bonus schemes nor in long-term incentive share schemes.

As required by the Companies Act 2008 as amended, the remuneration of non-executive directors will be authorised by special resolution at the AGM and is set out on page 128 of the integrated annual report.

SUMMARY OF REMUNERATION COMMITTEE ACTIVITIES / DECISIONS DURING THE FINANCIAL YEAR

The main issues considered and approved/ recommended by the remuneration committee for 2015 were:

- Cash package increases for CEO, executives and senior managers
- Short-term incentives (bonuses) for CEO and executives
- Recommendation of long-term incentives (share schemes) for the CEO, executives and senior managers
- Approval of performance conditions and performance targets for bonuses and share schemes
- Reviewing recommendations for fees payable to non-executive directors
- Considered executive succession planning for the organisation as well as talent management
- Reviewed Remuneration Committee terms of reference
- Approval of the Remuneration Report included in the 2015 Integrated Annual Report, including the non-binding advisory vote.

DISCLOSURES ON REMUNERATION MATTERS

The table below sets out, for ease of reference, the relevant sections of the remuneration details of directors and officers including share schemes and interest in share capital.