## 31. RETIREMENT BENEFITS (Rmillion)

**Pension and Provident Fund Schemes**

Tongaat Hulett contributes towards retirement benefits for substantially all permanent employees who, depending on preference or local legislation, are required to be members of either a Tongaat Hulett implemented scheme or of various designated industry or state schemes. The Tongaat Hulett schemes, which are predominantly defined contribution schemes, are governed by the relevant retirement fund legislation. Their assets consist primarily of listed shares, fixed income securities, property investments and money market instruments and are held separately from those of Tongaat Hulett. The scheme assets are administered by boards of trustees, each of which includes elected employee representatives.

**Defined Contribution Pension and Provident Schemes**

The latest audited financial statements of the defined contribution schemes, including the scheme in Swaziland, reflect a satisfactory state of affairs. Contributions of R111 million were expensed during the year (2017: R106 million).

**Defined Benefit Pension Scheme**

A defined benefit scheme in South Africa which previously covered the old Tongaat-Hulett Group was split between Tongaat Hulett and Hulamin in 2012 and then in 2013 was converted to a Defined Contribution arrangement for in-service members and the pensioner liabilities were outsourced to an insurer.

| **Details of the IAS 19 valuation of the DB Fund (South Africa):** | **2018** | 2017 |
|---|---|---|
| **Fair value of fund assets** | | |
| Balance at beginning of year | **910** | 845 |
| Expected return on scheme assets | **72** | 61 |
| Settlements/conversion | **3** | 4 |
| Balance at end of year | **985** | 910 |
| **Comprises:** | | |
| Employer surplus account (note 2) | **751** | 689 |
| Provisions and reserves | **234** | 221 |
| | **985** | 910 |

## 31. RETIREMENT BENEFITS (Rmillion) continued

### Post-Retirement Medical Aid Benefits

In the South African operations, the obligation to pay medical aid contributions after retirement is no longer part of the conditions of employment for employees engaged after 30 June 1996. A number of pensioners and current employees, however, remain entitled to this benefit. The entitlement to this benefit for these current employees is dependent upon the employee remaining in service until retirement. The Zimbabwe operations provide post-retirement medical benefits for pensioners and current employees. In Mozambique, Acucareira de Xinavane subsidises the medical contributions in respect of its pensioners.

The unfunded liability for post-retirement medical aid benefits is determined actuarially each year using the projected unit credit method and comprises:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2018** | 2017 | 2018 | 2017 |
| **Amounts recognised in the statements of financial position:** | | | | |
| Net liability at beginning of year | **576** | 600 | 435 | 450 |
| Actuarial loss/(gain) included in other comprehensive income: | **1** | (25) | (3) | (31) |
| From changes in financial assumptions | | (26) | | (26) |
| From changes in demographic assumptions | **1** | (10) | | (12) |
| From changes in experience items during the year | | 11 | (3) | 7 |
| Net expense recognised in income statement | **55** | 57 | 43 | 46 |
| Employer contributions | **(40)** | (38) | (33) | (30) |
| Currency alignment | **(16)** | (18) | | |
| Net liability at end of year | **576** | 576 | 442 | 435 |
| **Amounts recognised in profit or loss:** | | | | |
| Current service costs | **7** | 9 | 3 | 4 |
| Interest costs | **48** | 48 | 40 | 42 |
| | **55** | 57 | 43 | 46 |
| **The principal actuarial assumptions applied are:** | | | | |
| **Discount rate:** | | | | |
| South Africa | **8,80%** | 9,60% | 8,80% | 9,60% |
| Mozambique | **7,99%** | 8,60% | | |
| Zimbabwe | **6,00%** | 5,00% | | |
| **Healthcare cost inflation rate:** | | | | |
| South Africa | **7,35%** | 8,15% | 7,35% | 8,15% |
| Mozambique | **6,61%** | 7,31% | | |
| Zimbabwe | **4,50%** | 3,50% | | |
| **Sensitivity analysis (based on varying an individual input):** | | | | |
| **On discount rate:** | | | | |
| 1% increase in trend rate - decrease in the aggregate of the service and interest costs | **(1)** | (1) | (1) | (1) |
| 1% increase in trend rate - decrease in the obligation | **(56)** | (57) | (39) | (38) |
| 1% decrease in trend rate - increase in the aggregate of the service and interest costs | **2** | 2 | 1 | 1 |
| 1% decrease in trend rate - increase in the obligation | **68** | 70 | 46 | 45 |
| **On healthcare cost inflation rate:** | | | | |
| 1% increase in trend rate - increase in the aggregate of the service and interest costs | **1** | 2 | 1 | 1 |
| 1% increase in trend rate - increase in the obligation | **69** | 70 | 46 | 46 |
| 1% decrease in trend rate - decrease in the aggregate of the service and interest costs | **(1)** | (1) | (1) | (1) |
| 1% decrease in trend rate - decrease in the obligation | **(57)** | (58) | (39) | (39) |
| **Estimated contributions payable in the next financial year** | **41** | 40 | 34 | 32 |

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2018** | 2017 | 2018 | 2017 |
| **Weighted average duration of the obligation:** | | | | |
| South Africa | **10,3 years** | 10,5 years | 10,3 years | 10,5 years |
| Mozambique | **6,5 years** | 6,4 years | | |
| Zimbabwe | **16,4 years** | 16,5 years | | |

**Key risks associated with the post-retirement medical aid obligation:**

Higher than expected inflation (to which medical cost/contribution increases are related).

"Real" future medical aid cost/contribution inflation (i.e. above price inflation) turns out higher than allowed for.

Members/pensioners changing medical aid plans to more expensive plans subject to maximum in terms of policy.

Longevity – pensioners (and their dependants) living longer than expected in retirement.

Changes in the prescribed basis (as a result of market conditions) which adversely impact the financial results of the company.

**Retirement Gratuities**

Tongaat Hulett has in the past made payments, on retirement, to eligible employees who have remained in service until retirement, and have completed a minimum service period of ten years. The benefit is applicable to employees in the South African and Zimbabwean operations.

The unfunded liability for retirement gratuities is determined actuarially each year using the projected unit credit method and comprises:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2018** | 2017 | 2018 | 2017 |
| **Amounts recognised in the statements of financial position:** | | | | |
| Net liability at beginning of year | **208** | 226 | 126 | 130 |
| Actuarial loss/(gain) included in other comprehensive income: | **8** | (15) | 1 | (9) |
| From changes in financial assumptions | | (8) | | (8) |
| From changes in demographic assumptions | | (2) | | (2) |
| From changes in experience items during the year | **8** | (5) | 1 | 1 |
| Net expense recognised in income statement | **28** | 29 | 19 | 20 |
| Payments made by the employer | **(20)** | (22) | (11) | (15) |
| Currency alignment | **(9)** | (10) | | |
| Net liability at end of year | **215** | 208 | 135 | 126 |
| **Amounts recognised in profit or loss:** | | | | |
| Service costs | **12** | 13 | 7 | 8 |
| Interest costs | **16** | 16 | 12 | 12 |
| | **28** | 29 | 19 | 20 |

## 31. RETIREMENT BENEFITS (Rmillion) continued

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2018** | 2017 | 2018 | 2017 |
| **The principal actuarial assumptions applied are:** | | | | |
| **Discount rate:** | | | | |
| South Africa | **8,80%** | 9,60% | 8,80% | 9,60% |
| Zimbabwe | **6,00%** | 5,00% | | |
| **Salary inflation rate:** | | | | |
| South Africa | **7,10%** | 7,90% | 7,10% | 7,90% |
| Zimbabwe | **3,50%** | 2,50% | | |
| **Sensitivity analysis (based on varying an individual input):** | | | | |
| **On discount rate:** | | | | |
| 1% increase in trend rate - decrease in the aggregate of the service and interest costs | **(1)** | (1) | (1) | (1) |
| 1% increase in trend rate - decrease in the obligation | **(19)** | (19) | (12) | (11) |
| 1% decrease in trend rate - increase in the aggregate of the service and interest costs | **1** | 1 | 1 | 1 |
| 1% decrease in trend rate - increase in the obligation | **23** | 22 | 14 | 13 |
| **On salary inflation rate:** | | | | |
| 1% increase in trend rate - increase in the aggregate of the service and interest costs | **4** | 4 | 2 | 2 |
| 1% increase in trend rate - increase in the obligation | **23** | 23 | 14 | 13 |
| 1% decrease in trend rate - decrease in the aggregate of the service and interest costs | **(3)** | (3) | (2) | (2) |
| 1% decrease in trend rate - decrease in the obligation | **(20)** | (20) | (12) | (12) |
| **Estimated amounts payable in the next financial year** | **22** | 20 | 12 | 11 |
| **Weighted average duration of the obligation:** | | | | |
| South Africa | **10,5 years** | 10,6 years | 10,5 years | 10,6 years |
| Zimbabwe | **10,6 years** | 10,9 years | | |

**Key risks associated with the retirement gratuity obligation:**

Higher than expected inflation (to which salary increases are related).

"Real" salary increases (i.e. above price inflation) turn out higher than allowed for.

Large number of early retirements (normal or ill health) bringing forward gratuity payments.

Fewer exits prior to retirement than expected (i.e. more people reach retirement than allowed for in terms of current demographic assumptions).

Changes in the prescribed basis (as a result of market conditions) which adversely impact the financial results of the company.

## 32. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS AND INTERESTS

The information in respect of directors' and prescribed officers' emoluments and interests is included in the Remuneration Report as follows:

| | Page |
|---|---|
| Executive directors' and prescribed officers' remuneration | 85 |
| Non-executive directors' remuneration | 86 |
| Declaration of full disclosure | 86 |
| Interest of directors of the company in share capital | 86 |

## 33. EMPLOYEE SHARE INCENTIVE SCHEMES

Details of awards made in terms of the company's share incentive schemes comprising the Share Appreciation Right Scheme 2005, the Long Term Incentive Plans 2005 and the Deferred Bonus Plan 2005 are set out on pages 87 to 90 of the Remuneration Report and details of the interest of directors in share-based instruments are set out on pages 91 to 92.

## 34. BEE EMPLOYEE SHARE OWNERSHIP PLANS

The BEE employee transaction, which comprises the Employee Share Ownership Plan (ESOP) and the Management Share Ownership Plan (MSOP), vested during the year ended 31 March 2013. The ESOP scheme consisted of a share appreciation right scheme and participants shared in 50% of the dividend payable to ordinary shareholders. The MSOP scheme consisted of two components namely a share appreciation right scheme and a share grant scheme.

The ESOP Trust and MSOP Trust were established to acquire and hold Tongaat Hulett Limited shares for the benefit of designated employees. Tongaat Hulett Limited and its subsidiaries made contributions to the MSOP Trust and the ESOP Trust. Due to these shares having specific repurchase rights at maturity (five years from grant date), they were a separate class of restricted shares which, other than for the repurchase terms, ranked pari passu with ordinary shares and became ordinary shares at maturity of the scheme on 1 August 2012.

### Employee Share Ownership Plan

The ESOP Trust has delivered to designated employees all the ordinary shares held in Tongaat Hulett that had been awarded to these employees, leaving a balance of 32 331 ordinary shares that are unallocated.

### Management Share Ownership Plan

| Grant date | Number of shares at 31 March 2017 | Released including deaths in service | Awarded during 2017/18 | Forfeited / adjustments | Balance time constrained 31 March 2018 |
|---|---|---|---|---|---|
| 1 June 2012 | 43 885 | (43 884) | | (1) | |
| 1 July 2012 | 41 935 | (41 934) | | (1) | |
| 1 November 2012 | 242 475 | (239 377) | | (3 098) | |
| 7 January 2013 | 5 000 | (5 000) | | | |
| 1 March 2013 | 4 855 | (4 855) | | | |
| 1 August 2014 | 40 476 | | | (1 906) | 38 570 |
| 1 September 2014 | 1 928 | | | | 1 928 |
| 1 September 2015 | 50 170 | | | (4 572) | 45 598 |
| 1 March 2017 | 52 789 | | | | 52 789 |
| 22 September 2017 | | | 35 000 | | 35 000 |
| 2 January 2018 | | | 35 000 | | 35 000 |
| Unallocated | 133 235 | | (70 000) | 9 578 | 72 813 |
| | 616 748 | (335 050) | | | 281 698 |

The fair value of the awards made during the year was the Tongaat Hulett closing share price on the Johannesburg Stock Exchange on grant date being R108,60 for the award of 22 September 2017 and R111,15 for the award of 2 January 2018.

## 35. SUBSEQUENT EVENTS

There were no material events between 31 March 2018 and the date of this report.