

CORPORATE GOVERNANCE

APPROACH TO EFFECTIVE GOVERNANCE

The board of directors (the Board) continues with its ongoing commitment to the highest standards of ethical and effective governance, resulting in sustainable organisational performance that creates long-term value for all stakeholders. The Board has adopted and applies the principles of the King IV™ Report on Corporate Governance for South Africa ("King IV™"), and fully endorses and cultivates the characteristics of integrity, competence, responsibility, accountability, fairness and transparency, as outlined in Principle 1 of King IV™.

The Board embraces the King IV™ outcomes of an ethical culture, effective control, good performance and legitimacy. The Tongaat Hulett King IV™ application disclosure is available at www.tongaathulett.com and includes detail of how each of the sixteen (16) principles have been applied and embedded into business practice. The company's approach to corporate governance continues to reflect that governance is regarded by the Board as being more than a mere compliance exercise that measures basic compliance with King IV™, but rather confirms that best practice principles are effectively applied and embedded by the company in its daily activities, resulting in short and long-term value creation for all stakeholders. During the year, comprehensive work was done to update the Tongaat Hulett Corporate Governance Manual and Framework, to align the Board charter, committee terms of reference, codes of best practice and policies to King IV™.

This corporate governance report has been aligned to King IV™, the Companies Act 2008, 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. As the custodian and focal point of corporate governance as required in Principle 6 of King IV™, the Board presents this corporate governance report to all stakeholders.

Board and committee composition

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

BOARD OF DIRECTORS

BOARD COMPOSITION

Tongaathulett has a unitary Board structure, which at 31 March 2018 comprised nine non-executive and two executive directors, drawn from a broad spectrum of the business community. As per Principle 7 of King IV™, collectively, the directors possess a wide array of skills, knowledge, diversity 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, gender, historically disadvantaged groups, age, regional diversity 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 (5) out of eleven (11) directors on the Board being women, and has formally adopted a gender policy in accordance with the JSE Listings Requirements. The Board is also sufficiently race diverse, with seven (7) out of eleven (11) directors on the Board, being a majority of directors, representing previously disadvantaged groups. Given the importance that the Board places on gender and race diversity as evidenced in its current composition, the Tongaat Hulett Board is satisfied with how it applies the JSE Listings Requirements in this regard and is not contemplating any diversity targets at this stage. Furthermore, the Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence. 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. J 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. The charter records the Board's objective to provide responsible business leadership with due regard to the interests of shareholders and other stakeholders, while reflecting a demonstrable concern for sustainability as a business opportunity that guides strategy formulation. It includes the Board's responsibility to:

- lead the company ethically and effectively;
- govern the ethics of the company in a way that supports the establishment of an ethical culture;
- ensure that the company is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the company but also the impact that business operations have on the environment and society within which it operates;
- appreciate that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process;
- govern risk and information technology in a way that support the organisation in setting and achieving its strategic objectives;
- serve as the focal point and custodian of corporate governance in the company;
- comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively;
- ensure that its arrangements for delegation within its own structures promote independent judgment, and assist with the balance of power and the effective discharge of its duties;
- ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness;
- ensure that the appointment of, and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities;
- govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation being an ethical and a good corporate citizen;
- ensure that the organisation remunerates fairly, responsibly and transparently, to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term;

- ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports; and
- in the execution of its governance role and responsibilities, the Board ensures that it adopts a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

The Board has mandated the following four committees, each with approved formal 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, as required by Principle 10 of King IV™. 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. The Board is satisfied that it has discharged its responsibilities in accordance with its charter.

BOARD CHANGES AND ROTATION AT AGM

In accordance with the company's memorandum of incorporation (MOI), 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 (70) 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 (on 8 August 2018) by rotation are MH Munro, TA Salomão and CB Sibisi, who being eligible and available, will seek re-election as directors. 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 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

Board and committee meeting attendance for the year ended 31 March 2018

Director	Board		Audit and Compliance		Remuneration		Nomination		Risk, SHE, Social and Ethics	
	A	B	A	B	A	B	A	B	A	B
CB Sibisi (Chairman)	5	5			2	2	1	1		
PH Staude (CEO)	5	5							2	2
SM Beesley	5	5	3	3					2	2
F Jakoet	5	5	3	3					2	2
J John	5	5	3	3						
RP Kupara	5	4	3	3						
TN Mgoduso	5	4							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	4								

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.

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 to 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 Board endorses the requirements of Principle 9 of King IV™ that requires the Board to ensure that the evaluation of its own performance and that of its committees, its chair and individual members should support continued improvement in its performance and effectiveness. 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 at least every two (2) years, are an integral element of the Board's activities to review and improve its performance continually. This evaluation process also includes assessing the independence of non-executive directors as envisaged in King IV™. Of the nine non-executive directors, seven (7) are considered independent, while two (2) 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 IV™ on independence are taken into account and consideration is given, among 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. Four (4) of the directors, CB Sibisi, J John, F Jakoet and N Mjoli-Mncube have been with the company for a period longer than nine (9) years. In addition, CB Sibisi is not independent by virtue of his participation in the company's black economic empowerment equity participation structure. The

directors have been assessed by the Board in accordance with the requirements of King IV™ and were confirmed to be independent.

The Board has decided to conduct the next formal, externally facilitated evaluation process for the performance of the Board, its committees, the Chairman and members as a whole in 2018/19 and an overview of the results and remedial action taken, if applicable, will be disclosed accordingly. The Board is satisfied that its evaluation processes improve its performance and effectiveness.

The Board meets at least five (5) times a year, with special or additional meetings convened as circumstances dictate. Comprehensive 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 ten (10) years' 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. Ms. Mahlari 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. The recommended best practices stipulated in King IV™, under Principle 10, on the arrangements for the provision of professional corporate governance services have been adequately provided to the Board.

BOARD COMMITTEE STRUCTURES AND RESPONSIBILITY

In compliance with Principle 8, the Board has ensured that its arrangements for delegation within its own structures promote independent judgment, and assist with balance of power and

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.