

dynamics present challenges to control operating costs, contain the total labour bill whilst striving to offer competitive salaries, and to preserve jobs as far as possible. Against this background and to improve the quality of life of its employees and maintain sound labour relations, Tongaat Hulett negotiates and sets the wage levels within known external parameters of remuneration as agreed with labour unions and offers in-kind benefits. To reinforce this, salary increments are also differentiated, with lower level employees' average percentage increases generally being higher than that of senior grade levels in the company.

PART 2: OVERVIEW OF THE REMUNERATION POLICY

REMUNERATION PHILOSOPHY


The objective of the remuneration philosophy is to align performance of company executives and fair reward with the company's commercial success and sustainability, simultaneously taking into account various stakeholders' perspectives and the affordability/cost to company.


THE REMUNERATION COMMITTEE

ROLES AND RESPONSIBILITIES

The roles and responsibilities of the Remco are determined and approved by the Board, as explained in the corporate governance section of this integrated annual report, which deals with Board Committee structures and responsibilities. In accordance with its terms of reference the Remco's responsibilities are, inter alia, to:

- Propose, review and administer the broad policy for executive management remuneration on behalf of the Board and the shareholders, in accordance with best corporate practice. It ensures alignment of the remuneration policy with the overall business strategy, desired company culture, shareholders' interests and the sustainable commercial well-being of the company.
- Consider and make recommendations to the Board on the remuneration policy and on the quantum, structure and composition of remuneration packages of executive management and senior executives. It reviews general salary increases for management and the operation of the company's management incentive schemes. In addition, it oversees succession planning, retention, employment equity as well as localisation of skills in Mozambique and Zimbabwe.

 The Remco meets at least twice a year and information relating to members and attendance has been presented on pages 68 and 69.

 The remuneration report is available at www.tonga.com/remco

SHAREHOLDER ENGAGEMENT

Where practical, the Remco continues to constructively engage with dissenting as well as other shareholders on matters related to disclosure, performance conditions and the structuring of remuneration packages.

A summary of the themes raised in the shareholder feedback and the corresponding actions taken in response thereto appears below.

In future, in the event that the Tongaat Hulett remuneration policy (as contained in part 2 of this report) or the remuneration implementation report (as contained in part 3 of this report) is voted against by 25% or more of voting rights exercised by shareholders, the Remco will take the following steps as a minimum:

- An engagement process to ascertain the reasons for dissenting votes.
- Appropriately addressing legitimate and reasonable objections raised, which may include amending the remuneration policy or clarifying or adjusting the remuneration governance and/or processes.

Shareholder feedback	Actions taken and/or response to feedback
Additional disclosure requested on performance conditions – financial and non-financial targets/KPIs and ranges/thresholds compared to stretch.	Cognisance has been taken of this feedback and progress is disclosed in the current integrated annual report on pages 80 to 81 and 83.
More detail is required on the structure of STI (annual bonus) and its context within the total remuneration package, including the quantum of variable pay compared to fixed pay.	Cognisance has been taken of this feedback and progress has been disclosed in the current integrated annual report on pages 80 to 81 and 84.
Debate on the vesting scales of the Total Shareholder Return (TSR) component of the LTI, which has a 25% weighting in one of three share schemes.	This is an ongoing consideration.
Debate on the length of the vesting period of LTIs	This is an ongoing consideration.
Questions have been raised on the CEO's package.	Specific contextual responses have been provided in the direct engagement process. In 2016/17 and 2017/18 the CEO elected to receive a 0% cash package increase.