

the effective discharge of its duties. The Board has reserved certain matters for its exclusive mandate (as set out above) 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 Board committee are set out in the Corporate Governance Manual, and are summarised 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, which outlines in detail the company's remuneration policy and implementation report as required by Principle 14 of King IV™ commences on page 76. The report also contains a summary of the responsibilities of the committee, as well as its key activities and focus areas for the period under review.

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.
- Ensures that there is a diversity policy at Board level that covers gender and race diversity, among others, as required by the JSE Listings Requirements.
- 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, one meeting was held where the Nomination Committee discussed the directors who would retire by rotation at the next AGM, and recommended the re-election of MH Munro, TA Salomão and CB Sibisi to the Board and AGM. The MOI states that a director who has reached the mandatory retirement age of seventy (70) is required to retire at the AGM and may be re-elected by shareholders for a specific term as determined by shareholders in a specific ordinary resolution.

This applies to the Chairman of the Remuneration Committee, SG Pretorius, who turned seventy (70) in 2018, and whose services, experience, knowledge, skills and wisdom the company wishes to retain for a further period of up to two (2) years.

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. The Nomination Committee considered this in detail and made the appropriate recommendation to the Board. In making the recommendations to the Board and ultimately the AGM, the Nomination Committee considered the current skills set of the Board as a collective, the relevant experience and expertise, the rotating directors, ensuring that the current skills set was sufficient to increase the Board's effectiveness. In addition to skills and experience, the Nomination Committee also considered other demographic aspects of the Board, including nationality, race and gender. There were no external advisers or invitees to this meeting. The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

The committee also considered the JSE Listings Requirements in so far as they relate to race diversity. The committee considered and recommended for Board approval, a Diversity Policy at Board level that encompasses all forms of diversity, including in particular, race and gender diversity.

AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee is constituted as a statutory committee in respect of its duties prescribed by the Companies Act, and as a committee of the Board in respect of all additional duties assigned to it by the Board. The members of the committee were elected by the shareholders at the last AGM and include three non-executive directors of the Board, all of whom are independent and possess the necessary skills, knowledge and expertise to direct the committee constructively in the execution of its responsibilities. The current members are J John (Chairman), SM Beesley, F Jakoet and RP Kupara. The CEO, PH Staude, the CFO, MH Munro, the Head of Internal Audit, DK Young and representatives of the internal and external auditors attend by invitation. The Company Secretary, MAC Mahlari, is the secretary for this committee. The committee meets at least three times (3) a year. The statutory report of the Audit and Compliance Committee is on page 100, and forms part of the annual financial statements.

The Audit and Compliance Committee's terms of reference were aligned with King IV™, approved by the Board, and include the following objectives and responsibilities:

- Assists the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and controls, the assessment of going concern status, ensuring that pertinent compliance and relevant risk management processes are in place, reviewing the work performed by the external auditors and the internal audit function, and to review interim financial information and annual financial statements which are provided to shareholders and other key stakeholders.
- The committee provides a forum through which the external and internal auditors report to the Board. It is responsible for the appointment and review of internal and independent external auditors, the maintenance of a professional relationship with them, reviewing accounting principles, policies and practices adopted in the preparation of public financial information and examining documentation relating to the interim and annual financial statements.

- In addition, it reviews procedures and policies of internal control, including internal financial controls and internal audit reports. The adequacy and capability of Tongaat Hulett's external and internal audit functions are also subject to continuous review. The committee further considers the independence and objectivity of external auditors.
- Management is focused on continuous improvements to systems of internal control. An external quality assurance review of the internal audit function was performed in 2018, which concluded that the Tongaat Hulett internal audit function "generally conforms" to the standards recommended by the Institute of Internal Auditors, which is the highest rating in terms of the standards of the Institute of Internal Auditors. The status of "generally conforms" continues to be applicable for a period of five (5) years from the date of validation in terms of the standards of the Institute of Internal Auditors.
- The external and internal auditors have unrestricted access to members of the Audit and Compliance Committee and its Chairman at all times, ensuring that their independence is in no way impaired. Both the internal and external auditors have the opportunity of addressing the committee and its Chairman at each of the meetings without management being present. The Audit and Compliance Committee determines the purpose, authority and responsibility of the internal audit function in an Internal Audit Charter, which was recently updated in line with King IV™ and approved by the committee and the Board.
- The charter sets out the terms of reference of Tongaat Hulett's internal audit function, its reporting line to the Chairman of the committee, the working relationship with the Head of Internal Audit and the fact that the internal auditors have unrestricted company wide access to all functions, records, property and personnel. The committee also reviews the scope and coverage of the internal audit function. While the internal audit function has been outsourced to a professional firm of registered accountants and auditors, coordinated by the Head of Internal Audit, the company's independent external auditors do not assist in the performance of any internal audit assignments.
- The nature and extent of all non-audit services provided by the independent external auditors are approved and reviewed by the committee, to ensure compliance with the company's policy on non-audit services.
- The committee is also responsible for ensuring that the combined assurance model espoused in King IV™ is applied to provide a coordinated approach to all assurance activities. Tongaat Hulett has adopted a Combined Assurance Strategy and Plan that provides a framework for the various assurance providers to provide assurance to the Board, through the Audit and Compliance and Risk, SHE, Social and Ethics Committees, that all significant risks facing the company are adequately managed and that assurance activities are integrated and coordinated in the most efficient and proficient manner. The Combined Assurance Strategy and Plan is discussed further in the Risk Management Process section of the integrated annual report.
- In line with Principle 12 of King IV™, the Board assumes responsibility for the governance of technology and information by setting direction for how technology and information should be approached and addressed in the company, and has delegated to the Audit and Compliance Committee the function of ensuring that technology

and information are governed in a way that supports the organisation setting and achieving its strategic objectives, by amongst others, ensuring that direction is set for how technology and information should be approached and addressed in the organisation; and that management is delegated the responsibility of implementing and executing effective technology and information management. The company has an IT policy and charter that encapsulates current company ERP and Unified Communications developments and practices in line with recent technology upgrades. During the period under review, focus was on the recent migration of the organisation onto an integrated common platform and common business processes, resulting in standardised business processes and reporting across the organisation; the creation of common data management standards to support key business objectives; standardised platform and systems architecture to reduce support costs, leverage scale and reduce system downtime, and risks; and increased process efficiencies. Future areas of focus include a project that is currently underway to align the organisational structure across Tongaat Hulett with the new systems and business process architecture.

- The committee's focus on regulatory compliance, in line with Principle 13 of King IV™, is ongoing in line with the regular updates to the regulatory environment. The framework of high priority laws and regulations applicable to Tongaat Hulett's operations has continued to be refined during the year with the aim of strengthening the culture of legal awareness and compliance. The Board approved an updated compliance policy in 2018, which confirms and firmly entrenches Tongaat Hulett's commitment to compliance, through the combined efforts of various role players, to implement controls and processes to manage regulatory compliance across all operations. During the period under review, key areas of focus included ongoing assessment and review of legal, regulatory and corporate governance requirements and risks, and the identification of appropriate processes and interventions to enhance compliance with applicable legislation. No material infractions or fines have come to management's attention during the period under review that indicates non-compliance with pertinent legislation and codes of good practice.
- In order to ensure optimal performance and delivery of its mandate, the committee conducted an assessment of its performance during the previous reporting period, considering such factors as its composition and authority, the execution of its roles and responsibilities, its working relationship with both internal and external auditors and its statutory obligations towards the company and its shareholders. The outcome of the assessment process was positive, reflecting that the committee meets best practice, and is functioning effectively and efficiently. In 2018/19, the company will conduct an externally facilitated performance assessment, and an overview of the results and remedial action taken, will be reported accordingly.

Each major operational area has its own audit and compliance meeting processes which subscribe to the same company audit philosophies and reports and feeds into the Tongaat Hulett Audit and Compliance Committee.

RISK, SAFETY, HEALTH, ENVIRONMENT (SHE), SOCIAL AND ETHICS COMMITTEE

The committee is constituted as a statutory committee in respect of its obligations prescribed by the Companies Act, and as a committee of the Board in respect of all additional duties assigned to it by the Board.