

PART 3: IMPLEMENTATION REPORT

In this part of the report, details are provided of the remuneration paid to executive and non-executive directors for the financial year ended 31 March 2018. The Remco considers that these payments are in line with the company's remuneration policy.

FINANCIAL INFORMATION

The financial details relating to the directors and prescribed officers' emoluments are disclosed on pages 85 to 86 and pages 91 to 92.

CASH PACKAGE ADJUSTMENTS

In determining the cash package increases for the CEO and CFO in 2017/18, the Remco considered relevant market survey data from several independent consultancies. Periodically, including in 2017/18, executive remuneration is benchmarked against companies of comparable size and complexity with reference to market capitalisation, turnover, profitability, number of employees and sector.

In 2017/18 (and 2016/17), the CEO elected to receive a 0% increase. The Remco approved a 6,5% increase on cash pay for the CFO in 2017/18. In 2018/19 the Committee approved an increase to the cash pay of both the CEO and CFO of 7%.

SHORT-TERM INCENTIVE: ANNUAL BONUS SCHEME AWARDS FOR 2017/18

No bonuses were paid to the CEO, CFO, executives and senior management for the 2017/18 year due to the headline earnings threshold of R800 million not being met.

SARS

Performance condition	Target	Vesting period	Vesting achieved in 2017/18
HEPS	Growth of greater than CPI +6% over 3 years for 100% vesting and 0% if below the pre-determined threshold, with linear vesting in between.	3 years	Zero

LTIP

Performance condition	Target	Vesting outcome		Achievement and vesting outcome in 2017/18
TSR (25% weighting) Peer group: AECI Limited, Astral Foods Limited, AVI Limited, Bidvest Group Limited, Clover Industries Limited, Illovo Sugar Limited, Mondi Limited, Nampak Limited, Omnia Holdings Limited, Oceana Group Limited, Pioneer Food Group Limited, RCL Foods Limited, Sappi Limited, and Tiger Brands Limited	Three-year TSR vesting scale for a population of 14 other companies against which Tongaat Hulett has competed.	<ul style="list-style-type: none">Positions 1 - 4Positions 5 - 13	100% Linear	Illovo Sugar Limited delisted in 2016 and was excluded from the peer group. The company ranked position 9 out of 14, resulting in a 50% vesting of the portion of the LTIP award linked to TSR. The vesting outcome was 12,5% (50% x 25% weighting)
ROCE (25% weighting)	Below lower limit	0%		ROCE was 10,5%
	Lower limit	12,9% = 30%		The vesting outcome was zero
	Upper limit	15% = 100%		
	Linear vesting in between			
Sugar production (25% weighting)	Between 1,48 and 1,7 million tons sugar.	30% to 100%	Linear vesting between these points	Sugar production was 1,056 million tons The vesting outcome was zero
Three-year large land deals (25% weighting)	Between R300 - R 600 million	30% to 100%	Linear vesting between these points	Large land deals exceeded R600 million resulting in a 100% vesting of this portion of the LTIP The vesting outcome was 25% (100% x 25%)

The overall LTIP vesting was thus 37,5%

LONG-TERM INCENTIVES

AWARDS MADE IN 2017/18 FINANCIAL PERIOD

SARS

Performance condition	Target/vesting potential
HEPS	Growth of greater than CPI over 3 years +6% for 100% vesting and 0% if below the pre-determined threshold of CPI over 3 years -6%, with linear vesting in between.

The awards made during the year are disclosed in the Share Appreciation Right Scheme table on pages 87 and 91.

LTIP

Performance condition	Target and potential vesting outcome
TSR (40% weighting) Peer group: AECI Limited, Astral Foods Limited, AVI Limited, Clover Industries Limited, Crookes Brothers Limited, Nampak Limited, Omnia Holdings Limited, Oceana Group Limited, Pioneer Food Group Limited, RCL Foods Limited, Sappi Limited, and Tiger Brands Limited	Three-year TSR vesting scale, smoothed using TSR data for the 6 months preceding 31 March 2017 and the 6 months preceding 31 March 2020, for a population of 12 other companies against which Tongaat Hulett competes, with a graduated vesting scale.
ROCE (40% weighting)	Below lower limit - 0%
	Lower limit - 30%
	Upper limit - 100%
	Between lower and upper limits - linear vesting
Sugar Production (20% weighting)	Between lower and upper limits: 30% - 100%

The awards made during the year are disclosed in the Long-term Incentive Plan table on pages 88 to 89 and page 91.

LTIP VESTING OUTCOMES

The awards that vested in 2017/18 were made in 2014 and the performance conditions (measured at 31 March 2017) and vesting outcome is reflected below:

SINGLE FIGURE OF REMUNERATION (R000)

	Cash package	Retirement and medical aid	Cash bonus ¹	LTI reflected ^{2,3,4,5}	Total single figure remuneration
2018					
PH Staude	8 799	1 308	-	3 421	13 528
MH Munro	5 197	779	-	1 260	7 236
	13 996	2 087	-	4 681	20 764
2017					
PH Staude	8 799	1 276	6 626	3 338	20 039
MH Munro	4 880	727	2 884	1 306	9 797
	13 679	2 003	9 510	4 644	29 836

1. Bonuses are reported to match the performance and quantum earned to the applicable financial period.

2. The value of the SARS and LTIP awards made on 26 May 2014 with a performance period ending on 31 March 2017 is reflected in the 2017 single figure of remuneration. As the performance condition of the SARS was not met, it is reflected as zero. The LTIP is included at the 20 day VWAP of R128,39 as at 31 March 2017 and an achievement of performance conditions of 37,5%.

3. The value of the DBP award made on 6 June 2016 is reflected in the 2017 single figure of remuneration.

4. The value of the SARS and LTIP awards made on 28 May 2015 with a performance period ending on 31 March 2018 is reflected in the 2018 single figure of remuneration. As the performance condition of the SARS was not met, it is reflected as zero. The LTIP is included at the 20 day VWAP of R102,52 as at 31 March 2018 and an achievement of performance conditions of 27,03%.

5. The value of the DBP award made on 29 May 2017 is reflected in the 2018 single figure of remuneration.

EXECUTIVE DIRECTORS' REMUNERATION (R000)

Table of estimated fair values of the executive directors' unvested long-term incentive awards at year end.¹

	PH Staude		MH Munro	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Share Appreciation Right Scheme²				
31 May 2010		2 296		730
31 May 2011		3 318	347	1 089
29 May 2012		1 197		408
28 May 2015		2 504		1 060
6 June 2016	2 073	2 596	926	1 160
29 May 2017	1 756		776	
Long-term incentive plan³				
26 May 2014		2 366		983
28 May 2015	1 293	2 911	547	1 232
6 June 2016	2 374	2 896	1 060	1 294
29 May 2017	2 525		1 116	
Deferred Bonus Plan³				
26 May 2014		2 241		711
28 May 2015	1 374	1 673	422	513
30 May 2016	927	1 130	308	376
29 May 2017	1 930		646	
Total	14 252	25 128	6 148	9 556

1. Depending on the vesting date, awards are included at the intrinsic value or an indicative fair value as at 31 March 2017 and 31 March 2018. These values are based on the 20 day VWAP as at the relevant year end and the estimated achievement of performance conditions.

2. SARS awards vest on the third anniversary of the grant date and lapse on the seventh anniversary of the grant date.

3. LTIP and DBP awards vest on the third anniversary of the grant date.

Further information pertaining to unvested awards, gains on awards vested during the year, award vesting dates and fair value of awards on the grant date, are detailed on pages 91 to 92.

TERMINATION CONTRACTS AND TERMINATION OF OFFICE PAYMENTS

There are no long-term contracts in place for executives and no termination of office payments were made during the 2017/18 year.

NON-EXECUTIVE DIRECTOR FEES

The Remco recommended an increase in the non-executive director fees of 6,5% in 2017/18 which was approved at the 2017 AGM and has proposed an increase of 6% for 2018/19.

The details relating to the non-executive directors' fees for the year ended 31 March 2018 are disclosed on page 86.

VOTING STATEMENT (NON-BINDING ADVISORY VOTE ON THE IMPLEMENTATION REPORT)

This report is subject to an advisory vote by shareholders at the forthcoming AGM. Shareholders are requested to cast an advisory vote on the remuneration implementation report as contained in part 3 of this remuneration report.

APPROVAL OF REMUNERATION REPORT BY THE BOARD OF DIRECTORS

This remuneration report was approved by the Board of directors of Tongaat Hulett on 24 May 2018.

FURTHER DISCLOSURES ON REMUNERATION MATTERS

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

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