GRINDROD

Grindrod Limited
2018 Integrated Annual Report

FINANCIAL + FREIGHT

www.grindrod.com

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Our story

2018 The board continues its focus on diversifying and scaling up the Freight Services business and investigating further ways in which to reposition Financial Services. The Shipping business was successfully spun-off and listed on the NASDAQ Stock Market in New York on 18 June, with a secondary inward listing on the Johannesburg Stock Exchange (JSE).

1910

Captain John Grindrod establishes a clearing and forwarding agency that would grow into a company with a **current annual turnover of R24.7 billion** (inclusive of joint ventures) and **total assets of R29.2 billion** (inclusive of joint ventures).

1922

John Grindrod and **Leon Renaud** buy a **150-tonne steamship**.

1933

The **company is appointed as ships agent** for African Coasters, established by Leon Renaud.

1966

African Coasters merges with Thesen's Steamship Company to form **Unicorn Lines**.

1971

The **company pioneers containerisation in the country** and **establishes the first container depot and service**. Today Ocean Africa Container Lines (OACL) provides a container **feeder service** between ports in Mozambique, South Africa, Namibia and Angola.

1986

The **company lists its shares on the JSE** through a newly established **holding company, Grindrod Unicorn Group Limited, known as Grincor**. At 31 December 2018 the company's **market capitalisation** was **R4.7 billion**.

1999

The **company purchases dry-bulk charterer Island View Shipping** (IVS).

2001

The company changes its name to **Grindrod Limited**.

2003

The company's initial investment in the **Richards Bay dry-bulk terminals becomes operational**. Today, these terminals have a **6.1-million tonnes capacity**.

2005

Grindrod acquires Marriott Corporate Property Bank, which today trades as **Grindrod Bank** and its asset management business, including **Bridge Fund Managers** and **Coreshares**, with **total assets under management of R13.6 billion**.

2007

The **company invests in the Maputo Port Development Company**, which in 2018 managed a **port throughput of 19.6 million tonnes**. This established a base for further investments in dry-bulk and car terminals, which today have an **annual terminal throughput** capacity of **15.2 million tonnes dry bulk** and **120 000 vehicles**.

2009

Grindrod concludes a **major black economic empowerment (BEE) transaction** with Calulo and Adopt-a-School Foundation.

2011

Grindrod enters into a R2.0 billion equity raising transaction underwritten by Remgro Limited to support the group's strategic development of capital projects in Southern Africa.

2014

The company streamlines its freight and logistics services offering by closing its Trading division. It gears for infrastructure expansion, mainly into the African continent, through a **R4.0 billion capital raise**, which included a **R1.6 billion B-BBEE consortium transaction**, to fund planned strategic investments.

2016

The company restructures its **Terminals and Logistics** businesses due to prolonged weak commodity markets and closes the **Rail manufacturing and assembly businesses**.

About this report

The Grindrod Limited (Grindrod/the company) integrated annual report aims to provide stakeholders with a balanced assessment of the company's ability to create and sustain value to ensure short-, medium- and long-term viability.

Integrated reporting

The report, together with the audited annual financial statements and other supplementary information available on the company website, provides a complete and fair review of Grindrod's economic, social and environmental performance, including information on its subsidiaries, joint-ventures and associates, within the context of its strategy, risks and opportunities for the financial year ended 31 December 2018.

In compiling its integrated annual report and supplementary information, Grindrod has applied the principles contained in the King IV Report on Corporate Governance for South Africa, 2016 (King IV), the JSE Listings Requirements, International Financial Reporting Standards (IFRS) and the South African Companies Act No. 71 of 2008, as amended (the Companies Act).

The integrated annual report is also compiled in accordance with the concepts, guiding principles and content elements contained in the International Integrated Reporting (<IR>) Framework issued by the International Integrated Reporting Council (IIRC), including disclosures based on the six identified capitals. The indicator assessments included in the Financial Times Stock Exchange (FTSE) Environmental, Social and Governance (ESG) Ratings methodology, used as a basis for the FTSE/JSE Responsible Investment Index, are also considered. Sustainability reporting is guided by the Global Reporting Initiative's (GRI's) Sustainability Reporting Standards, published during 2016.

Disclosure is guided by the material economic, environmental and social issues which the directors believe have the potential to substantially impact Grindrod's ability to create and sustain value for its stakeholders. Due consideration is given to appropriate internal and external factors, including the operating environment, stakeholder expectations, the company's strategy and risks and opportunities.

Assurance

Grindrod's external auditor, Deloitte & Touche, has provided assurance on the consolidated financial statements and expressed an unmodified audit opinion. The external auditor also audited the summarised consolidated financial statements included in this integrated annual report. Their unmodified audit opinion is included on page 135. Grindrod's internal audit function provided assurance on selected sustainability performance indicator disclosures and its limited assurance report is included on page 5. The First Verification Network rating agency verified Grindrod's compliance with B-BBEE regulations.

Report approval

Grindrod's board acknowledges responsibility for ensuring the integrity of the integrated annual report. Following collective assessment, the audit committee, responsible for oversight of the integrated annual report, recommended approval of the report by the board of directors.

In the board's opinion, the integrated annual report provides a fair and balanced representation of the integrated performance of the company within the context of its identified material aspects. The report has been prepared in accordance with internationally recognised best practice. The board accordingly approved the 2018 integrated annual report on 5 March 2019 for release to shareholders and other stakeholders.

Mike Hankinson
Chairman

Andrew Waller
Chief executive officer

Limited assurance report

Limited assurance report of internal audit on the sustainability performance indicator disclosures as presented in the Grindrod integrated annual report for the year ended 31 December 2018 (the report).

Scope of our work

We have performed limited assurance on selected sustainability indicators presented in the report.

The selected sustainability performance indicators are as follows:

- LTIFR;
- Petrol consumption (ML);
- Diesel consumption (ML);
- Electricity consumption (MW); and
- Total direct and indirect GHG emissions – scope 1 and scope 2 (CO_2-e tonnes).

Limitation of audit scope

The limited assurance procedures for the above selected sustainability performance indicators were restricted to the Grindrod Shipping and Freight Services divisions only. As such, this assurance report is applicable only to those selected sustainability performance indicators listed above for these named divisions.

Internal audit responsibilities and approach

Our responsibility is to express our limited assurance conclusion on the above selected sustainability performance indicators for the year ended 31 December 2018 based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance in a manner which requires that we plan and perform our audit to obtain limited assurance about whether the selected sustainability performance indicators are free from material misstatement.

Our audit approach was as follows:

- Interviewed management to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management in our interviews;
- Reviewed the process that Grindrod has in place for determining material selected key sustainability performance indicators to be included in the report;
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected key sustainability performance indicators;
- Performed control walkthroughs and inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria; and
- Undertook site visits.

Our independence and quality control

Internal audit functions independently of all other business operations and has free and unrestricted access to all areas within the group, including management, personnel, activities, locations and information.

All internal audit activities are performed in compliance with International Internal Audit Practice and the methodology and standards required by the South African Institute of Internal Auditors.

Our conclusion

Based on the procedure we have performed and evidence we have obtained, nothing has come to our attention that causes us to believe that for the year ended 31 December 2018 the selected sustainability performance indicators set out above, in relation to Grindrod Shipping and Freight Services, are not prepared, in all material respects, in accordance with the GRI G4 Standards supported by Grindrod's internally developed guidelines.

Grindrod Internal Audit

9 April 2019

Promethium Carbon assisted Grindrod in the calculation of the greenhouse gas emission and other environmental data. This support included the collation of data from the operational databases, the specification of the calculated methods, the selection of emission factors, as well as the restatement of historic emissions.

Promethium Carbon

9 April 2019

Ocean Africa Container Lines vessel entering the port of Durban

2018 key highlights

Key indicators

Economic

Continuing operations
Revenue

^11.9%
R3 424 million
(2017: R3 059 million)

EBITDA

^3.7%
R645 million
(2017: R622 million)

HEPS

^25%
95 cents
(2017: 76 cents)

Cash generated from operations

v 71.6%
R159 million
(2017: R559 million)

Net asset value per share

v 26.6%
1 314 cents
(2017: 1 790 cents)

Social

Continuing operations
Number of employees[1]

v 9.6%
4 728 employees
(2017: 5 232)

LTIFR (Freight services)

v 27.9%
0.62
(2017: 0.86)

Social responsibility spend

v 48.9%
R4.5 million
(2017: R8.8 million)

ESD spend

v 28.6%
R11 million
(2017: R15.4 million)

B-BBEE (Grindrod Limited)

Level 2
(2017: Level 3)

Environmental[4,5,6]

GHG emissions
(CO_2 equivalent)[2]

v3.9%
299 452
H1 2017: 311 698

GHG emissions intensity[3,4,5,6]

v5.4%
193
H1 2017: 204

Electricity consumption (MWh)

^7.5%
16 718
(2017: 15 554)

Electricity efficiency (kWH/FTE)

^0.6%
3 536
(2017: 3 515)

Water intensity (l/FTE)

^5.7%
18.5
(2017: 17.5)

1 Includes joint ventures and associates at 100% shareholding – but excludes NWK and Senwes.
2 Total GHG emissions including scope 3 (tonnes CO_2-e).
3 grams CO_2 per Rand revenue.
4 H1 2017 and H1 2018 figures are used to enable comparative analysis, following the Shipping Division spin-off.
5 2017 figures restated to correct calculation error.
6 2017 emissions were calculated using DEFRA emission factors. 2018 emissions were calculated using IPCC emission factors. No restatement for emission factors required as the difference is below the materiality threshold of 5%.

2018 key highlights continued

Divisional review – continuing operations^

Revenue*

^ 15.9%
R24 655 million

(**2017:** R21 276 million)
(**2016:** R18 660 million)

Port and Terminals	R923 million	^ 6.8%	(**2017:** R864 million, **2016:** R769 million)
Logistics	R2 687 million	^ 16.4%	(**2017:** R2 308 million, **2016:** R2 541 million)
Marine Fuel and Agricultural Logistics	R20 444 million	^ 16.4%	(**2017:** R17 568 million, **2016:** R14 806 million)
Financial Services	R537 million	^ 15.0%	(**2017:** R467 million, **2016:** R492 million)
Group	R64 million	^ 25.5%	(**2017:** R51 million, **2016:** R52 million)

EBITDA

^ 24.8%
R1 178 million

(**2017:** R944 million)
(**2016:** R659 million)

Port and Terminals	R251 million	v 11.0%	(**2017:** R282 million, **2016:** R169 million)
Logistics	R499 million	^ 62.5%	(**2017:** R307 million, **2016:** R332 million)
Marine Fuel and Agricultural Logistics	R90 million	^ 38.5%	(**2017:** R65 million, **2016:** R(177) million)
Financial Services	R396 million	^ 9.1%	(**2017:** R363 million, **2016:** R338 million)
Group	R(58) million	^ 21.6%	(**2017:** R(74) million, **2016:** R(2) million)

Divisional review – discontinued operations^

Revenue*

v 63.4%
R2 148 million

(**2017:** R5 876 million)
(**2016:** R6 270 million)

EBITDA

^ 80.5%
R(70) million

(**2017:** R(359) million)
(**2016:** R(6) million)

^ Management figures, excluding segmental adjustments.
* Certain prior year figures have been re-presented for segmental changes as detailed in the basis of preparation.

Operating profit/(loss)*

^ 32.8%

R855 million

(**2017:** R644 million)
(**2016:** R324 million)

Port and Terminals	R159 million	v 17.6%
	(**2017:** R193 million, **2016:** R50 million)	
Logistics	R326 million	^ 97.6%
	(**2017:** R165 million, **2016:** R143 million)	
Marine Fuel and Agricultural Logistics	R81 million	^ 58.8%
	(**2017:** R51 million, **2016:** R(197) million)	
Financial Services	R390 million	^ 8.9%
	(**2017:** R358 million, **2016:** R332 million)	
Group	R(101) million	^ 17.9%
	(**2017:** R(123) million, **2016:** R(4) million)	

Attributable profit/(loss)*

^ 24.3%

R803 million

(**2017:** R646 million)
(**2016:** R226 million)

Port and Terminals	R146 million	v 12.0%
	(**2017:** R166 million, **2016:** R225 million)	
Logistics	R161 million	v 25.8%
	(**2017:** R217 million, **2016:** R(91) million)	
Marine Fuel and Agricultural Logistics	R149 million	^ 156.9%
	(**2017:** R58 million, **2016:** R(190) million)	
Financial Services	R210 million	^ 11.1%
	(**2017:** R189 million, **2016:** R171 million)	
Group	R139 million	^ 717.6%
	(**2017:** R17 million, **2016:** R111 million)	

Divisional review – discontinued operations^

Operating loss

^ 57.3%

R(291) million

(**2017:** R(681) million)
(**2016:** R(523)million)

Attributable profit/(loss)

^ 266.2%

R2 042 million

(**2017:** R(1 229) million)
(**2016:** R(2 134) million)

^ Management figures, excluding segmental adjustments.
* Certain prior year figures have been re-presented for segmental changes as detailed in the basis of preparation.

Management review

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Chairman's report to stakeholders

Mike Hankinson
Chairman

Strategy

2018 will be remembered as a year of significant change, being the year in which the long-anticipated Shipping spin-off was realised and the new company's shares were listed on the NASDAQ Stock Exchange in New York, with a secondary inward listing on the JSE.

Many people worked tirelessly to achieve this first step in the three-pronged strategy to unlock shareholder value across the business. Following intensive stakeholder consultation locally and internationally and an overwhelmingly positive 99.7-percent vote from shareholders, Shipping is now listed alongside some twenty marine transportation companies on the NASDAQ.

Trading in the share is expected to initially remain subdued, but shareholders look forward to increased value as the company achieves its targets in the months ahead and investors have had the opportunity to evaluate the performance of a globally recognised business operating 47 vessels as at 18 June 2018.

Grindrod wishes the Shipping executive, management team and employees the very best and look forward to seeing the business grow from strength to strength.

The next step in our strategy is to unlock shareholder value in the two remaining divisions. Freight Services aims to improve sustainability by consolidating operations, exiting non-core businesses, diversifying into new products and markets and bulking up the business to achieve scale. Financial Services is targeting growth and expansion through an enabling governance and funding structure, by exploring potential mergers, acquisitions and B-BBEE partnerships as well as product expansion into niche markets.

These initiatives are crucial to achieving a fair evaluation of our business. Following the Shipping spin-off, Grindrod shares traded at a substantial discount to their net asset value of approximately R13, ending the year at just more than R6. Although there are external reasons for the discount, which includes institutional investment requirements in terms of parameters such as market capitalisation, it is the responsibility of the board, supported by the executive and management, to unlock value.

Chairman's report to stakeholders continued

To this end, Freight Services implemented initiatives to add diversity and scale to unlock trade corridors in Africa and improve the profitability of the business. These include:

- investing further in Maputo Port and improving Grindrod logistics infrastructure to increase capacity and efficiency;
- progressing the implementation of infrastructure to execute the five-year logistics contract with Syrah Resources to transport graphite from the Balama Mine to the port of Nacala in northern Mozambique. The project created some 150 new jobs, with 98 percent of appointees being from the region;
- collaborating with stakeholders on the north-south and Maputo rail corridors to increase volume and efficiency;
- acquiring Novagroup to broaden the SGM skills base and service offering; and
- separating the Intermodal and Carrier Logistics management teams.

We congratulate TCM for receiving the overall best-company award in the KPMG Top 100 Mozambican companies for its 2017 performance and GML the top award in the services category.

Congratulations to SGM who assisted the Transport Education Training Authority (TETA) to establish the education and training requirements for a South African-designed ships-agency training course. Their work will enable training institutes to have their courses accredited by TETA if they meet the requirements set out in the course material.

In a historic transaction, Grindrod sold its bunker division to Women in Oil and Energy South Africa and Linsen Nambi. The transaction was specifically structured to promote transformation in the maritime industry as it facilitates the participation of black women and black youth in the maritime sector. We wish the renamed Linsen Nambi Bunker Services, the first 100 percent black shipowner in the country, the very best.

Financial Services is exploring several options to achieve its growth strategy at both divisional and departmental level. Steps to reposition the business include new sources of capital and actions to expand and add to products and services are ongoing.

Markets

Trading remained challenging, for both divisions, with subdued economic activity and decreasing business confidence affecting demand and investment. Globally, the economy was influenced by significant negative triggers such as trade wars and the uncertainty around the Brexit outcome.

Freight Services revenue was impacted by low margins to attract business, but the focus on increased volume from buoyant commodities in the Maputo and north-south rail corridors yielded improved volumes and capacity utilisation across the port and rail businesses.

Governance

Grindrod continues to conduct its business within the boundaries of a well-defined governance structure, driven from board level. Our values – transparency, respect, integrity, professionalism, fairness and accountability – form the basis for our approach to business, supported by sustainability measures to ensure the health and safety of stakeholders, respect for people and communities and to minimise the impact of our business on the environment.

A robust risk-management system incorporates an assessment of the impact of identified risks on and opportunities in the six capitals of value creation, as first outlined in the IIRC's Integrated Reporting Framework and incorporated in King IV. The system creates a risk-conscious business culture by embedding agreed internal controls and mitigating actions through all levels of management and supervisory staff.

We regret to report one fatality suffered at SGM. Mr Jack Mathebula was run over by a truck outside the offices whilst performing his duties. The company supported the family, conducted a rigorous investigation and the matter was reported to the South African Police Service. We were further saddened by non-reportable fatalities which occurred on public roads. All fatalities are investigated fully, whether or not they are externally reportable, and management is implementing measures to reduce the probability of similar incidents occurring.

Grindrod's commitment to social investment favours education and environmental projects through three major beneficiaries, the Adopt-A-School Foundation, the Cyril Ramaphosa Education Trust and the Wildlands Conservation Trust Blue Fund.

2019

Economic activity is expected to remain muted in 2019, with the run-up in the first half of the year to the national elections adding to uncertainties regarding government policy and actions to address the pressing needs of the country on social and economic fronts. Last year, I expressed concern about irregularities in both the public and private sectors. It is heartening to see that steps to achieve transparency and justice are starting to bear fruit, with candid evidence being presented to commissions of inquiry, changes in leadership and attitude at state-owned entities and the strengthening of legal and prosecuting institutions.

We trust that the corrective actions being taken will contribute to unlocking the vast potential of our lovely country and that its people and business will flourish in a fair and equitable environment.

In 2018, it was an honour to work with the Grindrod teams in two capacities – as executive chairman during the build-up to and after the Shipping spin-off. Thank you to Nkululeko Sowazi, lead independent non-executive director, during this transition period. I reverted to my former position as non-executive chairman following the appointment of CFO Andrew Waller as CEO and Freight Services CFO Xolani Mbambo as CFO on 1 September 2018. I wish Andrew and Xolani the best and assure them of the board's support in their roles to lead the group in the execution of its strategy.

Bongiwe Ntuli, executive director and CEO of Freight Services for the past four years, resigned on 31 December 2018. We thank her for her contribution to Grindrod's successes over the past ten years and wish her the best in her new role as CFO of a large listed company. Her duties have been taken over by a team of dedicated divisional executives. Thank you to Hassen Adams and Walter Geach who retired as non-executive directors, for their valuable input from 2000 and 2008 respectively and Gerhard Kotze who resigned on 1 September 2018. They will not be replaced, in line with a board decision to align the number of directors with the reduction in group size.

To the entire Grindrod team I express gratitude for their enormous, collective effort during a year of significant change, which also involved a fair measure of uncertainty. Thanks to you, we are well positioned to execute the Grindrod strategy and create a sustainable business to the advantage of all stakeholders.

Mike Hankinson
Chairman

5 March 2019

Report of the chief executive officer

Andrew Waller
Chief executive officer

Group review

The continuing businesses of Freight and Financial Services ended the year on a positive note generating earnings of R803.4 million, up 24 percent on 2017 and headline earnings of R716.6 million, an increase of 26 percent on 2017. In June 2018 Grindrod concluded the spin-off and separate primary listing of its Shipping division on the NASDAQ with a secondary listing on the JSE.

Freight Services remains committed to its strategy of improving asset utilisation, unlocking trade corridors, increasing the scale and diversity of its operations throughout Africa and commercially aligning complementary businesses. Financial Services continues to explore opportunities to introduce further capital, develop a retail strategy based on digital technology, focus on SME business development and rebuild its UK portfolio. The businesses are therefore well placed to increase market share and to capitalise on any global market improvements.

Business review

Freight Services

Maputo Port and terminals

Maputo Port achieved record volumes of 19.6 million tonnes (2017: 18.2 million tonnes), up eight percent on 2017. The last record achieved was in 2014 (19.3 million tonnes). The Maputo Port access channel dredge, completed in January 2017, and a strong chrome and ferrochrome market underpinned this volume growth. Going forward, the rehabilitation of berths, construction of an additional chrome slab, and the procurement of additional equipment are all underway and should support further growth and port efficiencies.

The **Matola Terminal** volume performance in the second half recovered from the slow start in the first half to close the year at 5.2 million tonnes, on par with 2017. First half performance was impacted by operational and safety related issues at a key customer site, poor weather conditions and a derailment, resulting in overall drybulk volumes across all terminals at 10.0 million tonnes, down two percent on 2017.

The **Oiltanking Grindrod Calulo** joint venture for the construction and development of the Ngqura Liquid Bulk Terminal in respect of a BOOT agreement with Transnet is progressing. Funding arrangements are in progress and bulk earthworks have commenced.

Despite solid volume performance at Maputo Port indicated above, headline earnings for Maputo Port and Terminals at R145.6 million (2017: R179.8 million) were undermined by relatively lower iron ore prices which impacted Matola Terminals earnings performance. Lower prices resulted in commodity price participation benefit dropping to R4.6 million (2017: R25.8 million).

Logistics

The construction of the cross-dock facility in Nacala was completed in the first half of the year and the logistics contract for a graphite customer from the mine in Balama to the Port of Nacala commenced in June 2018. A steady volume ramp-up resulted in 79 600 tonnes handled for the year with expectations of further increases towards the end of 2019.

Volume improvements in the **road transportation, containerised cargo and warehousing** businesses resulted in positive earnings, albeit marginal, from the losses incurred in 2017. An operational review of the business and increased focus on cost containment and property asset utilisation is ongoing and should result in further earnings improvements.

The **Seafreight** business achieved strong growth in volumes driven by increases in bulk handling and additional feeder demand between South Africa and Namibia.

Increased pressure on margins in the **Ships Agency and Clearing and Forwarding** businesses resulted in lower earnings compared to 2017. However, the utilisation in the recently completed Meadowview facility increased to 55 percent from 26 percent in 2017. Further utilisation improvements are expected in 2019 as contracts logistics are secured.

Continuing **Rail operations**, comprising management and operational services for customers on the North-South Corridor, achieved a positive result with volumes up 11 percent on 2017. Results, however, include $36.2 million (pre-tax and at 100 percent shareholding) received from the government of Zimbabwe in the form of Real Time Gross Settlement (RTGS) relating to a 1997 agreement with the government of Zimbabwe for the provision of fuel transportation services. Deteriorating liquidity issues in Zimbabwe resulted in the devaluation of the RTGS received resulting in a foreign exchange devaluation of $15.0 million.

The Logistics segment generated headline earnings of R155.4 million, up on 2017 headline earnings of R79.7 million.

Marine Fuel and Agricultural Logistics

The **Marine Fuel** business benefited from increased focus on margin optimisation. **Agricultural Logistics** businesses reported substantial improvements in earnings supported by carry-over grain stock and the profit on disposal of an operating unit at NWK.

This segment reported strong headline earnings growth of 32 percent to R124.8 million (2017: R94.6 million).

Financial Services

Financial Services reported pleasing results for the year despite the SASSA business exit in the last quarter.

Core advances grew eight percent demonstrating stability in the traditional banking businesses. **The Retail** division focused on ensuring continuity in the on-time distribution of social grant payments. The transition from the previous SASSA accounts to a new "open choice" dispensation commenced in earnest in April 2018 and was largely completed by September 2018.

A significant portion of the fair value gain on the UK property portfolio (from inception) was realised in 2018 when the portfolio was sold. Total proceeds of GBP36.8 million were realised of which GBP11.0 million was repatriated into South Africa and a portion of the balance reinvested in a new UK property vehicle.

Headline earnings grew 11 percent to R209.6 million (2017: R189.0 million).

Report of the chief executive officer continued

Sustainability, risk and opportunities

The Grindrod business sustainability guidelines are based on the six capitals of value creation, introduced by the International Integrated Reporting Council in 2013. Now incorporated in King IV, the capitals provide a meaningful framework for developing sustainable, ethical and socially responsible strategies, evaluation tools and reporting structures.

Grindrod manages its human capital to ensure people's health and safety and invest in their professional and personal growth. Execution is based on uniform policies, procedures, terminology and benchmarks, which include regulatory and business-enhancement measures.

With the Shipping spin-off completed and the vast differences in the safety, health, environment, risk and quality (SHERQ) landscape of the Freight Services and Financial Services divisions, SHERQ management has been improved through the streamlining of governance structures by means of dedicated divisional SHERQ committees, reporting to the Social and Ethics committees of Grindrod Limited and Grindrod Bank respectively.

Human-capital development is managed at businesses level to optimise the outcome of business, transformation and B-BBEE targets through their recruitment practices, skills development, talent management, retention initiatives, performance management and employee relations, all of which are aligned with the divisional business strategy and employment equity targets.

Grindrod acknowledges the importance of a workforce that reflects the demographics of the country and bases its transformation targets, including gender diversity, on the DTI and financial sector codes of good practice, aligned with the B-BBEE Act. Grindrod engages proactively with the DoL and includes relevant KPIs in the performance scorecards of executives.

Grindrod's commitment to environmental sustainability is captured in its Vision 2020 policy, which sets tangible targets to conserve natural resources, maximise eco-efficiency, prevent pollution and reduce waste and climate-change impacts.

Grindrod subscribes to the international CDP, in which participants are rated on their level of effectiveness in addressing climate risk and identifying opportunities, based on scores ranging from A to E. Grindrod's rating improved to a B in 2018 (2017: C).

2019

I look forward to 2019 and am confident that the Grindrod team will navigate the business through pedestrian national GDP growth, deal with the uncertainty around South African and Mozambican elections and global trade tensions to deliver on the growth strategy through unlocking trade corridors, building scale and increasing diversity.

I thank fellow directors, management and the employee teams for their exceptional contributions during a trying year. Your input laid the foundation to further improve our business in line with our strategy. Thank you to the board for entrusting me with the responsibility to lead our commitment towards stakeholder value creation.

Andrew Waller

Andrew Waller
Chief executive officer

5 March 2019

Report of the chief financial officer

Xolani Mbambo
Chief financial officer

2018 overall performance

Grindrod's performance across its continuing businesses was pleasing. Maputo Port achieved record volume underpinned by strong chrome and ferrochrome demand. Our graphite logistics contract implementation in Nacala is substantially complete. Financial Services continued to deliver steady and consistent earnings growth whilst the agricultural and marine fuel businesses showed strong earnings growth.

Significant measures are being implemented to drive improvements, particularly in the logistics space at Freight Services, and retail business at Financial Services following the SASSA business exit.

Economic and political environments in South Africa, Mozambique and Zimbabwe, where most of our Freight Services operations are located, have been challenging. Economic growth in these countries has been under distress and in some instances technical recessions were experienced.

South Africa and Mozambique will hold key national elections in May and October 2019, respectively. The positive outcome of these elections is vital for an enabling economic and political environment going forward.

Despite these challenges, Grindrod's continuing operations remained resilient and achieved a healthy growth in revenue and earnings before interest taxation depreciation and amortisation (EBITDA).

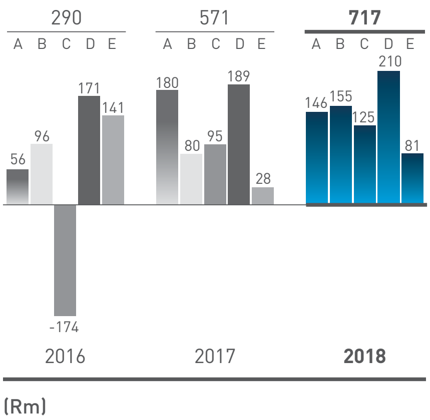
Financial overview

Grindrod revenue from continuing operations grew by 16 percent to R24 655.3 million driven by higher oil prices in the marine fuel business and ramping up of the graphite contract logistics operation in Nacala. EBITDA, inclusive of joint ventures, increased by 25 percent to R1 177.7 million. Corresponding EBITDA margins across Freight Services continuing businesses were respectable with Ports and Terminals achieving 27 percent (2017: 33 percent), and Logistics 19 percent (2017: 13 percent). Ports and Terminals margins were negatively affected by softer commodity prices. Logistics EBITDA included a foreign exchange loss of $15.0 million due to the devaluation of the Zimbabwe currency RTGS following the currency liquidity crisis which began in September 2018.

Report of the chief financial officer continued

Headline earnings of R716.6 million were generated, up 26 percent on 2017 driven by record volume growth in Maputo port, improved revenue generation in the agricultural and marine fuel businesses and steady growth from the financial services businesses despite the impact of a decline in the retail business performance in the last quarter of the year. Terminals headline earnings negatively affected the Port and Terminals performance due to subdued commodity prices, particularly iron ore, which resulted in a decrease in commodity price participation benefit from R25.8 million in 2017 to R4.6 million this year. The headline earnings performance by segment is outlined in the chart below.

Headline earnings by division – continuing operations



2018

^57% CAGR*

A	Port terminals
B	Logistics
C	Marine Fuel and Agricultural Logistics
D	Financial Services
E	Group

* Compound annual growth rate.

Discontinued operations

The Shipping spin-off completed in June 2018 resulted in a R2 830.5 million foreign currency translation gain release to the income statement.

Closure of the Tonkolili mine operation in Sierra Leone necessitated an impairment of R568.2 million against the carrying value of the 34 locomotives that operated at the mine.

The remaining rail leasing business which comprises the 27 locomotive and 100 wagon leasing joint venture, Grindrod Pembani Remgro, reported improved results. Its deployment rate of 85 percent on its leased locomotives was consistent with 2017.

Asset performance

Including the foreign currency translation gain release on the Shipping spin-off, the group reported an attributable profit of R2 845.3 million for the year (2017: attributable loss of R582.7 million).

With total assets of R25 651.5 million (2017: R34 949.0 million) and net cash of R353.3 million (2017: R7.0 million net debt), the group's financial position remains healthy. Book net asset value per share at 1 314 cents (2017: 1 790 cents) has reduced with the spin-off of Shipping.

Shareholders' equity decreased to R9 618.5 million (December 2017: R14 152.8 million) mainly due to Shipping spin-off (R4 429.6 million) and consolidation of the BBBEE structure (R1 090.3 million).

Borrowings, cash flow and liquidity

Long-term debt increased to R1 647.1 million (2017: R1 015.6 million) largely as a result of the R594.8 million debt arising on the consolidation of the BBBEE structure following additional security placed with funders in December after the share cover ratio on the structure's debt funding was breached, resulting in the group controlling the structure in terms of IFRS 10, Consolidated Financial Statements.

Cash and cash equivalents, excluding Financial Services, decreased by 19 percent to R1 608.8 million. Total bank and cash decreased by 57 percent to R3 817.1 million due to the conclusion of the SASSA contract in Financial Services.

Cash generated from operations in our continuing operations was R82.2 million (2017: R516.2 million) Working capital contributed to a net outflow of R90.2 million (2017: net inflow of R97.6 million).

Projects, acquisitions and disposals

Capital commitment of R236.0 million (2017: R329.0 million) was approved as at 31 December 2018 predominantly relating to the construction of a liquid bulk terminal at Ngqura and facility expansions in the automotive and seafreight businesses.

The group has in place its weighted average cost of capital (WACC) and project hurdle rates to ensure these reflect current market conditions. All projects are deemed to be high risk, unless substantiated otherwise for factors such as guaranteed contractual off-take, solid counterparty or low country risk, amongst others. The project hurdle rates, using project internal rate of return (IRR) have remained unchanged from the prior year and are set out in the table below:

	High risk %	Medium risk %	Low risk %
Hurdle rate	18	15	12

Taxation

Taxation charge, inclusive of joint ventures, was up 21 percent to R284.9 million (2017: R236.5 million) in line with earnings improvements. The effective tax rate (ETR) adjusted for associate earnings was 24 percent consistent with prior year. Lower ETR compared to the statutory rate of 28 percent in South Africa is due to earnings from lower tax jurisdictions such as Zimbabwe. The Group Tax Compliance and Tax Risk Management Policy requires that the group complies fully with the tax laws and regulations of the countries/jurisdictions in which it operates. Risks associated with taxation are monitored and mitigated with reference to the approved policy.

Dividend declaration

Considering an increase in operating cash flow generated by continuing operations, underpinned by a strong balance sheet, a dividend was resumed at four times cover, based on second-half headline earnings. This cover will be reviewed continuously against financial performance.

The Board declared a final ordinary dividend of 14.6 cents (2017: nil). The shares in issue at the date of the dividend announcement were 762 553 314 ordinary shares (2017: 762 553 314 shares).

Total preference share dividends of R65.7 million were paid to preference shareholders in 2018.

Focus for 2019

The key financial focus areas for 2019 are:

- maximising asset utilisation;
- improving operating efficiencies and cost;
- ensuring appropriate capital allocation;
- managing working capital;
- improving process and controls; and
- enhancing management control through improved reporting platforms.

Foreign currency exposures

The group has US$267.8 million (2017: US540.9 million) net assets based outside of South Africa with a US$ cost base, generating US$ revenues, reducing the exposure of the group to any one country or currency. Our operations in Mozambique trade in US$ currency, mitigating exposure to meticais. Foreign exchange risks are monitored and mitigated in terms of approved policies.

Report of the chief financial officer continued

Interest rate exposures

The group's South African interest rate exposure is currently not fixed. Opportunities to lock in low rates continue to be evaluated and will be entered into at the appropriate time to limit exposure to increasing interest rates, in line with the group's interest cover policy.

Financial controls and risk management

Key financial personnel are employed across the group to manage the financial departments which monitor and support the operations through the analysis and reporting of results. These finance teams, with enabling financial systems, ensure that financial information reported is complete, accurate, relevant and timely.

Internal control systems are designed to provide reasonable assurance against material losses and the misstatement of financial results and are intended to manage all significant risks. The safeguarding and prevention of misuse of assets is another important aspect of internal control.

Principal features of the group's internal financial controls are:

- an organisational structure comprising clearly defined reporting lines, responsibilities and levels of authority;
- policies, procedures and guidelines to ensure that best practice standards are maintained and achieved;
- a system of financial planning, budgeting and reporting which enables performance to be monitored against predetermined objectives;
- internal financial controls which are supported by the group's IT systems;
- a finance team with the appropriate level of skill and technical training; and
- independent oversight by the internal audit function through the development and testing of financial control frameworks.

During 2018, internal financial control frameworks were tested by the internal audit function at several businesses. Areas of non-compliance were reported to and discussed with management, following which action plans were drafted and implemented to address the risk of material misstatement of financial results.

Basis of preparation

The audited summarised consolidated financial statements have been prepared in accordance with the Framework concepts recognition and measurement criteria of IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and as a minimum, contain the information required by IAS 34 Interim Financial Reporting and the Companies Act of South Africa requirements applicable to summarised financial statements.

The full consolidated annual financial statements from which these summarised consolidated financial statements were derived are electronically available on the group's website www.grindrod.com.

Following the successful spin-off of the Shipping division, the group's cost allocation methodology across operating segments was revised. Comparative income statement information has been restated to reflect the change in methodology and to provide a more meaningful comparison to current year figures.

Accounting policies

The accounting policies adopted, and methods of computation used in the preparation of the consolidated financial statements are in terms of IFRS and are consistent with those of the annual financial statements for the year ended 31 December 2017, except for the following amendments relating to updated IFRS standards:

IFRS	Retained earnings impact
IFRS 9 – Financial instruments	R26.2 million
IFRS 15 – Revenue	R7.0 million

Refer to note 1 of the annual financial statements available on the company's website for further detail on new standards and interpretations not yet adopted.

IFRS 16, the revised Leases standard, came into effect on 1 January 2019. This standard results in most leases recognised on the balance sheet from inception. A lease liability for the commitment of lease payments will be recognised on inception with a corresponding asset. During the lease, depreciation of the asset and interest expense on the lease liability will be recognised. This increase in liability and corresponding assets is approximately in the range of R900.0 million to R1 500.0 million on the group statement of financial position. Further details will be included in the 2019 results.

Critical judgements in applying the group's accounting policies/key sources, are dealt with in detail in the accounting policies section in the annual financial statements.

Provisional financials

Summarised consolidated annual financial statements have been included in the integrated 2018 annual report.

Events after the reporting date

There were no events to report subsequent to 31 December 2018.

Xolani Mbambo
Chief financial officer

5 March 2019

The full set of annual financial statements and notes are available on www.grindrod.com.

Five-year review

		2018*	2017*	2016	2015	2014
GROUP INCOME STATEMENT						
Revenue	(Rm)	3 424	3 059	9 032	10 192	13 912
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	(Rm)	645	622	469	1 099	1 166
Depreciation and amortisation	(Rm)	(193)	(196)	(584)	(675)	(547)
Operating profit/(loss) before net interest and taxation	(Rm)	452	426	(115)	424	619
Non-trading items	(Rm)	82	129	(1 419)	(1 588)	235
Net interest received	(Rm)	160	167	91	33	18
Profit/(loss) before share of joint venture and associate companies' profit	(Rm)	694	722	(1 443)	(1 131)	872
Share of joint venture and associate companies' profit/(loss) after taxation	(Rm)	335	172	(205)	(47)	398
Profit/(loss) before taxation	(Rm)	1 029	894	(1 648)	(1 178)	1 270
Taxation	(Rm)	(154)	(173)	(192)	(190)	(194)
Profit/(loss) after taxation	(Rm)	875	721	(1 840)	(1 368)	1 076
Minority interest	(Rm)	(6)	(7)	–	3	(16)
Profit/(loss) for the year before preference dividends	(Rm)	869	714	(1 840)	(1 365)	1 060
Preference dividends	(Rm)	(66)	(68)	(68)	(61)	(59)
Profit/(loss) attributable to ordinary shareholders	(Rm)	803	646	(1 908)	(1 426)	1 001
Ordinary shareholders' interest in non-trading items	(Rm)	(86)	(75)	1 448	1 985	(272)
Headline earnings/(loss)	(Rm)	717	571	(460)	559	729
GROUP STATEMENT OF FINANCIAL POSITION						
Non-current assets	(Rm)	8 513	7 958	13 476	16 928	15 338
Loans and advances to bank customers	(Rm)	7 756	7 149	5 855	4 916	4 307
Current assets	(Rm)	9 382	19 842	16 848	14 613	13 212
Total assets	(Rm)	25 651	34 949	36 179	36 457	32 857
Total equity	(Rm)	9 678	14 198	15 801	19 140	17 480
Non-current liabilities	(Rm)	1 958	1 326	2 613	3 174	2 971
Deposits from bank customers	(Rm)	10 506	14 640	13 610	9 980	7 810
Current liabilities	(Rm)	3 509	4 785	4 155	4 163	4 596
Total equity and liabilities	(Rm)	25 651	34 949	36 179	36 457	32 857
GROUP CASH FLOWS						
Cash (utilised in)/available from operations (excluding dual purpose assets)	(Rm)	(5 870)	439	2 535	3 179	919
Distribution/dividends paid	(Rm)	31	56	29	(151)	(170)
Cash retained from operations	(Rm)	(5 839)	495	2 564	3 028	749
Net proceeds on disposal of property, terminals, machinery, vehicles, equipment, investments and other items	(Rm)	(462)	178	278	89	116
Cash (utilised in)/available for investment	(Rm)	(6 301)	673	2 842	3 117	865
Cash invested	(Rm)	(446)	(525)	(782)	(1 164)	(1 335)
Net finance repaid/(raised)	(Rm)	(6 747)	149	2 060	1 953	(470)

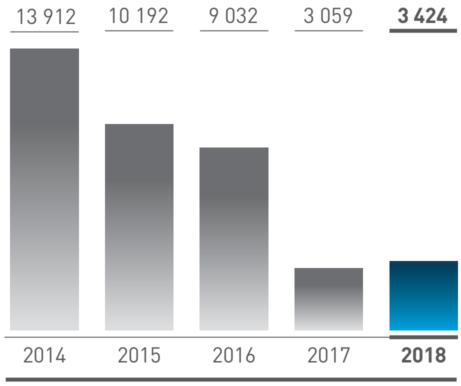
* 2018 and 2017 figures are based on continuing operations. Prior years have not been re-presented.

		2018	2017	2016	2015	2014
ORDINARY SHARE PERFORMANCE						
Number of ordinary shares in issue net of treasury shares*	(000s)	680 268	751 640	750 548	750 959	751 619
Weighted average number of ordinary shares on which earnings per share is based	(000s)	751 877	751 164	750 539	751 452	678 348
Earnings/(loss) per share – basic	(cents)	106.9	86.0	(254.2)	(189.8)	147.6
Headline earnings/(loss) per share – basic	(cents)	95.3	76.0	(61.2)	74.4	107.5
Share price – opening	(cents)	1 365	1 345	1 129	2 240	2 803
Share price – closing	(cents)	615	1 365	1 345	1 129	2 240
Share price – highest	(cents)	1 540	1 575	1 485	2 278	2 895
Share price – lowest	(cents)	562	1 025	850	1 032	2 050
Number of transactions recorded		184 496	114 897	128 454	203 077	172 819
Number of shares traded	(000)	434 695	236 901	302 823	349 936	267 875
Volume of shares traded as a percentage of total issued shares	(%)	57.0	31.1	39.7	45.9	38.8
Market capitalisation at 31 December	(Rm)	4 690	10 409	10 256	8 609	17 070
Price: earnings ratio	(times)	5.8	15.9	(5.3)	(5.9)	15.2
EV/EBITDA	(times)	20.6	26.2	40.8	21.4	19.1
Dividend/distribution per share	(cents)	14.6	–	–	19.6	33.6
Dividend/distribution cover**	(times)	4.0	–	–	3.8	3.2
Dividend yield	(%)	2.4	–	–	1.7	1.5
EBITDA per share – continuing	(cents)	156.6	82.8	87.0	227.4	269.0
Earnings yield	(%)	17.0	6.0	(18.9)	(16.8)	6.6
Net worth per share at book value	(cents)	1 314	1 790	2 007	2 450	2 227
PREFERENCE SHARE PERFORMANCE						
Number of preference shares in issue	(000s)	7 400	7 400	7 400	7 400	7 400
Share price – opening	(cents)	7 250	7 750	7 500	8 375	9 350
Share price – closing	(cents)	7 300	7 250	7 750	7 500	8 375
Share price – highest	(cents)	7 599	8 200	8 150	8 500	9 800
Share price – lowest	(cents)	6 499	7 135	7 150	7 440	8 100
Number of transactions recorded		2 297	2 697	2 070	2 590	1 917
Number of shares traded	(000)	1 152	1 656	1 716	1 289	1 576
Volume of shares traded as a percentage of total issued shares	(%)	15.6	22.4	23.2	17.4	21.3

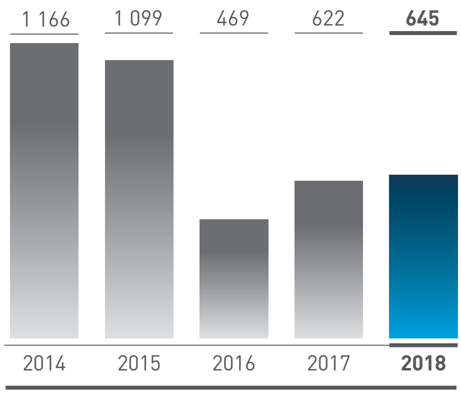
* In the current year, 8.7 million shares were bought back by the Group and 64.0 million shares were included in treasury shares on consolidation of the B-BBEE consortium. The consortium continues to have voting rights.

** 2018 dividend cover based on second-half headline earnings.

Five-year review continued



Revenue (Rm)



EBITDA funds (Rm)

		2018*	2017*	2016	2015	2014
KEY RATIOS						
Profitability						
Operating margin	(%)	13.2	13.9	(1.3)	4.2	4.4
Operating margin including joint venture entities	(%)	3.5	3.0	(0.8)	2.9	3.3
Return on net assets	(%)	5.3	4.0	(8.1)	(5.3)	6.4
Return on ordinary shareholders' funds	(%)	7.2	4.5	(11.4)	(8.1)	7.2
Effective rate of taxation excluding joint ventures	(%)	22.2	23.9	n/a**	(22.3)	32.2
Leverage and liquidity						
Total liabilities to total shareholders' interests	(%)	16.7	18.0	21.7	13.7	10.9
Net interest-bearing (cash)/debt to total shareholders' interests	(%)	(4.0)	–	2.4	(0.2)	(3.1)
Net cash/(debt) to EBITDA	(times)	(0.6)	–	0.8	–	(0.5)
Debt service cover ratio		0.2	0.4	0.7	0.7	0.4
Interest cover	(times)	na***	n/a***	n/a***	n/a***	n/a***
Current ratio		1.8	3.8	3.7	3.3	2.7

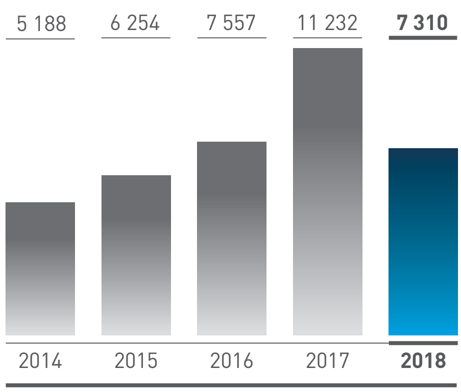
* 2018 and 2017 figures are based on continuing operations. Prior years have not been re-represented.
** Effective taxation rate distorted by losses in the shipping and freight services businesses.
*** Interest cover (times) ratio negative in the 2016 year due to operating losses (including non-trading items). 2018, 2017, 2015 and 2014 – net interest received position.

		2018	2017	2016	2015	2014
Employment equity – HDSA	(%)	82.33	79.6	73.9	74.8	78.2
B-BBEE Contributor Level – Grindrod Limited		Level 2	Level 3	Level 3	Level 2	Level 2
SOCIAL RESPONSIBILITY						
Total spend on projects	(Rm)	4.5	8.8	11.9	7.3	14.9
ENVIRONMENT						
Energy efficiency – electricity	(kWh/FTE)	3 536	3 515	3 197	2 706	2 942
Total GHG emissions (CO_2 equivalent)[1, 2]	(tonnes)	299 452	311 698	453 590	480 782	443 965
GHG emissions intensity (CO_2 per rand revenue)[1, 2]	(grams)	193	204	18.19	17.17	13.57

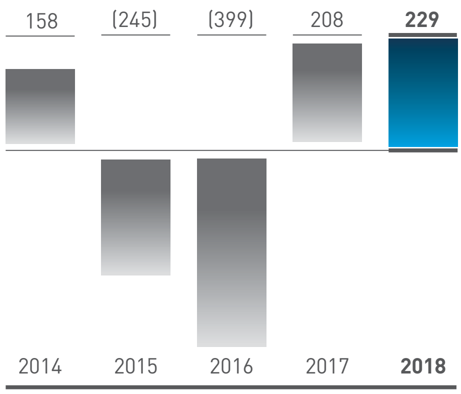
1 H1 values for 2018 and 2017.
2 2017 figures restated to correct calculation error.

		2018	2017	2016	2015	2014
SAFETY AND HEALTH						
Fatalities						
– Freight Services		1	2	–	2	1
– Shipping		–	–	1	–	–
– Financial Services		–	–	–	–	–
Lost-time incidents						
– Freight Services		28	39	42	58	68
– Shipping		1	6	7	3	8
– Financial Services		–	–	–	–	–
Lost-time injury frequency rate (LTIFR)						
– Freight Services		0.62	0.86	0.65	0.67	0.86
– Shipping		0.13*	0.13	0.21	0.09	0.26
– Financial Services		–	–	–	–	–
HUMAN CAPITAL						
Number of employees at year-end		4 728	5 232	5 881	7 044	7 506
– subsidiaries		2 815	3 472	4 090	4 908	5 443
– joint ventures and associate companies		1 913	1 760	1 791	2 136	2 063
Training spend	(Rm)	9	6	9	13	17
Average training spend per employee	(R)	2 110	1 090	1 530	1 849	2 315
Assets per employee**	(R000)	7 310	11 232	7 557	6 254	5 188
Profit/(loss) per employee**	(R000)	229	208	(399)	(245)	158

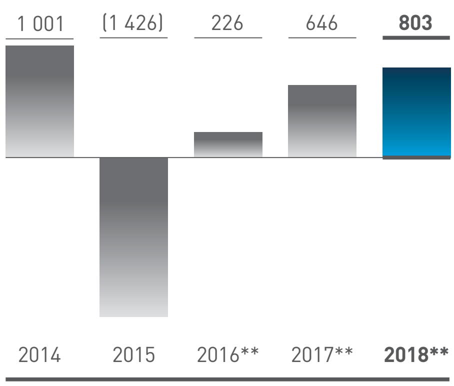
* As at 30 June 2018 due to shipping spin-off.
** Calculated based on employee numbers at effective shareholding. Excludes discontinued operations.



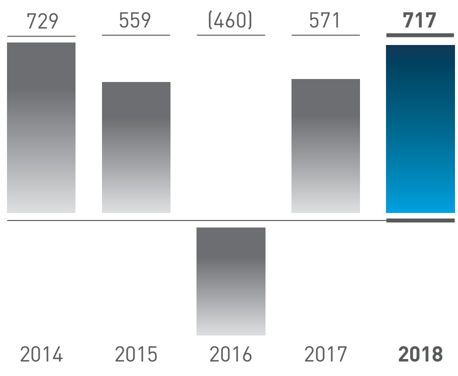
Assets per employee (R000)



Profit/(loss) per employee (R000)



Attributable profit/(loss) (Rm)



Headline earnings/(loss) (Rm)

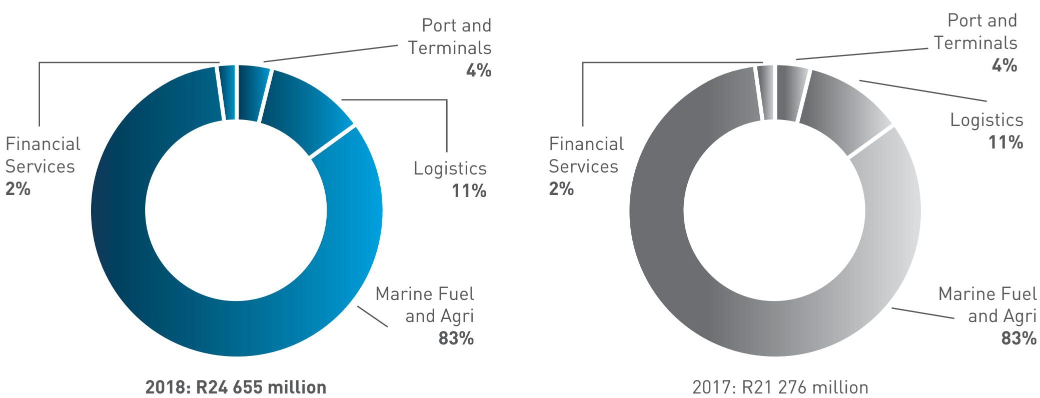
** 2018, 2017 and 2016 figures are based on continuing operations.

Business structure

as at 31 December 2018

Freight Services^
Freight Services invests in and manages infrastructure and resources to achieve its mission to be the preferred provider of a broad range of freight logistics services by unlocking value in trade corridors, mainly on the African continent.
Port operations comprise an equity investment in Maputo Port Development Company (MPDC), in partnership with the Ports and Railway Company of Mozambique (CFM), Dubai Ports World (DPW) and Mozambique Gestores SARL.
Terminals in Maputo, Richards Bay, Durban, Cape Town and Walvis Bay have combined throughput capacities in excess of 15mtpa dry bulk, 280 000m^3 liquid bulk and 120 000 vehicles a year. Stevedoring services are also provided.
Logistics manages the road transportation of vehicles and fuel through its fleet of freight vehicles and provides containerised cargo and cargo-handling services. Warehouses and depots have capacities of 24 400 TEU and 164 501m^2 respectively.
Rail operations comprise mainline operations and locomotive and wagon leasing and maintenance. It operates in South Africa, Mozambique, Zimbabwe and Mauritius.
Ships agency and clearing and forwarding provides freight-clearing and forwarding, ships-agency and marine technical services.
Seafreight, through OACL, provides a coastal shipping service calling on major ports in South Africa, Mozambique, Namibia and Angola. In addition OACL operates multi-purpose terminals in Durban that cater to containerised, break-bulk and bulk cargoes, including warehousing and distribution.
Agricultural Logistics provides inputs to agricultural producers as well as market access and storage and logistics of bulk agricultural products.
Marine fuel Cockett Group is a global reseller of marine fuel products, including physical supply at select locations through its subsidiary V-Marine Fuels, and is a joint venture between Grindrod and Vitol.

^ includes discontinued rail services not detailed in the table above.



Revenue (management) by business area – continuing operations (%)

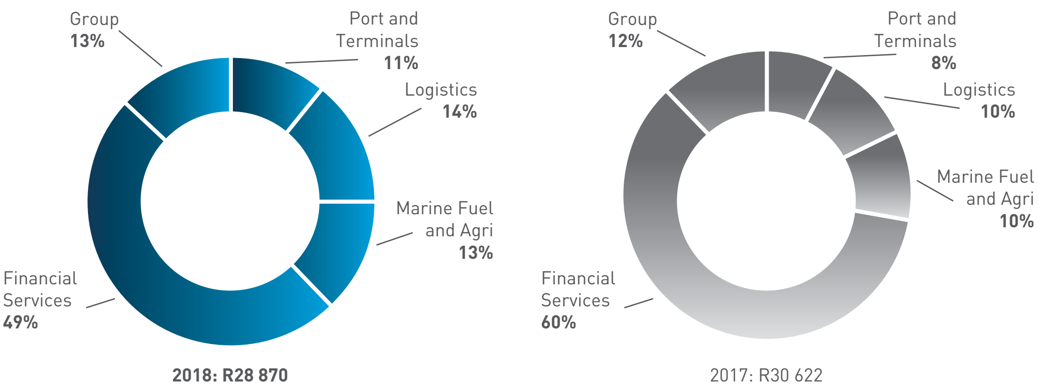
Financial Services

The Financial Services division provides niche investment, asset management, loan finance and retail services through Grindrod Bank and GFS Holdings.

Grindrod Bank is an authorised financial-services credit provider regulated by the SARB.

Banking products include secured and mezzanine loans, corporate finance services, preference-share investments, treasury deposits and retail card services.

GFS Holdings focuses on medium-term private equity investments (property and equity) and third-party asset management services, notably a 41.03 percent shareholding in Coreshares, which manages a suite of 16 index-tracker ETFs and unit trusts. It also holds a 49.57 percent interest in Infinitus Holdings, a registered investment management company and an FSCA authorised financial services provider holding Category I and II licences, which owns Bridge Fund Managers. On 1 November 2018, the Bridge private client and stockbroking divisions were sold to Sanlam Private Wealth.



Assets by business area – continuing operations (%)

Business profile

as at 31 December 2018

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Freight Services

Port and Terminals

Port

Port concession

24.7% – Maputo Port Development Company (MPDC)

Terminals

Car terminal

70% – Grindrod Maputo Car Terminal (MCTL)

Dry-bulk terminals

65% – Terminal de Carvão da Matola (TCM)
100% – Grindrod Mozambique Limitada (GML)
100% – Grindrod Terminals, Richards Bay
59.7% – RBT, Richards Bay
75% – Port of Walvis Bay, Namibia

Liquid-bulk terminals

30.5% – Oil Tanking Grindrod Calulo (OTGC)

Stevedores

100% – Bay Stevedores, Richards Bay
49% – Grindrod Namibia Stevedoring, (Walvis Bay)

Logistics

Logistics

Intermodal

100% – Grindrod Intermodal
99.9% – Grindrod Logistics Mozambique Limitada

75% – Nacala Intermodal Terminal Investments

Auto road transportation

100% – Grindrod Automotive

Fuel road transportation

100% – Grindrod Fuelogic
100% – Petrologistics (Botswana)

Rail

Main-line operations

73.9% – NLPI Group

Ships agency and clearing and forwarding

Clearing and forwarding

42.5% – Röhlig-Grindrod

Ships agency services

100% – Sturrock Grindrod Maritime (SGM)
100% – Novagroup

Seafreight

Seafreight

100% – Ocean Africa Container Lines (OACL)

Marine Fuel and Agricultural Logistics

Marine fuel

Marine fuel

50% – Cockett Marine Oil
50% – CMOG Fuel DMCC
50% – Cockett Marine South Africa

Agricultural logistics

Agricultural logistics

20.4% – Senwes
20.7% – NWK

GRINDROD

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Financial Services

Banking

96.5% – Grindrod Bank

Investments and asset management

96.5% – GFS Holdings
96.5% – Grindrod Property Private Equity

Discontinued operations

Shipping*

Dry-bulk shipping

100% – Island View Shipping (IVS)

Liquid-bulk shipping

100% – Unicorn Shipping

Ship operating

100% – Unicorn Tankers (SA Coast)
100% – Parcel Services
65% – Island Bulk Carriers

Rail

Rail leasing, maintenance and operating

100% – Grindrod Rail Operations
100% – Grindrod Locomotives
55% – GPR Leasing Africa
55% – GPR Leasing South Africa
100% – Grindrod Rail Consulting Services
100% – RRL Grindrod Sierra Leone 1
100% – RRL Grindrod Sierra Leone 2

* discontinued operation due to spin-off.

Geographic representation

Representation in 31 countries

	Africa													North and South America			Europe				Asia										
	South Africa	Swaziland	Angola	Botswana	Kenya	Madagascar	Mauritius	Mozambique	Namibia	Sierra Leone	Tanzania	Zambia	Zimbabwe	Australia	Brazil	USA	Greece	The Netherlands	Turkey	United Kingdom	China	Hong Kong	India	Singapore	South Korea	UAE	Ukraine	Indonesia	Papua New Guinea	Timor – Leste	Thailand
Port								•																							
Terminals	•							•	•																						
Integrated logistics	•			•				•	•																						
Rail	•			•			•	•		•			•																		
Ships agency and clearing and forwarding	•	•	•		•	•		•	•		•	•		•										•		•		•	•	•	•
Seafreight	•																														
Marine fuels	•													•	•	•	•	•	•	•	•	•	•	•	•	•	•				
Agricultural logistics	•																														
Financial services	•																			•											

Grindrod's business

as at 31 December 2018

6 values guide the execution of the vision:

1. **Transparency** in the disclosure of information.
2. **Respect** for stakeholders, assets and the environment.
3. Operating with **integrity**.
4. Acting with **professionalism** in service delivery.
5. Treating people with **fairness**.
6. **Accountability** for actions.

The values and sustainability pillars guide the company in formulating its **strategies** < pg32. These are developed with due cognisance of identified **risks** and **opportunities** < pg34 and focus on optimising the capitals as key inputs to its business operations.

Capital inputs
Our resources and relationships

pg61 > **Our money**
Retained earnings
Debt/equity funding
Access to capital

pg66 > **Our assets**
Port, terminals and corridor infrastructure
Integrated logistics infrastructure
Geographic footprint

pg69 > **Our skills**
Respected brand
Logistics capabilities
Specialised skills
Systems and structures
Customer solutions

pg71 > **Our people**
Competent employees
Talent
Employee value model

pg77 > **Our relationships**
Engagement structures
Strategic relationships

pg81 > **Our environment**
Natural resources

pg85 > **Our governance and ethics**
Governance and ethics

What we do
How our business creates shared value

Freight Services < pg47 invests in and operates infrastructure and resources to provide tailored freight logistics solutions across the supply chain, for the efficient end-to-end delivery of diversified cargo for its customers along strategic trade corridors.

Financial Services < pg52 provides niche investment, asset management, loan finance and retail services through Grindrod Bank, an authorised financial-services credit provider. Its GFS Holdings focuses on medium-term private equity investments and third-party asset management services. Bank products include secured and mezzanine loans, corporate finance services, preference-share investments, treasury deposits and retail card services.

Grindrod's *vision* is to create sustainable returns and long-term value for its stakeholders

4 sustainability pillars support the values:

1. The **health and safety** of employees, contractors and visitors.
2. Respect for **people**.
3. Minimising the adverse impact of business activities on the **environment**.
4. Respect for the rights, culture and customary livelihoods of **communities**.

The pillars embed the principles outlined in the UN's Global Compact and Sustainable Development Goals.

Corporate governance < pg92 structures guide the business in assessing opportunities and monitoring business performance to promote effective decision-making. Sound systems and structures provide for effecting transactions and **engaging** < pg77 with **stakeholders**.

Strategic focus areas < pg32

Our key initiatives to create shared value

Freight Services drives initiatives to grow the business and to unlock value in the strategic trade corridors in which it operates by:

- Driving improved asset utilisation.
- Ensuring proper capital allocation and the management of capital projects.
- Expanding into new territories.
- Collaborating with key stakeholders to drive optimal logistics solutions.
- Commercially aligning complementary businesses.
- Exploring additional value-add service offerings.
- Seeking strategic partners with strong cargo originating capabilities to scale diversity.

Financial Services seeks to secure additional capital to drive its growth ambition by exploring potential mergers, acquisitions and B-BBEE partnerships. Its growth areas are in niche markets, with a focus on its retail offering.

Outputs

Outputs from providing our products and services

Value-adding customer solutions through:

- Port and Terminals operations.
- Vehicle and fuel transportation.
- Containerised cargo and cargo-handling services.
- Rail operations.
- Freight clearing and forwarding and ships-agency services.
- Coastal shipping feeder service.
- Agricultural market access, storage and logistics.
- Marine fuel products.
- Niche banking and investment services.

Employee advancement through:

- Initiatives to ensure their health and safety.
- Workforce transformation.
- Skills development.

Environmental impacts:

- Emissions.
- Waste.

Impacts

Our value-add and impact on stakeholders

Long-term shared value created through:

- Growth opportunities.
- Economic stimulation.
- Infrastructure creation.
- Reduced inequality.
- Increased employment opportunities.
- Employee remuneration and enhanced well-being.
- Sustainability at community level.
- Progressing customer sustainability.
- Supporting supply chain stakeholders.
- Tax and levy payments to three tiers of government.
- Environmental preservation and impact mitigation.

Strategy review

2018 key focus areas

Unlock shareholder value by:
• Spinning off the Shipping division as a separate business listed on an appropriate international stock exchange;
• Drive scale and diversification of Freight Services business as part of the growth strategy and concluding the exit from discontinued Rail businesses; and
• Repositioning Financial Services to enable expansion of services within an enabling governance and funding structure.

Freight Services
• Drive asset utilisation.
• Progress the implementation of key projects.
• Progress engagement with key stakeholders to optimise existing and potential business.
• Explore acquisitions, mergers and strategic partnerships to drive scale and diversification of business.

Financial Services
• Grow the division, secure adequate funding lines for growth and target negligible bad debts.
• Conclude the repositioning of the business.
• Ensure the successful close and handover of the SASSA bank-card contract.

Outcomes	2019 key focus areas
• Grindrod Shipping Holdings listed on the New York NASDAQ Stock Exchange on 18 June 2018, with a secondary, inward listing on the JSE on 19 June 2018.	
• Improved asset utilisation and sustainability by unlocking value in the strategic trade corridors in which its businesses operate and own assets.	• Continue to pursue scale and diversification opportunities.
• Grew revenue and maintained profitability despite challenging market conditions and the effects of winding down the SASSA contract.	• Continue repositioning initiatives and explore expansion into additional markets.
• Achieved record volumes at the Maputo Port. • Improved utilisation at TCM.	• Drive asset utilisation.
• Successfully commissioned the Nacala cross-dock facility for the five-year Syrah Resources pit-to-port transport contract. • Initiated construction of the 25-year joint-venture OTGC Port of Ngqura petroleum-products terminal.	• Drive the successful execution of the contract as the project ramps up to full capacity of 360 000 tonnes a year towards the end of 2019. • Ensure the effective management of the project.
• Improved utilisation, cargo flow and turnaround times on the north-south rail corridor through stakeholder engagement in three countries. • Negotiated and concluded a RBTG corridor capacity-utilisation tender for emerging miners through consultation with key stakeholders.	• Continue to develop products to benefit from the increased commodity movement on the north-south corridor.
• Acquired Novagroup to grow the technical maritime business base and product offering in South Africa.	• Integrate Novagroup into the Grindrod fold. • Commercially align the ships agency, clearing and forwarding, intermodal and seafreight landside businesses.
• All businesses performed satisfactorily, with above average returns from the UK property portfolio, but the wind-down of the SASSA contract impacted Retail earnings.	• Continue to grow the business and explore product expansion into niche markets.
• Several possibilities were being explored.	• Continue to explore potential mergers, acquisitions and B-BBEE partnerships to facilitate the achievement of business goals.
• Paid beneficiaries on time and assisted stakeholders to achieve a smooth transition of beneficiary accounts to the new contractor.	• Finalise the transfer of remaining residual balances from Grindrod accounts to the new accounts of SASSA beneficiaries.

Risk review

The board, supported by the risk committee, is responsible for risk governance to support the setting and achieving of strategic objectives. More information on risk governance and the group's risk management framework and process is included in the corporate governance section of this integrated annual report – refer page 100.

Key risk areas

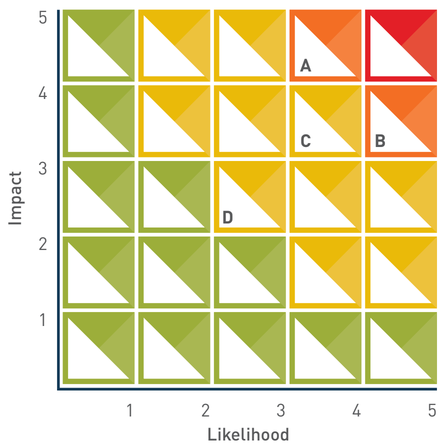
The table below outlines the current key risk areas that have a material impact on Grindrod's ability to create value together with their risk ratings. These risks have been identified as part of the enterprise-wide risk identification and management system.

	Applicable area					
Key risk area	**GFS**	**GFI**	**Current risk rating**		**Rating reported in 2017**	**Page**
Customer and commodity concentration	✓		A	∧	C	37
Liquidity	✓	✓	B	<>	B	38
Key logistic service providers' engagement	✓		B	∧	C	39
Empowerment/B-BBEE	✓	✓	B	∧	C	40
Political and sovereign	✓	✓	C	∨	B	41
Cyber		✓	C		Not reported	42
Credit	✓	✓	C		Not reported	43
Loss of key management staff	✓	✓	C	<>	C	44
SHERQ	✓		C	∨	B	45
Business reputation		✓	C	∧	E	46

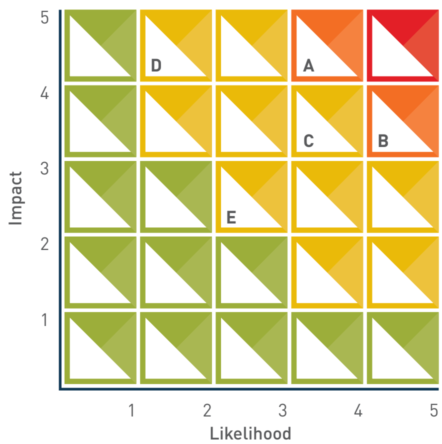
GFS – Grindrod Freight Services division; GFI – Grindrod Financial Services division

Residual risk heat maps

Current risk heat map



2017 risk heat map



- Risk is considered to have a low impact quantitatively and qualitatively with a low likelihood of materialising.
- Risk is considered to have a major impact quantitatively and qualitatively with a medium likelihood of materialising.
- Risk is considered to have a material impact quantitatively and qualitatively with a certain likelihood of materialising.
- Risk is considered to have a critical impact quantitatively and qualitatively with a pervasive likelihood of materialising.

Risk management

Risk management is embedded, within an approved and group-wide applied framework, in business operations and decision-making processes across the group.

Risk-management processes are designed based on the ISO 31000 standard for risk management, to identify, quantify, prioritise, respond to and monitor the consequences of an agreed risk schedule that encompasses both internal and external risks.

Risk-management measures are aimed at countering significant economic, social and environmental business risks within the context of the six capitals of value creation in conjunction with identifying related business opportunities which could undermine or favourably influence the achievement of business objectives.

Management is accountable for the design and implementation of the systems and processes underpinning risk management and for monitoring and reporting to the board and its sub-committees. Risk-management measures include accountability for risk management as a key performance area of line managers.

The group risk management function performs its duties in terms of the risk-management framework and a formalised risk-management plan. The framework was reviewed in 2018 and approved by the risk committee.

The group risk management function engages with management across all operations to identify key risks and associated opportunities and monitor the processes and plans to manage them. Key risks are consolidated into key risk areas and evaluated based on their potential impact and probability in terms of the likelihood of occurrence and managed within board-approved risk appetite and tolerance limits. The capitals affected by the risks and associated opportunities are also identified.

Comprehensive reporting provides a basis for the monitoring and review by the appropriate sub-committees of the board and the board at its quarterly meetings.

The effectiveness of risk-management efforts is assessed in terms of the group's King IV-aligned combined assurance model, providing five levels of assurance:

Level 1
Executive management
V
Level 2
Independent specialist functions that facilitate risk management oversight and compliance
V
Level 3
Independent internal assurance providers
V
Level 4
Independent external assurance providers
V
Level 5
Governance committees to the board

Risk review continued

Roles and responsibilities

The risk-management framework, reviewed by the risk committee in 2018, provides for enhanced oversight through assigning specific risks to relevant board sub-committees. This provides a basis for:

- Enhancing strategic planning through the identification of risks that may pose threats to Grindrod's strategic objectives and the identification of opportunities;
- Encouraging a proactive approach to issues likely to negatively and positively impact Grindrod's ability to achieve its strategic objectives;
- Improving the quality of decision-making by providing structured methods for the exploration of risks and opportunities, and allocating resources;
- Supporting consistent behaviours and decision-making with respect to risks and opportunities across the group; and
- Facilitating more robust risk assessment by identifying recurring/strong themes and developing a comprehensive understanding of causes, effects and consequence, leading to a complete risk response.

Role	Responsibility
Board	Retains the ultimate responsibility for risk governance, including compliance and performance-related aspects, and for determining the appropriate level of risk that Grindrod is willing to tolerate and opportunities it is willing to pursue in relation to the achievement of strategic business objectives.
Risk committee	Assists the board in carrying out its risk-governance responsibilities.
Investment committee	Assists the board in setting the strategic direction of the company and advises on capital and other strategic applications.
Audit committee	Ensures the integrity of internal financial controls and identifies and manages financial and related IT risks.
Social and ethics committee	Assists the board in discharging its corporate governance responsibilities relating to sustainable development, corporate governance, corruption, good corporate citizenship, ethics, the environment, health and safety, legal compliance, stakeholder relations, transformation, labour and employment.
Nomination committee	Reviews the skills and experience base and performance of the chairman, board and its committees, oversees executive management succession planning to promote business continuity and oversees the selection processes for appointments to the board.
Remuneration committee	Assists the board in carrying out its remuneration-governance responsibilities.
Executive management	Designs, implements and monitors integrated risk-management processes and encourages a risk-conscious business culture by embedding agreed internal controls and mitigating actions through all levels of management and supervisory staff.
Divisional executives	Develop and implement risk-management systems and processes within their divisions.
Group risk management	Co-ordinates risk-management activities throughout the group and continually reviews the system and process of risk management against accepted standards and best practices.
Employees	Report on risks and opportunities they become aware of and implement actions in line with the risk-management processes.
Internal audit	Performs an independent assessment of the effectiveness of risk governance.

RISK 1 – Customer and commodity concentration

Description

Grindrod is exposed to the risks of customer concentration and continued reduced commodity demand, which results in the under-utilisation of assets and reduced income.

Current risk rating	Exposure
High	⋀

Reason for movement in exposure

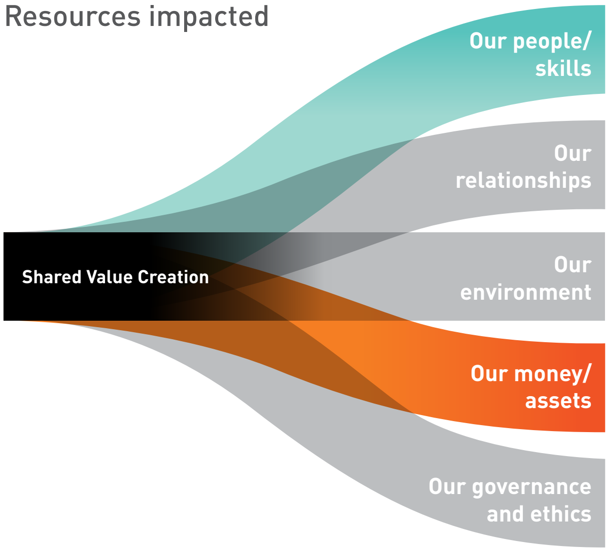
Improvement in the cost of the supply chain and continuity of supply through engagement with customers and strategic suppliers was offset by subdued commodity prices and export demand.

Potential impacts

- Volatile earnings and returns on investments in infrastructural assets.
- Distortion in sustainable income associated with the loss of a major customer or default.
- Impact on enterprise and stakeholder value.

Exposure – Freight Services

Resources impacted



Risk mitigation

- Improve capacity utilisation through commodity, customer and geographic diversification.
- Include commodity-price participation clauses in contracts to benefit from commodity price upsides.
- Engage major customers and suppliers to optimise logistics solutions and align objectives to mutually beneficial levels.
- Continuously reconfigure infrastructural assets to be able to manage improved volumes more efficiently.
- Investigate expansion and acquisition opportunities to achieve scale and diversification.

Risk governance matrix

The board and the risk committee are, in addition to engagement with the executive management and group risk-management function, supported in their risk-governance responsibilities by board sub-committees and internal and external assurance providers:

Audit committee	Investment committee	Nomination committee	Remuneration committee	Social and ethics committee	Internal specialist functions	External assurance providers
	🔴			🔴	🟢	

🔵 Primary committee that oversees the risk.
🔴 Oversees aspects of the risk as relevant to the mandate of the committee.
🟢 Independent internal auditor – evaluation of the effectiveness of internal controls relevant to the risk.
🟡 Independent external auditor.

Risk review continued

RISK 2 – Liquidity

Description

Grindrod's ability to manage potential mismatch between short-term deposits and long-term advances (Financial Services) can negatively affect liquidity. Poor market conditions can influence cash flow within the Freight Services businesses which restricts the ability to execute on strategic projects and acquisitions.

Current risk rating	Exposure
High	<>

Reason for no movement in exposure

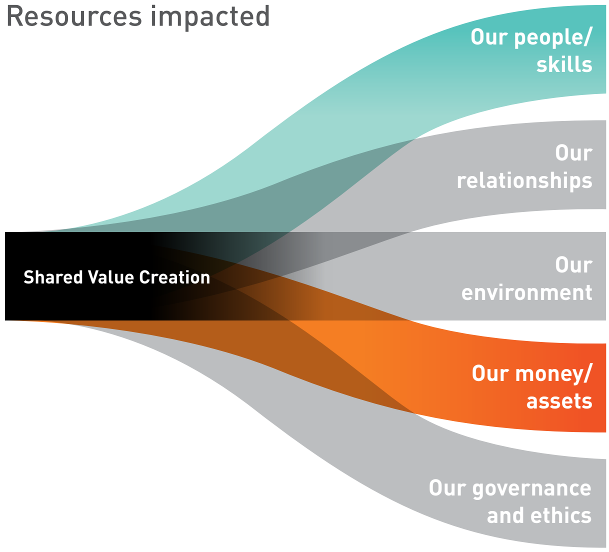
The risk of a negative cumulative on-balance sheet contractual maturity mismatch in any time band was identified as relevant to the Financial Services division.

Potential impacts

- Failure to meet the mandatory level of liquid asset and reserve account collateral required by the SARB.
- Excessive interest charges due to overdrawn transactional accounts in the event of unexpected client payments or large client withdrawals.
- The inability to fund and execute strategic acquisitions and projects.

Exposure – Grindrod group

Resources impacted



Risk mitigation

- Adherence to the collateral and liquidity requirements outlined by the SARB.
- Ongoing monitoring supported by regular cash-flow projections.
- Drive working-capital management.
- Maintain an optimal balance between equity and debt funding and committed and uncommitted bank facilities.
- Manage businesses to continue generating cash from operations.

Risk governance matrix

The board and the risk committee are, in addition to engagement with the executive management and group risk-management function, supported in their risk-governance responsibilities by board sub-committees and internal and external assurance providers:

Audit committee	Investment committee	Nomination committee	Remuneration committee	Social and ethics committee	Internal specialist functions	External assurance providers
● (dark blue)					● (green)	● (yellow)

- ● (dark blue) Primary committee that oversees the risk.
- ● (red) Oversees aspects of the risk as relevant to the mandate of the committee.
- ● (green) Independent internal auditor – evaluation of the effectiveness of internal controls relevant to the risk.
- ● (yellow) Independent external auditor.

RISK 3 – Key logistic service providers' engagement

Description

Grindrod operations that rely on agreements with suppliers and partners to optimise infrastructure utilisation and business outcomes could be jeopardised by a distortion in sustainable income in the case of a default.

Current risk rating	Exposure
High	^

Reason for movement in exposure

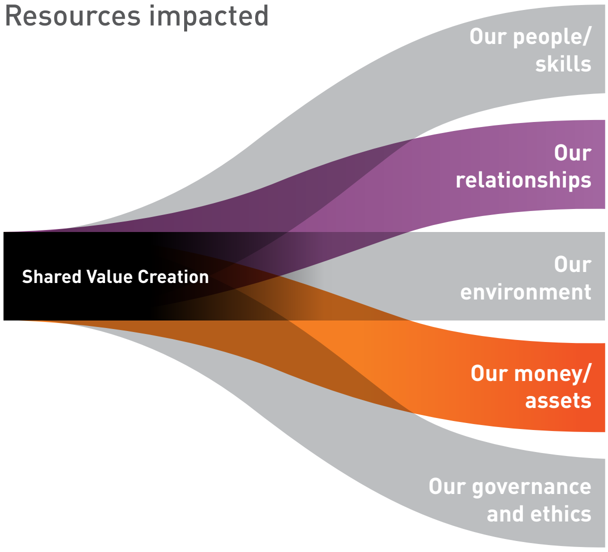
Relationships with key suppliers and partners continue at a good level. However, engagement with key suppliers has been impacted by both the loss of key Grindrod and supplier executives respectively.

Potential impacts

- A loss of sustainable income if a crucial supplier or partner defaults on an agreement.
- Reduced enterprise and stakeholder value.

Exposure – Freight Services

Resources impacted



Risk mitigation

- Engage constructively with relevant suppliers and partners at strategic and operational levels to ensure mutual commitment to unlock the potential of infrastructural assets.
- Create customer-centric solutions.
- Continuously assess concentration risk against established risk models.

Risk governance matrix

The board and the risk committee are, in addition to engagement with the executive management and group risk-management function, supported in their risk-governance responsibilities by board sub-committees and internal and external assurance providers:

Audit committee	Investment committee	Nomination committee	Remuneration committee	Social and ethics committee	Internal specialist functions	External assurance providers
	●			●	●	

- ● Primary committee that oversees the risk.
- ● Oversees aspects of the risk as relevant to the mandate of the committee.
- ● Independent internal auditor – evaluation of the effectiveness of internal controls relevant to the risk.
- ● Independent external auditor.

Risk review continued

RISK 4 – Empowerment/B-BBEE

Description

Grindrod is exposed to increasing empowerment and transformation compliance requirements. Adequately addressing these requirements is integral to retaining and growing the group's position as a preferred service provider.

Current risk rating	Exposure
High	^

Reason for movement in exposure

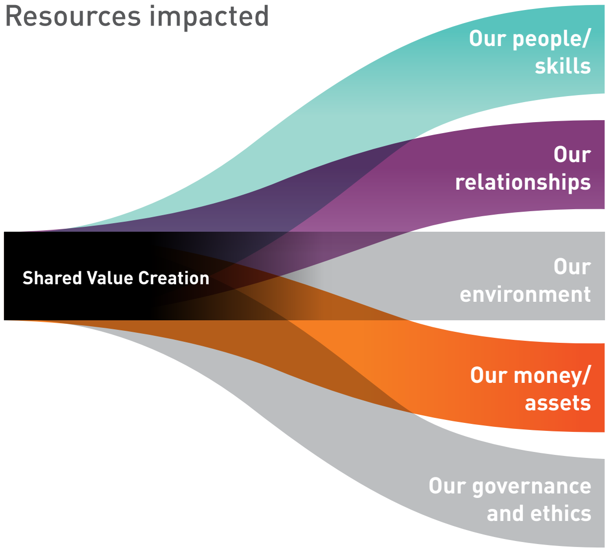
In South Africa, compliance receives priority but risk from legislative changes and group changes has increased. Grindrod continuously monitors developments in other southern African countries to ensure compliance.

Potential impacts

- Loss of existing client business.
- Failure to secure new business to drive organic growth.
- Fines imposed due to non-compliance.
- Reputational damage.
- Reduced enterprise and stakeholder value.

Exposure – Grindrod group

Resources impacted



Risk mitigation

- Drive transformation and legislative, regulatory and other mandatory compliance across the group.
- Investigate and secure partnerships with strategic B-BBEE companies.
- Focus on demographically aligned human-capital development and supply-chain management initiatives.
- Conduct periodic audits to identify compliance gaps related to legislative changes.
- Focus on stakeholder engagement.

Risk governance matrix

The board and the risk committee are, in addition to engagement with the executive management and group risk-management function, supported in their risk-governance responsibilities by board sub-committees and internal and external assurance providers:

Audit committee	Investment committee	Nomination committee	Remuneration committee	Social and ethics committee	Internal specialist functions	External assurance providers
		●		●	●	●

● Primary committee that oversees the risk.
● Oversees aspects of the risk as relevant to the mandate of the committee.
● Independent internal auditor – evaluation of the effectiveness of internal controls relevant to the risk.
● First Verification Network rating agency.

RISK 5 – Political and sovereign

Description

Grindrod operates in countries where political decisions, conditions or events, as well as foreign-exchange-related decisions or changes, may affect the viability or value of its business.

Current risk rating	Exposure
Medium	V

Reason for movement in exposure

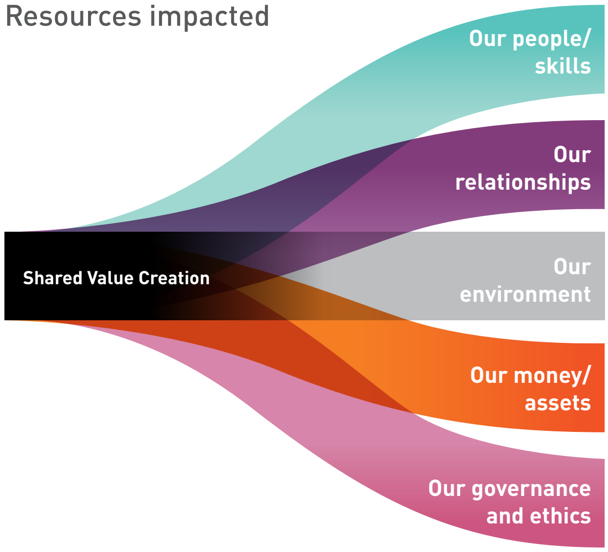
Signs of political reform and improvement in the credit outlook in South Africa, with an improved long-term economic growth outlook in Mozambique. Continued exposure to risk in other African countries.

Potential impacts

- Operational disruption caused by political turmoil.
- Value erosion as a result of credit-rating downgrades in countries in which the business operates.

Exposure – Grindrod group

Resources impacted



Risk mitigation

- Perform thorough country and investment assessments aligned with the group investment policy prior to board approval of investments.
- Maintain a centralised treasury hub to maximise returns from multi-currency operations.
- Partner with investors and local partners that are knowledgeable, reputable and follow the Grindrod investment philosophy.
- Identify strategic markets that reflect strong prospects for political reform.
- Engage collaboratively and consultatively with regional governments and communities.
- Invest in social upliftment initiatives.
- Insure political and export credit risk where appropriate.

Risk governance matrix

The board and the risk committee are, in addition to engagement with the executive management and group risk-management function, supported in their risk-governance responsibilities by board sub-committees and internal and external assurance providers:

Audit committee	Investment committee	Nomination committee	Remuneration committee	Social and ethics committee	Internal specialist functions	External assurance providers
🔴	🔵			🔴	🟢	🟡

🔵 Primary committee that oversees the risk.
🔴 Oversees aspects of the risk as relevant to the mandate of the committee.
🟢 Independent internal auditor – evaluation of the effectiveness of internal controls relevant to the risk.
🟡 Marsh Insurance Brokers.

Risk review continued

RISK 6 – Cyber

Description

Grindrod operations rely on technology platforms to facilitate service delivery. The pace at which digital technology is advancing, particularly in the financial services sector, increases the risk of cybercrime with a need to maintain the stability of key IT systems to protect client interests against increasingly sophisticated attempts at digitally-assisted fraud.

Current risk rating	Exposure
High	N/A

Reason for inclusion in exposure

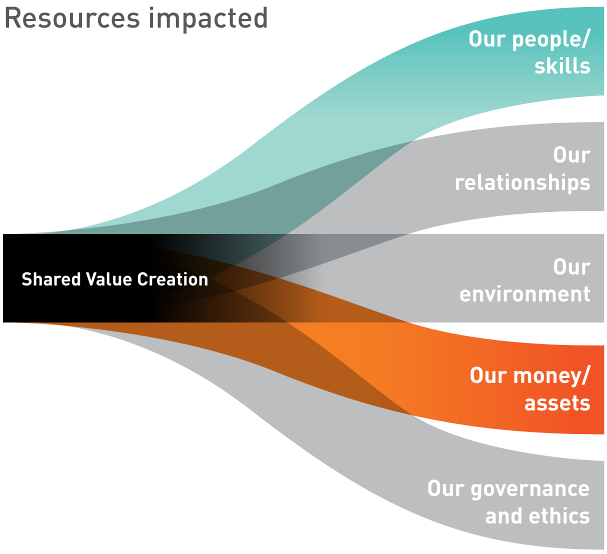
This risk was identified as an increasing key risk in the Financial Services division and included in the top group risks for the first time during the year.

Potential impacts

- Financial losses resulting from the theft of information or money, corruption of data, business disruption losses and the loss of clients.
- Reputational damage.
- Fines and regulatory sanctions.
- Reduced enterprise and stakeholder value.

Exposure – Financial Services

Resources impacted



Risk mitigation

- Formalise IT governance structures and related internal controls, including disaster recovery management.
- Drive compliance with industry standards.
- Monitor IT governance through transparent structures that include the IT management committee and project management office.

Risk governance matrix

The board and the risk committee are, in addition to engagement with the executive management and group risk-management function, supported in their risk-governance responsibilities by board sub-committees and internal and external assurance providers:

Audit committee	Investment committee	Nomination committee	Remuneration committee	Social and ethics committee	Internal specialist functions	External assurance providers
● (dark blue)					● (green)	● (yellow)

● (dark blue) Primary committee that oversees the risk.
● (red) Oversees aspects of the risk as relevant to the mandate of the committee.
● (green) Independent internal auditor – evaluation of the effectiveness of internal controls relevant to the risk.
● (yellow) Independent external auditor.

RISK 7 – Credit

Description

Grindrod's divisions are, by the nature of their operations, exposed to the risk of financial loss resulting from the failure of a counterparty to meet its financial or contractual obligations when due.

Current risk rating	Exposure
High	N/A

Reason for inclusion in exposure

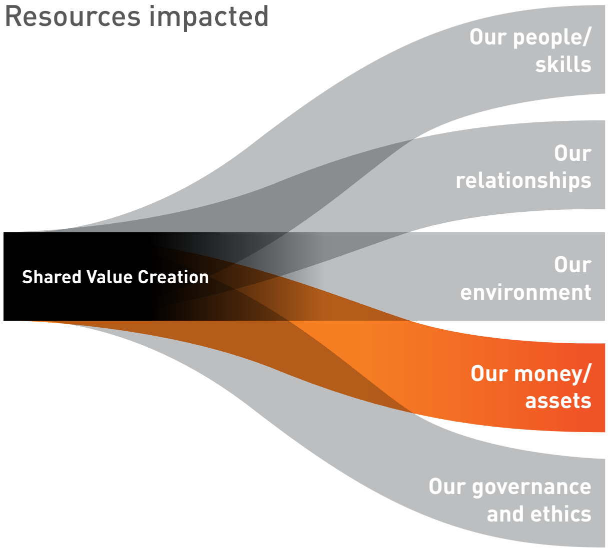
This risk was identified as an increasing key risk in the Financial Services division and included in the top group risks for the first time during the year.

Potential impacts

- Financial loss due to client default.
- Reputational damage.
- Reduced enterprise and stakeholder value.

Exposure – Grindrod group

Resources impacted



Risk mitigation

- Formalise credit decision-making governance structures, including ESG assessment during vetting processes.
- Manage exposure levels in different sectors in line with macroeconomic expectations.
- Assess clients using formalised robust procedures.
- Ensure acceptable security where applicable.
- Monitor client debt-servicing, financial performance and industry conditions.
- Enhance the effectiveness of collections capability.

Risk governance matrix

The board and the risk committee are, in addition to engagement with the executive management and group risk-management function, supported in their risk-governance responsibilities by board sub-committees and internal and external assurance providers:

Audit committee	Investment committee	Nomination committee	Remuneration committee	Social and ethics committee	Internal specialist functions	External assurance providers
● (dark blue)					● (green)	● (yellow)

- ● (dark blue) Primary committee that oversees the risk.
- ● (red) Oversees aspects of the risk as relevant to the mandate of the committee.
- ● (green) Independent internal auditor – evaluation of the effectiveness of internal controls relevant to the risk.
- ● (yellow) Independent external auditor.

Risk review continued

RISK 8 – Loss of key management staff

Description

Grindrod's reputation as a preferred provider hinges on the skills and experience of key management staff, the loss of which could jeopardise continuity of the business and its reputation.

Current risk rating	Exposure
Medium	<>

Reason for no movement in exposure

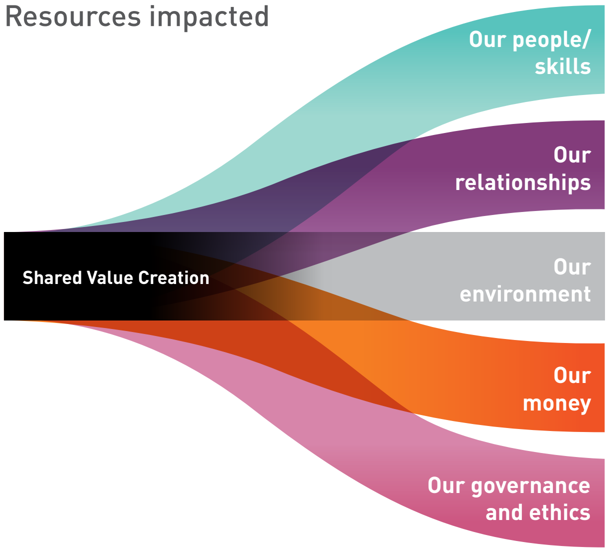
Retention strategies in place adequately mitigated the potential increased risk due to share-price performance.

Potential impacts

- Business stability and continuity in the implementation of the business strategy.
- Reduced enterprise and stakeholder value.

Exposure – Grindrod group

Resources impacted



Risk mitigation

- Engage with key managers on the group's vision and future direction.
- Clearly communicate the strategy, key focus areas and status of the group.
- Implement targeted retention strategies for key members of the senior and executive management teams.
- Prioritise talent-management and performance-development initiatives.
- Maintain succession planning for top executives and monitor at board level.

Risk governance matrix

The board and the risk committee are, in addition to engagement with the executive management and group risk-management function, supported in their risk-governance responsibilities by board sub-committees and internal and external assurance providers:

Audit committee	Investment committee	Nomination committee	Remuneration committee	Social and ethics committee	Internal specialist functions	External assurance providers
		●	●	●	●	

- ● Primary committee that oversees the risk.
- ● Oversees aspects of the risk as relevant to the mandate of the committee.
- ● Independent internal auditor – evaluation of the effectiveness of internal controls relevant to the risk.
- ● Independent external auditors.

RISK 9 – SHERQ

Description

Grindrod operates in an environment that exposes its employees, other stakeholders and the environment to potential risks. The group's governance framework supports a safe and secure working environment, minimises negative impacts on the environment and communities, provides goods and services that meet appropriate quality requirements and complies with relevant legislation, regulations and voluntarily adopted frameworks.

Current risk rating	Exposure
Medium	V

Reason for movement in exposure

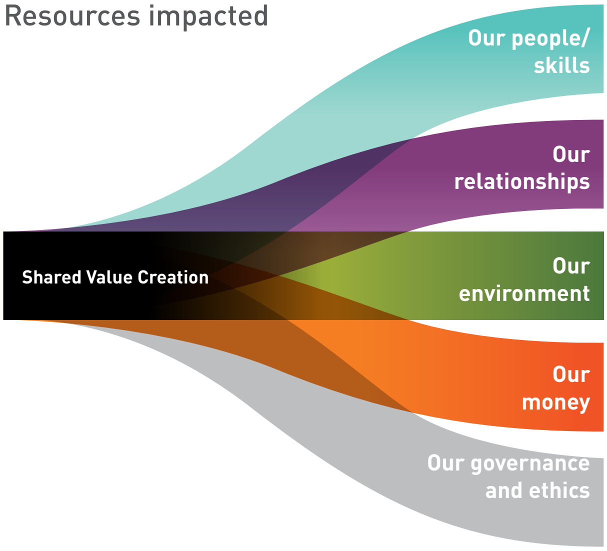
Continual improvement initiatives resulted in a reduction in reportable fatalities in the Freight Services division when compared to two fatalities in 2017.

Potential impacts

- Fatalities, injuries and occupational diseases.
- Significant environmental events.
- Reputational damage.
- Exposure due to legal non-compliance.
- Reduced enterprise and stakeholder value.

Exposure – Freight Services

Resources impacted



Risk mitigation

- Drive compliance with SHERQ and sustainability policies.
- Monitor SHERQ through transparent structures which include the divisional SHERQ management committees and the social and ethics board sub-committee.
- Implement SHERQ and legal-compliance KPIs at senior employee levels.
- Further develop integrated ISO management systems and a rigorous procedure for incident reporting, investigation and remedial-action.

Risk governance matrix

The board and the risk committee are, in addition to engagement with the executive management and group risk-management function, supported in their risk-governance responsibilities by board sub-committees and internal and external assurance providers:

Audit committee	Investment committee	Nomination committee	Remuneration committee	Social and ethics committee	Internal specialist functions	External assurance providers
				●	● ●	● ● ●

- ● Primary committee that oversees the risk.
- ● Independent internal auditor – evaluation of the effectiveness of internal controls relevant to the risk.
- ● Divisional SHERQ management committee.
- ● Independent verification agencies.
- ● Client audits.
- ● Mutual risk group assurance provider.

Risk review continued

RISK 10 – Business reputation

Description

Grindrod's tangible and intangible asset base has supported the establishment of its brand and global recognition as a reputable service provider. Events that impact negatively on the group's resources could tarnish the market perception of Grindrod as a responsible corporate citizen.

Current risk rating	Exposure
Medium	^

Reason for movement in exposure

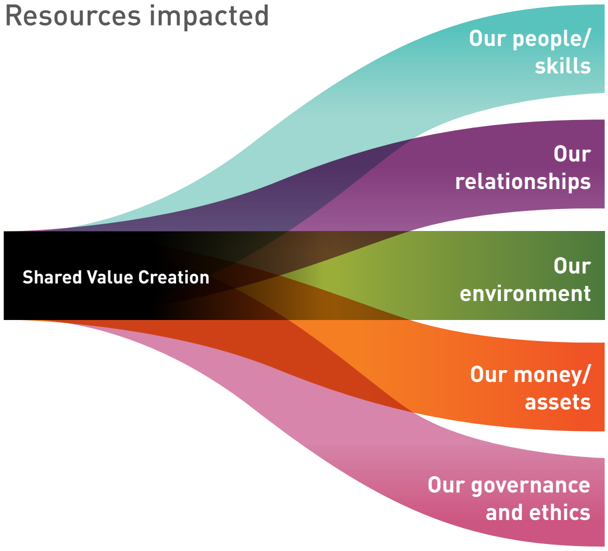
Grindrod received continued negative publicity in respect of its role in the SASSA payment process. Grindrod continues to perform its specific role to the best of its ability and in terms of the agreed mandate.

Potential impacts

- Litigation and/or claims from customers.
- Loss of key personnel and associated intellectual capital.
- Fines from regulators.
- Loss of competitive advantage.
- Reduced enterprise and stakeholder value.

Exposure – Financial Services

Resources impacted



Risk mitigation

- Enforce sound governance structures to prevent adverse situations as a result of inadequate management and operational controls.
- Crisis communication management.
- Focus on stakeholder engagement with the support of independent specialist advisors.

Risk governance matrix

The board and the risk committee are, in addition to engagement with the executive management and group risk-management function, supported in their risk-governance responsibilities by board sub-committees and internal and external assurance providers:

Audit committee	Investment committee	Nomination committee	Remuneration committee	Social and ethics committee	Internal specialist functions	External assurance providers
				●	●	●

- ● Primary committee that oversees the risk.
- ● Oversees aspects of the risk as relevant to the mandate of the committee.
- ● Independent internal auditor – evaluation of the effectiveness of internal controls relevant to the risk.
- ● Independent specialist advisors.

Operational review: Freight Services

Key achievements 2018

- Maputo Port berth rehabilitation and equipment investment.
- Successful implementation of Nacala contract logistics project.
- Initiated work on the construction of the 66 000m^3 OTGC Ngqura Liquid Bulk Terminal.
- Increased chrome/ferro, graphite and copper cargoes as part of diversification plans.
- Expanded warehouse and terminal footprint in Maydon Wharf precinct.
- Acquired Novagroup container depots and marine engineering.
- Umlaas Road auto carrier development.

Key challenges 2018

- Achieving targeted asset utilisation and acceptable returns in continuing operations.
- Progressing capacity uptake by customers for the OTGC Ngqura Liquid Bulk Terminal.
- Securing additional volume in the road logistics business.
- Continuing volatility in mining commodities markets.
- Customer operational closure and derailments.
- Managing the impact of discontinuing Sierra Leone operations.

Key focus areas 2019

- Increase asset utilisation across all businesses.
- Maintain the focus to unlock new trade corridors and to increase diversification of commodities handled.
- Drive strategic projects and organic growth opportunities.

Operational review: Freight Services continued

Key indicators

Economic**

Revenue
^15.9%
R24 054 million
(2017: R20 758 million)

EBITDA
^28.4%
R840 million
(2017: R654 million)

Operating profit/(loss)
^38.4%
R566 million
(2017: R409 million)

Attributable profit/(loss)
^3.4%
R455 million
(2017: R440 million)

Social

Continuing operations
Number of employees*
^9.4%
4 326 employees
(2017: 3 953)

Fatalities
v50.0%
1 fatality
(2017: Two fatalities)

LTIFR
v27.9%
0.62
(2017: 0.86)

Social responsibility spend
v8.8%
R4.1 million
(2017: R4.5 million)

Environmental

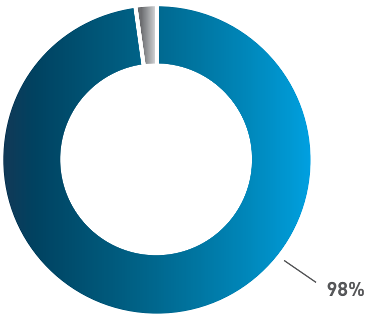
GHG emissions (CO_2 equivalent)^
^47.1%
105 545 tonnes
(2017: 71 761 tonnes)

Total electricity usage (kWh)
v11.2%
14.007 million
(2017: 15.780 million)

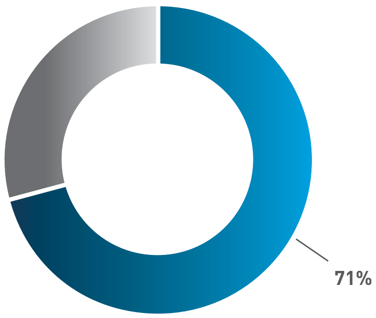
Water usage
^72.2%
138 912l
(2017: 80 664l)

Total land-based diesel (kilolitres)
^11.8%
21 468 kl
(2017: 19 202 kl)

* Includes joint ventures and associates at 100% shareholding.
^ Total GHG emissions including scope 3 (tonnes CO_2-e).
** prior-year figures have been re-represented for segmental changes as detailed in the basis of preparation.



2018 Revenue



2018 EBITDA

Contribution to revenue(%)

Freight Services continued to drive initiatives to unlock value in the strategic trade corridors to provide tailored freight logistics solutions across the supply chain, for the efficient end-to-end delivery of diversified cargo for customers.

The division's focus on corridor management aims to optimise its portfolio of unique, strategic assets across the logistics value chain. The high barriers of entry into these assets give Grindrod a competitive advantage, underpinned by experienced management teams throughout the large Freight Services footprint in southern Africa.

2018 review

Earnings from continuing businesses of R455.1 million increased by three percent compared to 2017 earnings of R440.2 million.

Maputo Port

The Port of Maputo earnings improved on 2017 results due to a seven percent increase in port volumes to a record 19.6 million tonnes and strong chrome and ferrochrome prices and volumes. The volume increase has benefited from the 75-km dredging project which opened the port to fully laden post panamax vessels.

The dredging project forms part of the port masterplan, which was initiated in 2010, and includes two current projects to reconstruct four berths and terminal infrastructure to service larger vessels and match the increased cargo demand.

The reconstruction of four existing berths, under two separate projects, will result in three new berths capable of loading vessels of up to 250m in length to capacity and to improve turnaround times and berth utilisation. The projects are scheduled for completion during early 2020. Two mobile harbour cranes and three crane tipplers were recently bought to facilitate loading.

Following steady growth in Maputo's chrome and ferro chrome business over the past six years, the land-side capacity is being increased with the construction of a new slab area to boost storage to 7.8 million tonnes a year from the existing 5.4 million tonnes. The project includes the improvement of existing rail infrastructure and the procurement and the installation of weigh bridges and lighting masts.

Terminals

Terminals performed below expectation as tight margins and softer iron-ore prices resulted in an overall decrease in volumes.

Matola Terminal (TCM) volume performance recovered in the second half of the year after a slow start in the first half. Volume totalled 5.2 million tonnes, on par with that recorded in 2017. However, earnings reduced by 33 percent due to lower iron ore prices, while magnetite volume was affected by two closures at a client during the first half of the year for approximately a month in total.

Maputo Terminal (GML) reported a four percent decrease in capacity utilisation to 809 000 tonnes (2017: 842 000 tonnes), resulting in 67 percent capacity utilisation.

The Maputo Car Terminal earnings improved on 2017 results due to a favourable volume mix as a result of increased local imports and improved overall volumes of 15 891 cars (2017: 15 164).

Richards Bay terminals experienced a five percent decrease in volume to 3.7 million tonnes (2017: 3.9 million tonnes).

The Walvis Bay Terminal reported a two percent decrease in volume (304 000 tonnes from 311 000 tonnes in 2017).

Work on the OTGC Ngqura Liquid Bulk Terminal BOOT project awarded by TNPA commenced in November 2018 with a search and rescue of significant fauna and flora species on the land and bulk earthworks sites. The facility will have a 66 000m^3 capacity once commissioned, with opportunities for further expansion.

Operational review: Freight Services continued

In Cape Town, tank capacity of 10 000m^3 is being constructed at the OTGC Nautilus site. The project is progressing to plan and completion is expected in the first half of 2019.

Logistics

Logistics businesses – comprising Intermodal, Autocarriers, Fuelogic, Ships Agency, Clearing and Forwarding, continuing Rail businesses and coastal shipping service OACL – reported improved earnings on 2017 results, excluding a once-off FCTR credit release of R263.2 million in the prior year.

Intermodal benefited from the successful ramp-up of the Nacala contract logistics project in northern Mozambique. The five-year contract was awarded to Grindrod to transport graphite by road from the Balama Mine to the port over a distance of 500 km. The project is expected to reach full production in the second half of 2019. Fifty truck/trailer combinations are in use, transporting the graphite to the Intermodal cross-dock facility outside the port, where it is containerised and transported to the port.

Autocarriers recorded a five percent increase in volumes (142 593 vehicles versus 133 929 in 2017) despite tough markets conditions.

Auto carriers has initiated the process of relocating its Southgate, Durban terminal to a newly acquired property adjacent to the N3 in Umlaas Road, Camperdown. The property will be developed, with facilities to diversify and the potential to provide value-added services which will improve its competitive advantage. Occupation is scheduled for the end of 2019, until when Autocarriers will continue to operate from its current site, namely Southgate.

Fuelogic remains focused on volume growth, cost containment and optimisation of its structure.

Rail

The rail concession to manage the 340-km link between Beit Bridge and Bulawayo, the first leg of the north-south corridor between Beit Bridge and the DRC, remains a strategic Grindrod investment. The business, held in NLPI, benefited from increased activity on the corridor and concerted efforts by management to facilitate regional cooperation and develop additional value-add services for customers and potential customers.

Ships agency

Sturrock Grindrod Maritime made a strategic investment in acquiring Novagroup, the South-African-based interests of the Spanish Pescanova fishing group. The Novagroup entities are active in the marine services industry, based largely out of Cape Town. Following the acquisition, the SGM group businesses have been restructured into two divisions which operate from 67 offices in 16 countries:

- Ships agency services.
- Technical services, comprising:
  - NovaMarine, which provides marine survival services and support, including fire-fighting equipment and life-boats and -rafts, chandelling services for ship-supply needs and a bonded and duty-paid warehouse.
  - Hesper Engineering, which provides and services propulsion systems, winches, valves, gearboxes, thrusters and desalination systems.
  - United Container Depots, providing general, reefer and atmospheric container services through depots in Johannesburg, Durban, Port Elizabeth and Cape Town.

The merger, which includes the incorporation of Sturrock Grindrod Maritime Tech into technical services, exposes the erstwhile Novagroup businesses to an increased customer base and improves its ability to contribute to Operation Phakisa, the government-driven initiative to unlock the potential of South Africa's oceans.

Including once-off investment costs, the SGM business recorded a drop in profitability. Ships-agency businesses in Australia turned to profitability in 2018, but the Angolan and Tanzanian markets remain challenging.

Clearing and forwarding

Röhlig-Grindrod continued to be affected by pressure on margins. Utilisation of its modern warehouse in Johannesburg improved to 55 percent from 26 percent in 2017.

Coastal shipping service

Ocean Africa Container Lines reported improved volumes, mainly as a result of new bulk contracts and the evacuation of empty containers after a storm that severely damaged infrastructure in the Port of Durban towards end 2017. Its warehouse and terminal footprint in Maydon Wharf precinct expansion is proceeding according to plan.

Marine fuel and agricultural logistics

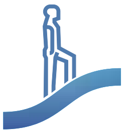
The division posted an increase in earnings. Improved marine fuel results were driven primarily by margin optimisation. Compliance with the International Maritime Organisation (IMO) 2020 emission regulations is in hand.

Increased agricultural logistics earnings were supported by good carry-over grain stock levels.

Operational review: Financial Services

Key achievements 2018

- Grew overall profit levels despite the winding down of the SASSA contract in the second half of 2018.
- Engaged with SASSA stakeholders to ensure the successful transition of the social-grants payments to the new service provider.
- Realised an above-average return on the UK property portfolio.
- Implemented a new IT system to enhance regulatory compliance and governance with increasing local and international requirements.



Key challenges 2018

- Maintaining revenue flow despite subdued activity due to local and global economic turmoil.
- Exploring ways to achieve the transformation required to drive the bank's growth to the next level.

Key focus areas 2019

- Explore niche-market opportunities to drive expansion of the service offering.
- Continue efforts to identify suitable empowerment partners to drive long-term growth.
- Evaluate new technology which can improve cost and business efficiency.
- Ensure the transfer of residual balances to SASSA clients' new bank accounts.

Key indicators

Economic

Revenue

^15.0%

R537 million

(2017: R467 million)

EBITDA

^7.4%

R390 million

(2017: R363 million)

Operating profit

^8.9%

R390 million

(2017: R358 million)

Attributable profit/(loss)

^11.1%

R210 million

(2017: R189 million)

Social

Continuing operations

Number of employees*

v9.8%

203 employees

(2017: 225)

LTIFR

Zero

0.00

(2017: 0.00)

Training spend

v41.7%

R1.154 million

(2017: R1.98 million)

Social responsibility spend

v25.8%

R2.3 million

(2017: R3.1 million)

Environmental

Spend

^42.9%

R2 million

(2017: R1.4 million)

GHG emissions (CO_2 equivalent)^

^3.7%

2 637 tonnes

(2017: 2 544)

Scope 2 GHG emissions

^1.7%

2 471 tonnes

(2017: 2 429)

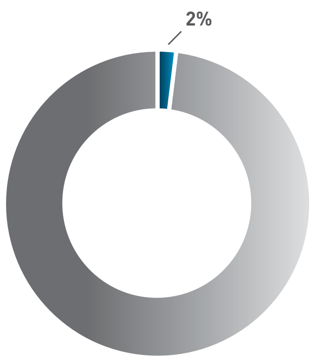
Scope 3 GHG emissions

^1.2%

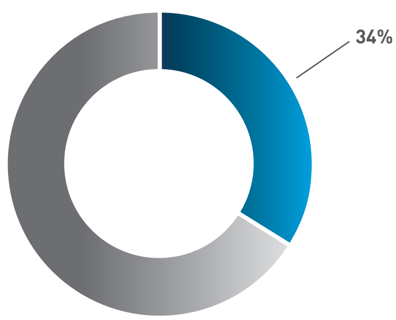
166 tonnes

(2017: 164)

* Includes joint ventures and associates at 100% shareholding.
^ Total GHG emissions including scope 3 (tonnes CO_2-e).



2018 Revenue



2018 EBITDA

Contribution to revenue (%)

Operational review: Financial Services continued

The Financial Services strategy to unlock shareholder value included a range of initiatives aimed at growing the business within an enabling governance and funding structure.

2018 review

Governance improvements were focused on the sustainability of the business. These included establishing a social and ethics committee, performing a King IV gap analysis and including the findings in the division's risk framework and integrating environmental, social and governance (ESG) criteria, the three central factors measuring the sustainability and ethical impact of a business, into the risk and opportunities framework.

Risk management was improved by extending the risk team, appointing an IT governance officer and finalising and implementing the division's specific stakeholder engagement policy, including additional staff engagement initiatives.

Business growth initiatives included exploring B-BBEE empowerment and other partnerships, securing additional funding lines, unlocking value from existing businesses, driving business targets despite negative market influences and targeting negligible bad debts.

Specific projects focused on growing the retail and lending businesses.

Retail, while successfully winding down the SASSA card-holders contract following the last payments made in August 2018, explored opportunities in conjunction with lending to build SMME, forex and agricultural exposure. A retail specialist was appointed to add momentum to the drive and shape retail for improved growth.

Financial performance improved on 2017, with attributable profit at R210 million (2017: R189 million). Fee income decreased by R6.2 million, but other income increased by R74.8 million, mainly as a result of the strong growth in the UK property portfolio.

Banking

Lending, the core traditional banking business, grew, focusing on secured loans, exploring smaller entrepreneurial markets and SMME markets. Advances totalled R7.8 billion (2017: R7.1 billion).

Treasury, which funds the bank lending activities, attracted additional funding of R101.7 million compared with 2017, excluding SASSA-related transactions in the Retail division.

Corporate Finance reported modest earnings due to subdued corporate-transaction activity.

Capital Markets reported solid earnings in its R2.0 billion third-party preference share investment product, generating R9.039 million (2017: R9.432 million).

Retail activities were focussed on ensuring a smooth transition for SASSA beneficiaries to their new bank accounts and initiating the transfer of residual balances from Grindrod accounts to their new accounts.

Investments

GFS Holdings Proprietary Limited (GFS) manages investments mainly in property and private equity. The private equity arm targets small- to mid-sized companies for equity investments and companies with strong growth potential. The successful sale of the UK-based property portfolio, in which GFS holds an indirect 29 percent share, was sold and the portfolio will be rebuilt on a selective basis.

The R261 million invested in Bridge Fund Managers, via a 49-percent shareholding in Infinitus Holdings, gave returns in line with the subdued JSE performance. Bridge Fund Managers private client and stockbroking divisions were sold to Sanlam Private Wealth on 1 November.

Grindrod Fuelogic road tanker

Resources review

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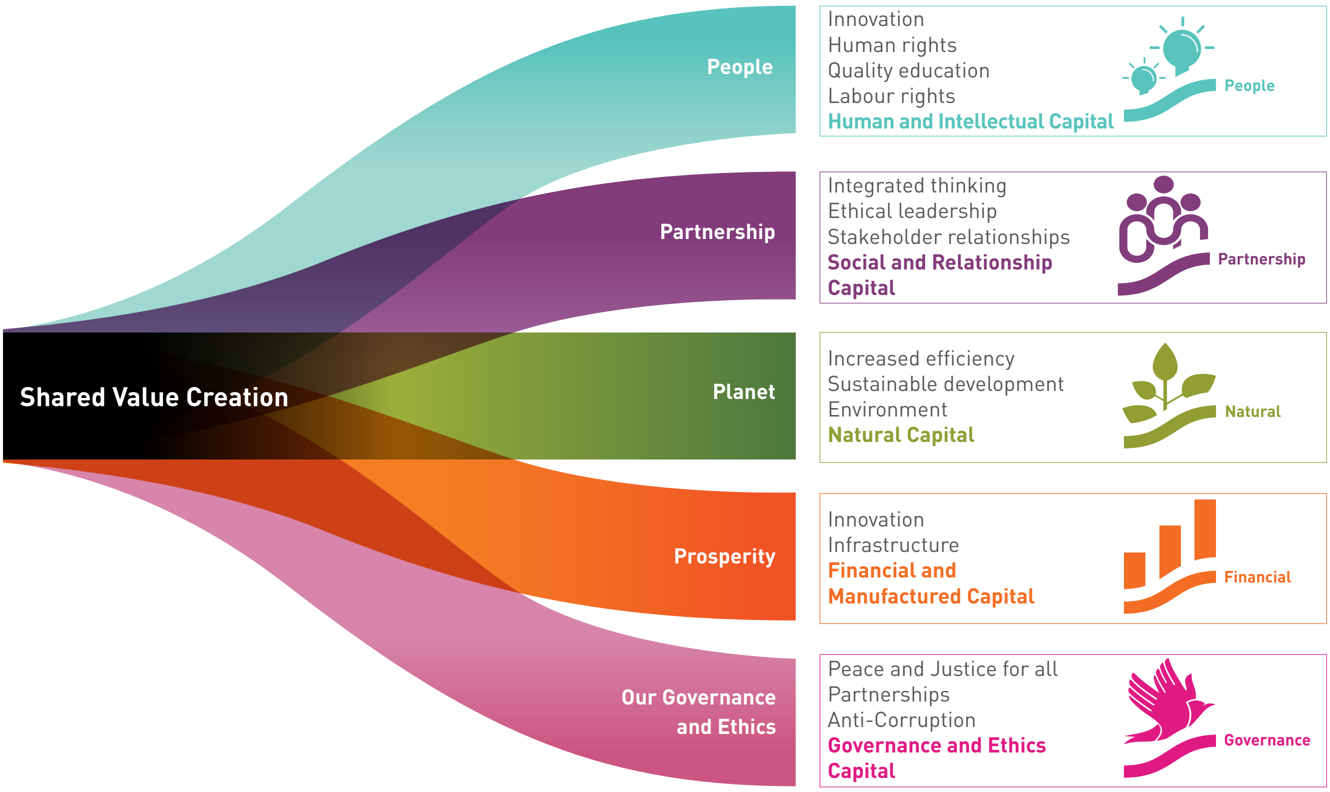
Resources review

The six capitals of value creation, introduced by the International Integrated Reporting Council (IIRC) in 2013, provide a meaningful framework for developing sustainable, ethical and socially responsible strategies, evaluation tools and reporting structures. The capitals, which now form part of King IV, provide specific criteria for what was until then referred to as triple-bottom-line reporting.

Grindrod has internalised the six capitals as our money (financial capital), our assets (manufactured capital), our skills (intellectual capital), our people (human capital), our relationships (social and relationship capital) and our environment (natural capital).

The capitals form an integral part of the Grindrod integrated governance, risk and sustainability framework, along with international best-practice tools:

- The King IV Report on Corporate Governance for South Africa, 2016, which provides a principle- and outcomes-based approach to achieve accountability, responsibility, fairness and transparency through an integrated approach.
- The Sustainable Development Goals (SDGs) published by the United Nations in terms of its 2030 Agenda for Sustainable Development, which represent a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Grindrod adopted five of the goals relevant to its business strategy – SDG4: quality education, SDG6: clean water and sanitation, SDG8: decent work and economic growth, SDG9: industry, innovation and infrastructure and SDG13: climate action.
- The SDG Compass, a tool that facilitates sustainability as an outcome of core business strategy.
- The UN Global Compact's Ten Principles, a value system that focus on corporate responsibility in relation to human rights, labour, the environment and anti-corruption.
- The Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption.



Resources review continued

These framework guidelines are further defined through specific international management and reporting parameters included in integrated management systems, comprising:

- the ISO 9001 quality criteria;
- the ISO 14001 environmental management system;
- the OHSAS 18001 occupational health and safety framework;
- IMO regulations for the shipping industry;
- the indicator assessments used as a basis for the FTSE/JSE Responsible Investment Index;
- the concepts and guiding principles included in the GRI's G4 Sustainability Reporting Standards for the disclosure of the most critical impacts on the environment, society and the economy; and
- the international GHG Protocol, which defines reporting parameters for GHG or carbon (C) emissions, based on an operational control approach.

The five SDGs adopted by Grindrod and its focus areas in achieving their goals are:

- SDG4 – To ensure inclusive and quality education for all and promote life-long learning, through employee development initiatives, industry-related training and community-focused social investments, including:
  - career development plans;
  - a management development programme;
  - mentorship programmes and on-the-job training;
  - learnerships and apprenticeships, including disability learnerships;
  - skills training and workshops;
  - an internship programme; and
  - Adopt-a-School, Cyril Ramaphosa Educational Trust and The Star Saver Financial Education Project.
- SDG6 – To ensure access to water and sanitation for all, through a water-management policy that targets:
  - effective water-resource management, including participation in the uMhlthuze Water Stewardship Partnership in the Richards Bay area to improve downstream water efficiency;
  - rain-water harvesting; and
  - dust suppression with used water from holding dams.
- SDG8 – To promote inclusive and sustainable economic growth, employment and decent work for all, through empowerment initiatives, HR policies, a safe working environment and steps to ensure the wellness of people, including:
  - the fair treatment of all employees;
  - working towards achieving B-BBEE targets;
  - standardised remuneration structures acknowledging individual merit; and
  - external and internal enterprise-development initiatives, including the privatisation of the Grindrod Johannesburg and Durban canteens and the Grindrod Bank Durban car-wash.
- SDG9 – To build resilient infrastructure, promote sustainable industrialisation and foster innovation, through stringent management systems based on international benchmarks, investments in strategic infrastructure projects and a focus on people, which include:
  - the six-capitals approach incorporated in decision-making;
  - targeting growth across all businesses;
  - employee engagement through structures, meetings, news dissemination, projects and awards;
  - shareholder engagement through circulars, news releases and the integrated annual report;
  - extensive, global interaction to facilitate the Shipping Division spin-off;
  - community engagement to foster mutual respect and understanding; and
  - wellness days at businesses and employee vitality programmes.
- SDG13 – To take urgent action to combat climate change and its impacts, through the implementation of Vision 2020, investments in the Blue Fund and various significant initiatives implemented by the now spun-off Shipping division, which include to:
  - target emissions reduction, water security and waste management;
  - invest in environmental and community coastline preservation and awareness projects;
  - maintain an efficient and eco-friendly fleet of vessels to achieve both environmental and business targets;
  - maintain the auto fleet replacement policy; and
  - complete a scenario analysis based on the criteria of the Task Force on Climate-related Financial Disclosures.

Key indicators

Value added	^9.2%	R2 430 million	(2017: R2 225 million)
Cash generated by operations	v71.6%	R159 million	(2017: R559 million)
Shareholders' equity	v31.8%	R9 678 million	(2017: R14 198 million)
Investment in assets (at cost)	^14.9%	R756 million	(2017: R658 million)
Return on net assets	^1.9%	5.9%	(2017: 4.0%)
Capital expenditure$	^3.0%	R483 million	(2017: R469 million)
Training spend	^63.2%	R9.3 million	(2017: R5.7 million)
Training interventions	^6.6%	1 576 interventions	(2017: 1 479)
Training spend per employee	^80.4%	R1 966 per employee	(2017: R1 090 per employee)
Number of employees*	v9.6%	4 728 employees	(2017: 5 232 employees)
Female representation**	v3.2%	29% of employees	(2017: 32.2%)
Fatalities$	v50.0%	1 fatality	(2017: 2 fatalities)
Number of shareholders#	v27.5%	8 170 shareholders	(2017: 11 271 shareholders)
Countries of operation	31 countries		(2017: 31 countries)
Social responsibility spend	v48.3%	R4.5 million	(2017: R8.7 million)
GHG emissions^	v27.3%	356 183 tonnes	(2017: 489 740 tonnes)
Electricity efficiency^^	^0.6%	3 536	(2017: 3 515)
CDP rating	^B-rating		(2017: C-rating)

$ Excludes discontinued operations.
* Includes joint ventures and associates at 100% shareholding.
** Includes temporary/contract staff, but excludes foreign nationals.
\# Includes total shareholdings for ordinary and preference shares.
^ Total GHG emissions including scope 3 (tonnes CO_2-e).
^^ kWh/FET.

Prosperity

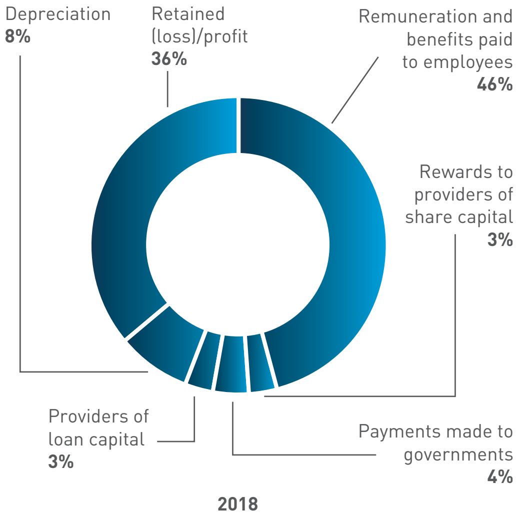
Financial and Manufactured Capital

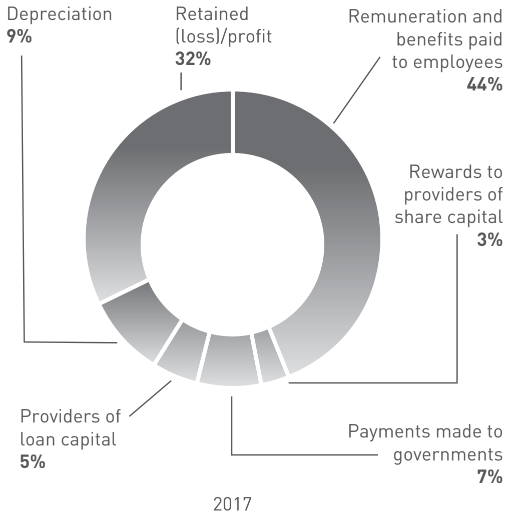
Financial

Our money

The economic resources which Grindrod uses to generate revenue, fund projects and provide shareholder returns. These resources include equity and debt funding and retained earnings.

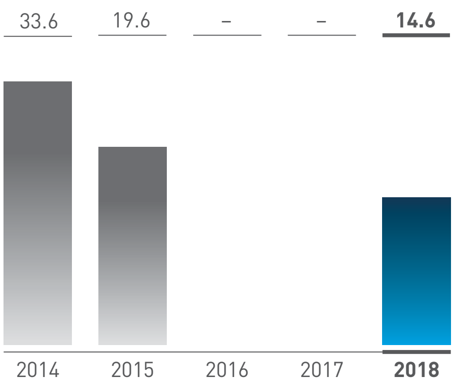
Value added



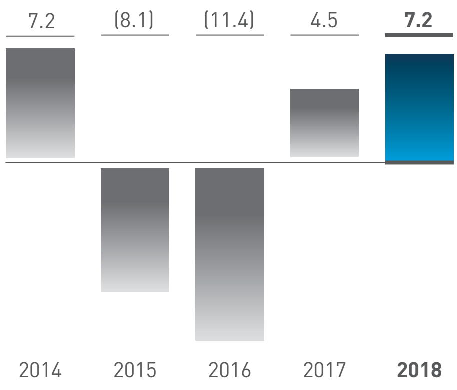


Distribution of wealth (%)

	2018 Rm	2017 Rm
Remuneration and benefits paid to employees	1 106	986
Rewards to providers of share capital	66	68
Payments made to governments	110	163
Providers of loan capital	85	98
Depreciation	193	196
Retained profit	869	714
Total wealth distributed	2 430	2 255



Ordinary dividend per share (cents)



Return on ordinary shareholdes' funds (%)

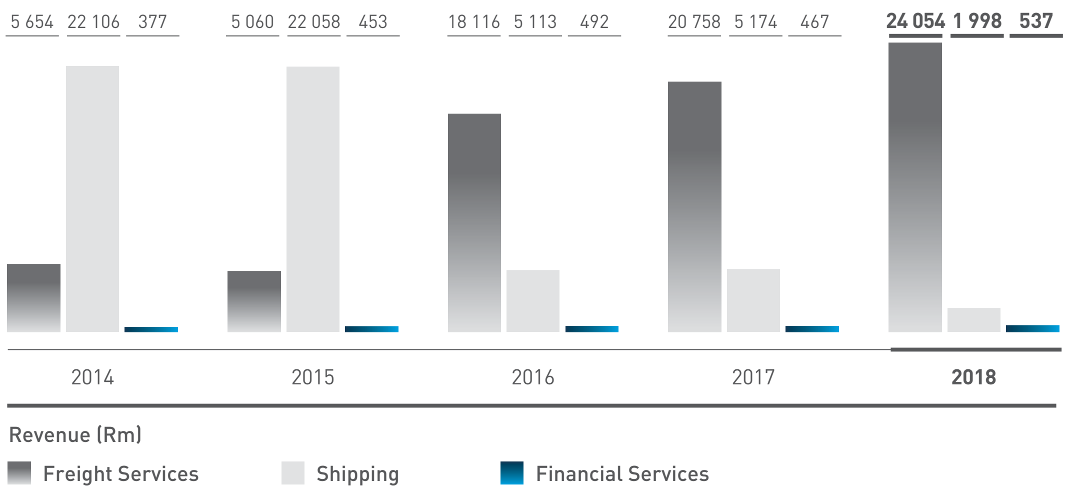
Our money continued

Divisional financial information

	Freight Services					
	Port and Terminals			Logistics		
	2018 Rm	2017* Rm	Growth %	2018 Rm	2017* Rm	Growth %
INCOME STATEMENT						
Revenue	923	864	6.8	2 687	2 308	16.4
EBITDA	251	282	11.0	499	307	62.5
Operating income/(loss)	159	193	(17.6)	326	165	97.6
Share of associate companies' profit/(loss)	62	54	14.8	1	(10)	110.0
Attributable profit/(loss)	146	166	(12.0)	161	217	(25.8)
STATEMENT OF FINANCIAL POSITION						
Non-current assets/investments	2 273	2 026	3.0	1 723	1 555	10.8
Bank loans, advances and liquid assets	–	–	–	–	–	–
Current assets	230	288	(20.1)	1 537	1 079	42.4
Net cash including debt	382	107	257.0	471	149	216.1
Total assets	2 885	2 314	24.7	3 731	2 634	41.6
Equity	2 540	2 169	17.1	2 254	1 678	34.3
Net debt/deposits	–	–	–	–	–	–
Other liabilities	345	145	(137.9)	1 477	956	(54.5)
Total equity and liabilities	2 885	2 314	24.7	3 731	2 634	41.6

Divisional key ratios

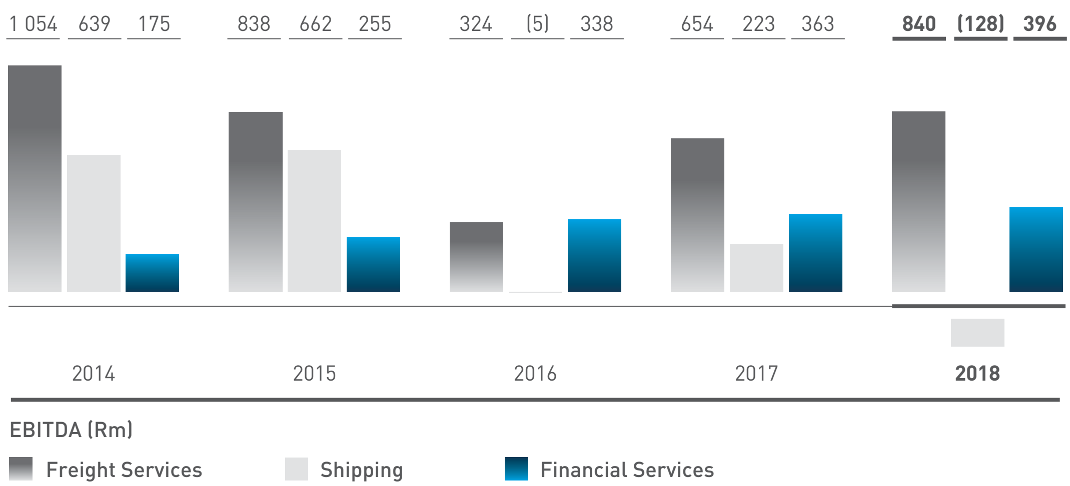
		Port and Terminals		Logistics	
		2018	2017*	2018	2017*
Return on ordinary shareholders' equity	%	6.2	7.1	8.2	14.1
Operating margin	%	17.2	22.4	12.1	7.2
Debt:equity ratio		0.15:1	0.05:1	0.21:1	0.09:1
Return on net assets	%	10.9	13.8	20.0	21.0
Attributable profit/(loss) per employee (effective share)	R000	197	153	70	92
Capital adequacy ratio	%	–	–	–	–



* Prior-year figures have been re-presented for segmental changes as detailed in the basis of preparation.

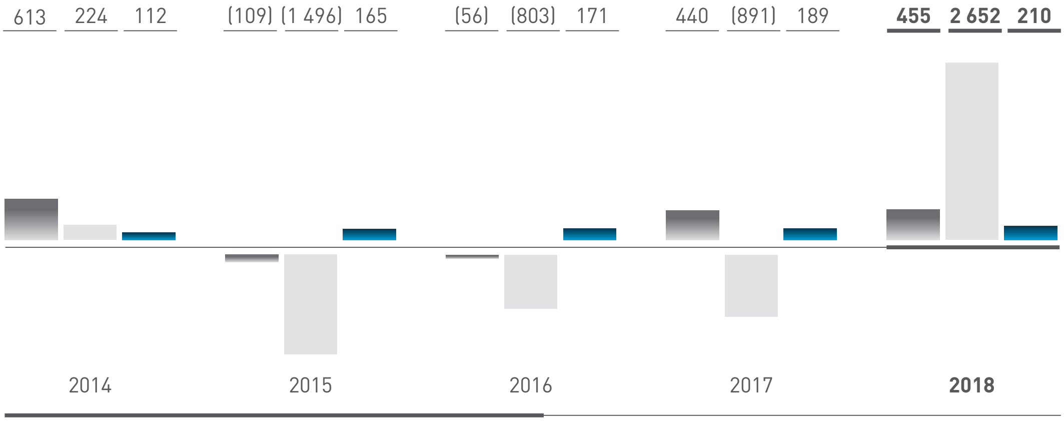
Marine Fuel and Agri			Financial Services			Shipping		
2018 Rm	2017 Rm	Growth %	2018 Rm	2017 Rm	Growth %	2018 Rm	2017 Rm	Growth %
20 444	17 586	16.3	537	467	15.0	1 998	5 174	(61.4)
90	65	38.5	396	363	9.1	(128)	223	(157.4)
81	51	58.8	390	358	8.9	(333)	(62)	(437.1)
123	55	123.6	–	–	–	–	–	–
149	58	156.9	210	189	11.1	2 652	(908)	392.1
1 041	971	7.2	1 598	1 480	8.8	–	5 444	(100)
–	–	–	10 624	8 831	20.3	–	–	–
2 612	2 063	26.6	32	199	(83.9)	–	626	(100)
(335)	47	(812.8)	678	6 265	(89.2)	–	–	–
3 318	3 304	0.4	12 932	16 775	(22.9)	–	6 070	(100)
1 412	1 105	27.8	2 023	1 810	11.8	–	3 624	(100)
–	–	–	10 506	14 640	(28.2)	–	1 816	(100)
1 906	1 928	1.1	403	324	(24.4)	–	631	(100)
3 318	3 034	0.4	12 932	16 775	(22.9)	–	6 070	(100)

Marine Fuel and Agri		Financial Services		Shipping	
2018	2017	2018	2017	2018	2017
11.8	5.2	18.0	53.5	NA	(22.0)
0.4	0.3	72.7	76.6	(16.7)	(1.2)
(0.24):1)	0.04:1	0.39:1	3.46:1	NA	0.50:1
11.7	10.5	2.8	2.0	NA	(7.8)
1 671*	330	1 070	840	26 256	(988)
–	–	14.4	13.7	–	–



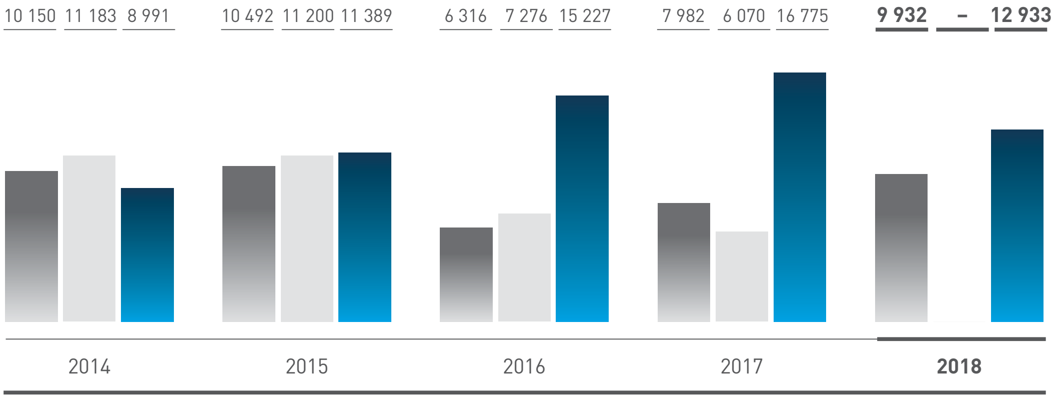
* Increasingly large because we are distributing the profits for Marine and Agri by Cockett's total number of employees only.

Our money continued



Attributable profit (Rm)

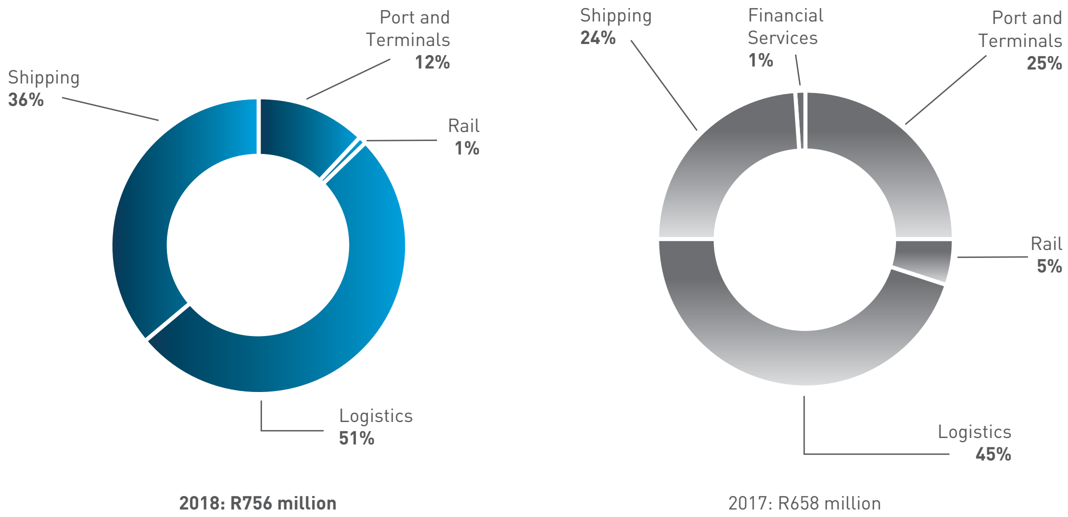
Freight Services   Shipping   Financial Services



Total assets (Rm)

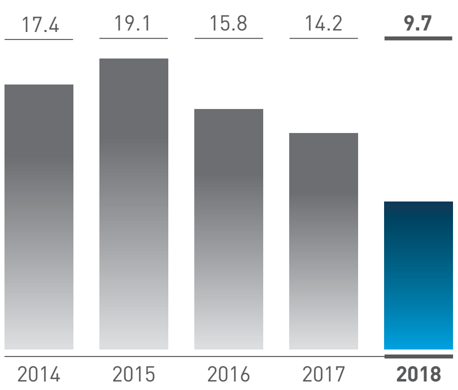
Freight Services   Shipping   Financial Services

Capital investment

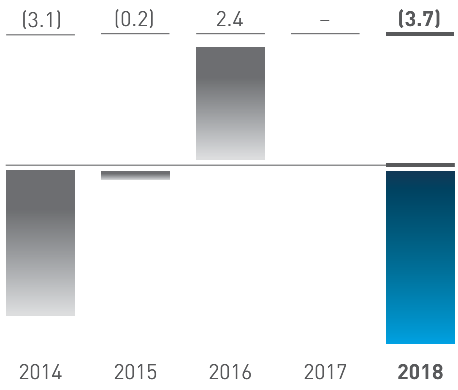


Capital expenditure by business area (%)

	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm
Continuing operations					
Port and Terminals	93	165	120	252	120
Logistics	388	295	177	109	586
Marine Fuel and Agricultural Logistics	–	1	1	20	98
Financial Services	2	8	7	22	15
Discontinued operations					
Rail	7	34	53	146	648
Shipping	266	155	770	805	981
Total capital expenditure	756	658	1 128	1 354	2 448



Shareholders' equity (Rbn)



Net interest-bearing debt to shareholders' interest (%)

Our money continued

Manufactured

Our assets

The infrastructure that Grindrod creates, develops, acquires and manages to provide services and products and grow the business. Infrastructure includes the port of Maputo, terminals, warehouses and depots and the road fleets.

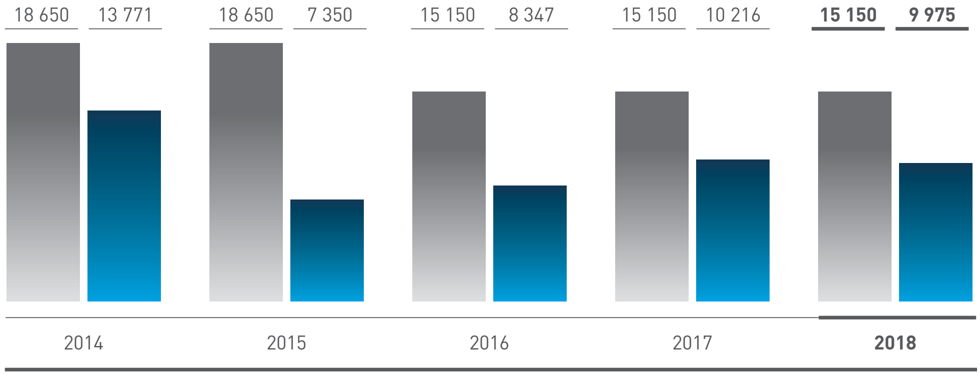
Terminals capacity and utilisation

	Note	2018	2017	% change	Existing capacity
Terminal					
Dry bulk (tonnes)		9 975 367	10 215 919	(2)	15 150 000
Matola Coal Terminal	1	5 193 647	5 203 219	–	7 300 000
Richards Bay	1	3 668 909	3 858 870	(5)	6 100 000
Walvis Bay (Namibia)		303 595	311 441	(3)	550 000
Maputo Terminal	1&3	809 216	842 389	(4)	1 200 000
Port of Maputo (tonnes)	2	19 571 427	18 211 155	7	
Liquid bulk (m^3)		578 976	821 015	(29)	484 601
Durban		441 936	683 939	(35)	347 525
Cape Town		137 040	137 076	–	136 076
Maputo automotive (number of vehicles)		15 891	15 164	5	120 000

Notes:
1 Physical tonnage, excluding take-or-pay volumes.
2. Includes volumes of Matola Coal Terminal.
3 Annual capacity is scalable to four million tonnes.

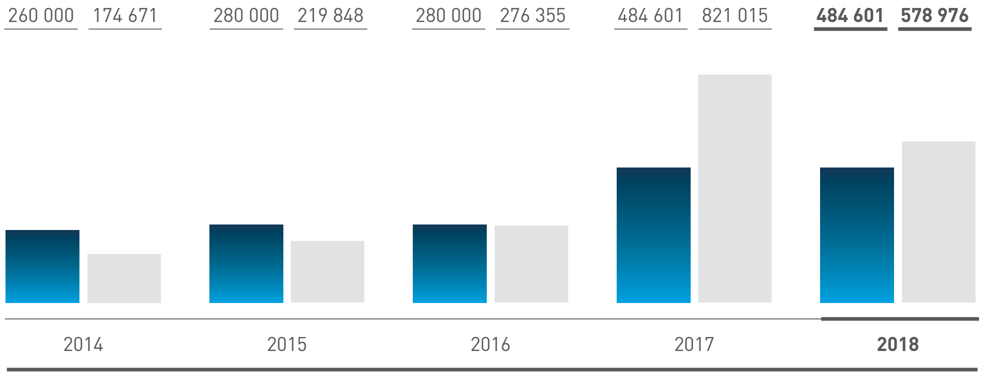
Warehouse capacity

	Total capacity		
	2018	2017	% change
Warehouse capacity			
Röhlig Grindrod – warehouse (bins)	28 415	28 415	–
Intermodal – warehousing and mining minerals (tonnes)	164 501	119 910	27.1
Intermodal – container depots (TEU)	24 400	31 650	22.9
OACL – warehouse (m^2)	116 201	116 201	–



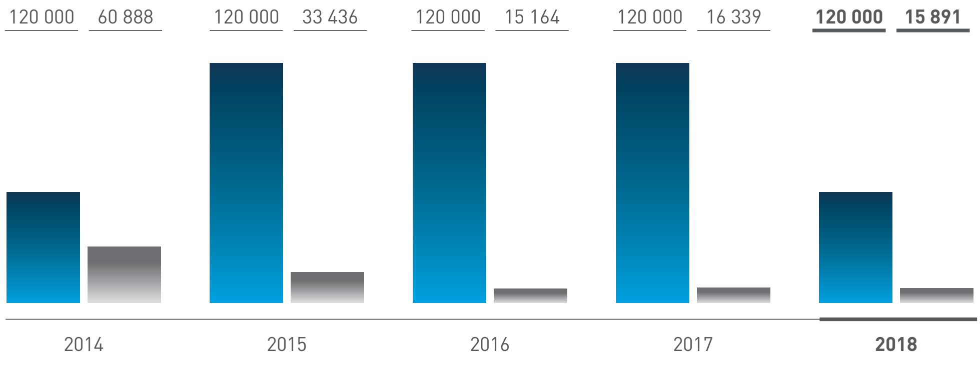
Dry-bulk terminal volumes ('000 tonnes)

Capacity Utilisation



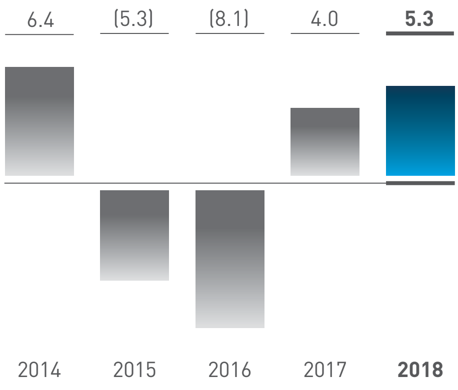
Liquid-bulk terminal volumes (m^3)

Capacity Utilisation



Car terminal volumes (number of vehicles)

Capacity Utilisation



Return on net assets (%)

People

Human and Intellectual Capital

Intellectual

Our skills

The collective knowledge, skills and intellectual property Grindrod uses to gain and maintain a competitive advantage. Capital outcomes include innovative and bespoke product offerings and a well-governed business, being the result of advantages such as globally respected brands, proven systems and structures, specialised skills, a sound knowledge base and ongoing training and skills development.

Grindrod manages its intellectual property from board level to the shop floor. The informational resources it has built up over decades is central to its overall success and the niche capabilities that determine its competitive advantage. The performance of the divisions is testimony to the intellectual capacity in clusters of excellence. Objectively determined incentives reward individual contributions to the business where appropriate.

The Shipping spin-off prompted a decentralisation of some services at group level to Freight Services and Financial Services, such as treasury, tax administration and corporate governance. However, the group still provides specialised assistance in common functions required, such as human resources, information technology and risk and opportunity management.

Group Human Resources continues to establish and maintain uniform policies, procedures and benchmarks. These include regulatory and business-enhancement measures such as employment-equity compliance, the B-BBEE scorecard, job grading, performance management, succession planning and employee relations.

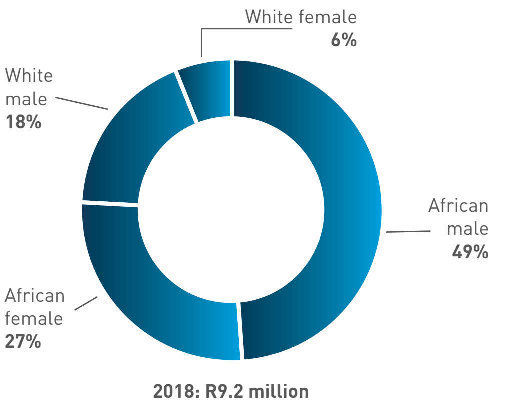
A third-party employee assistance programme was launched in conjunction with a specialist service provider, giving employees and their immediate family access to confidential telephonic, on-line and personal support for a range of stressors, such as debt, substance abuse, depression, work-related issues and family problems.

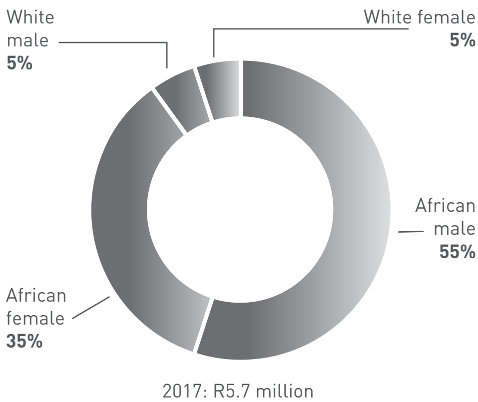
Our skills continued

Skills development

Grindrod invested R9.2 million (2017: R5.7 million) in training and development, comprising formal training, professional development and on-the-job coaching, internally and through external service providers.

	2018	2017	% change
Training spend (Rm)	9.2	5.7	63.0
Average training spend per employee (Rand)	1 966	1 090	80.0
Training interventions attended (number)	1 576	1 479	6.56
Percentage of interventions attended by designated group employees	97	84	15.4
Learners attending learnership programmes (number)	102	94	8.5
Percentage of learners from designated groups	93	97	(4.1)



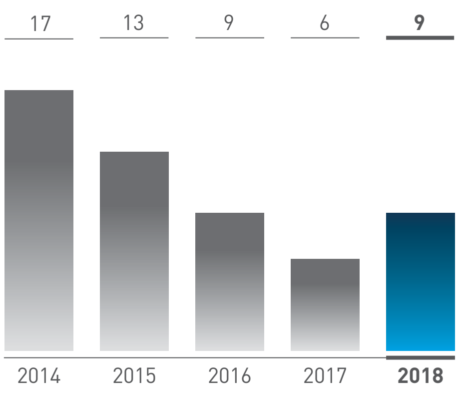


Training spend by demographic grouping (%)

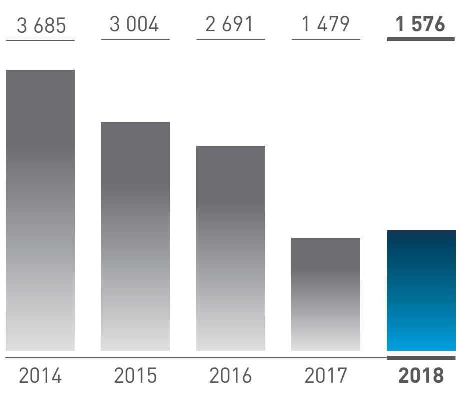
Information technology

IT focused on right-sizing its structure, focusing on the Freight Services requirements and addressing the increasing risk of security breaches, which saw cyber security for the first time being elevated to one of the top-ten group risks.

Steps taken to improve cyber security included a review of the IT governance charter to address concerns and upgrades to the firewall and control measures. Data management was a focus area, with a concerted drive to plot data and determine the nature and owners of the data, in order to consolidate data and remove data no longer required. The project renewed awareness about the importance of data management, including the protection of data and adequate back-up measures.



Training spend (Rm)



Training interventions attended (number)

Human

Our people

Determines Grindrod's capacity to accomplish its goals. Talented and skilled employees and skills and development training culminate in knowledge, skills, talents, experience, judgement and wisdom that ensures employee safety and well-being, personal and professional growth and indirect advantages such as support of family members.

Grindrod employees collectively provide the skills, competencies, capabilities and experience that unlock growth and ensure the sustainability of the businesses.

Employee complement

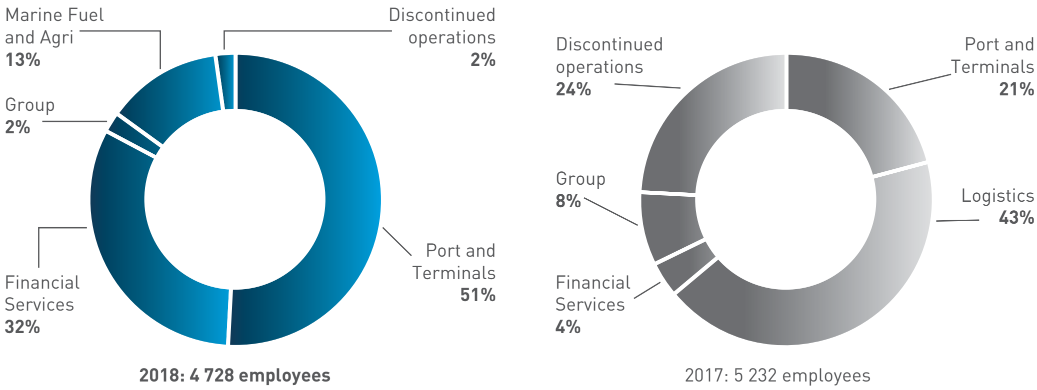
Country	2018	2017	% change
South Africa	2 931	3 087	(5.05)
Rest of Africa	1 635	1 336	22.38
Asia	24	666	(96.40)
Middle East	65	55	24.75
Europe	24	42	(42.86)
North America	6	7	(14.29)
South America	14	13	7.69
Australia	29	26	11.54
Total	4 728	5 232	(9.63)

Employee movement (expressed as a percentage of turnover) by division for 2018 is as follows:

	Freight Services	Shipping	Financial Services	Group
Resignation	139	14	25	178
Death	13	–	–	13
Dismissal	44	2	–	46
End of contract	114	101	7	222
Retirement	26	3	–	29
Retrenchment	56	–	4	60
Transfer	2	–	–	2
Other	15	7	–	22
Turnover of employees (%)	22.52		17.73	24.44

Our people continued

Grindrod manages its human capital to ensure people's health and safety and invest in their professional and personal growth. Its approach is based on, amongst others, the OHSAS 18001 occupational health and safety management system, the South African Bill of Rights, the UN Universal Declaration of Human Rights and the UN Global Compact Protect, Respect and Remedy Framework regarding human rights, labour standards, environment and anti-corruption.



Employees by business area (%)

Health and safety

The Grindrod human-capital base is managed to ensure people's health and safety and further their professional and personal growth.

Health and safety are of paramount importance at Grindrod. The health and safety of employees, contractors and visitors are managed with zero tolerance and occupational health and safety management systems are maintained in accordance with the international standard OHSAS 18001. The health of the workforce is managed according to the mandatory occupational health certificate of fitness.

All safety and health incidents are reported, investigated and corrective actions implemented to minimise the possibility of re-occurrence. Perceived risks are managed pro-actively.

Sadly, one fatality was suffered at SGM when Mr Jack Mathebula was run over by a truck whilst delivering documents to a driver parked in the truck park. The company engaged with the family, performed a thorough investigation, conducted re-training and reported the fatality to the South African Police Service.

Two non-reportable incidents occurred as a result of accidents on public roads. The incidents were reported to the relevant authorities and investigated internally and externally. Grindrod implemented measures to mitigate the risk of reoccurrence.

At Freight Services, the benchmark safety indicator at operational level, LTIFR, improved to 0.62 (2017: 0.86) incidents per 200 000 hours worked, with Financial Services again reporting zero incidents.

Key performance indicators	2018	2017	2016	2015	2014
Freight Services					
Fatalities	1	2	–	2	1
SHERQ spend (R'000)	55 674	28 409	31 354	27 575	56 545
Medical treatment cases	31	55	68	128	114
Lost-time incidents	28	39	42	58	68
LTIFR*	0.62	0.86	0.65	0.67	0.86
Shipping**					
Fatalities	–	–	1	–	–
SHERQ spend (R'000)	9 044	12 231	14 913	15 262	7 842
Medical treatment cases	5	–	6	–	–
Lost-time incidents	1	6	7	3	8
LTIFR*	0.13	0.13	0.21	0.09	0.26
Financial Services					
Fatalities	–	–	–	–	–
SHERQ (R'000)	11 537	–	12 000	24 099	5 546
Medical treatment cases	–	–	–	–	2
Lost-time incidents	–	–	–	–	–
LTIFR*	–	–	–	–	–

* lost time injury frequency rate.
** H1 2018 figures are used due to shipping spin-off.

People development

Human-capital development is managed at businesses level to optimise the outcome of business, transformation and B-BBEE targets through their recruitment practices, skills development, talent management, retention initiatives, performance management and employee relations, all of which are aligned with the divisional business strategy and employment equity targets.

B-BBEE requirements address the upliftment of previously disadvantaged people through initiatives to improve black ownership and notably black-women ownership, develop skills, adopt equal employment opportunities, implement preferential procurement practices and support new and existing black businesses.

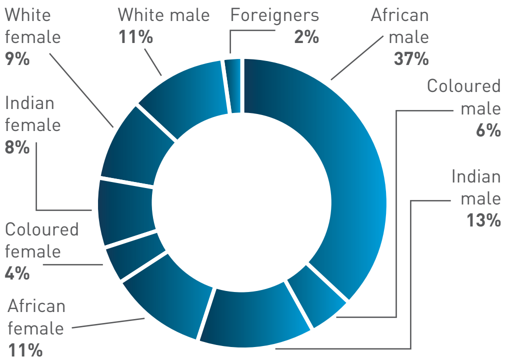
Freight Services targets are based on a generic code as the industry awaits the implementation of a new transport sector code, expected in 2019. The transition from the maritime code to the generic code is expected to make the transition to the new transport code virtually seamless.

Grindrod Limited achieved a Level 2 B-BBEE rating. The scorecard is available on the company website.

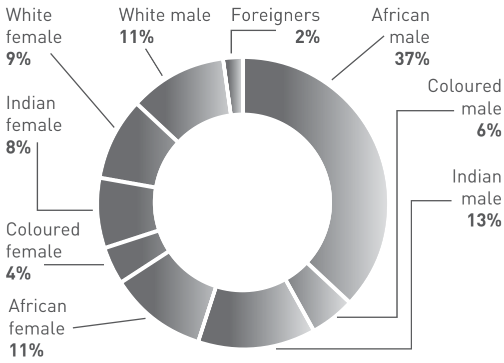
Financial Services adheres to the amended financial sector codes which were gazetted at the end of December 2017. Notable changes which affect the division are that the code applies different calculations to different entities that operate within the financial services industries; that there are sub-minimum requirements for priority elements such as ownership, skills development, enterprise and supplier development and empowerment financing; that different skills expenditure targets have been set for black people in senior management and that higher targets have been set for procurement from empowering suppliers.

Transformation targets are based on the DTI and financial sector codes of good practice and aligned with the B-BBEE Act to target a workforce mix that reflects the demographics of the country. Both divisions support this objective and have included transformation KPIs in the performance scorecards of executives. However, it gives precedence to recruitments and promotions based on merit rather than mere statistical compliance. Businesses are assisted by group HR in their transformation initiatives and Grindrod continues to engage with the DOL on its transformation progress.

Our people continued



2018: demographic profile (%)



2017: demographic profile (%)

Demographic profile (%)

Skills development aims to support transformation, business goals and professional and personal advancement. During the year:

- 1 576 (2017: 1 479) employees underwent training interventions, of whom 97 percent (2017: 84 percent) were designated employees;
- 102 (2017: 94) candidates underwent learnership training;
- 11 (2017: seven) students were enrolled on the Grindrod graduate programme;

Employment-equity targets have been formalised for the short and medium term, and are supported by transformation KPIs included in executives' performance scorecards. HR guides reporting entities to meet the procedural requirements of managing transformation as stipulated by the Employment Equity Act and Grindrod engages with the Department of Labour on its transformation initiatives.

Occupational levels	Male African	Male Coloured	Male Indian	Female African	Female Coloured	Female Indian	Female White	2018 Designated Total	2017 Designated Total	White Male	Foreign nationals Male	Foreign nationals Female	Total
2018													
Top management	1	–	2	–	–	–	1	4	9	7	–	–	11
Senior management	2	–	6	2	1	3	7	21	42	22	2	–	45
Middle management	19	13	44	9	5	37	38	165	196	69	1	2	237
Skilled	71	21	76	48	10	65	42	333	715	56	4	1	394
Semi-skilled	627	56	102	124	34	56	42	1 041	1 077	28	32	–	1 101
Least skilled	147	2	1	51	2	–	–	203	216	–	3	–	206
Total permanent	867	92	231	234	52	161	130	1 767	2 255	182	42	3	1 994
Temporary/ contract	11	–	2	11	3	–	–	27	-	–	–	–	27
Grand total	878	92	233	245	55	161	130	1 794		182	42	3	2 021
Percentage (%)	43.44	4.55	11.53	12.12	2.72	7.97	6.43	88.76		9.07	2.08	0.15	100.0
2017 total	1 010	146	354	288	96	214	251		2 359	277	42	3	2 681
Percentage (%)	37.7	5.4	13.2	10.7	3.6	8.0	9.4		88.0	10.3	1.6	0.1	100.0

* Note that 2 861 comprise employees managed through Grindrod South Africa.

Ships agency ensuring that the vessel's needs are met whilst docked

Partnership

Social and Relationship Capital

Social and Relationship

Our relationships

Defines the value Grindrod builds through engaging and sharing information and resources to achieve stakeholder well-being. Inputs from strategic relationships, engagement structures and host communities facilitate mutually beneficial stakeholder involvement, an engaged workforce and improved community sustainability.

Grindrod practises transparent and proactive stakeholder engagement to underpin the achievement of its financial, social and environmental objectives. Stakeholder groupings comprise:

- **8 001 ordinary and 1 869 preference shareholders as at 31 December 2018**, analysts, the wider investment community and management – communications and meetings to share strategic, financial and operational news.
- **4 728 employees on five continents** – continuous engagement, from start to end of employment, on business performance and career and personal growth.
- **11 Trade unions (including Namibia; Botswana and Mozambique) and three bargaining councils** – maintaining an open-door policy with unions (to which 31.75 percent of employees belong) and bargaining councils (14.8 percent) in the interests of employee well-being.
- **Business partners, including 47 joint ventures** – engagement to optimise mutual business commitment, offer integrated services and derive optimum value from complementary infrastructural assets.
- **Over 6 000 customers** within integrated supply chains – engaged through personal interaction, events and written communication to ensure that Grindrod strategies and operations remain aligned to customer requirements and expectations, with relationships continually assessed within ISO 9001 quality criteria.
- **More than 1 400 suppliers** in the procurement chain – personal engagement and news updates to ensure that procurement is managed transparently and optimally and that suppliers are informed of initiatives to improve the delivery of services and products.
- **Business associations and non-government organisations** – commitment to and interactions with bodies that collectively further the objectives of sound governance, corporate and societal sustainability and social responsibility. Memberships and/or associations include but are not limited to Adopt-A-School, the National Business Initiative, the Wildlife and Environment Society of South Africa, the Institute of Directors Southern Africa, the South African Institute of Chartered Accountants, the SA SME Fund and Wildlands.
- **31 countries**, each with local and national governments, infrastructure authorities, governing bodies, NGOs and communities – engagement to promote and maintain sustainable and mutual value addition.
- **Government departments and regulatory bodies** – engagement through meetings, reports and written communications to ensure mutual understanding of compliances and compliance targeting.

Our relationships continued

Two highlights of business-related engagements during 2018 were collaboration with Transnet that resulted in a combined, seamless rate and improved service for mutual customers and intensive engagement with shareholders, analysts and business partners to drive the Shipping spin-off within financial and time targets.

Employee and contractor engagement are based on the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, which include:

- complying with all applicable statutory labour obligations;
- promoting and recognising the right of employees to the freedom of association and collective bargaining;
- not permitting any form of forced, compulsory or child labour;
- no discrimination in respect of employment and occupation;
- maintaining grievance mechanisms for employees and contractors; and
- monitoring and reporting on its efforts in this regard.

Employee communications included, at group level, a state-of-the-company address by the CEO, followed by roadshow updates, meetings with employee groups and monthly updates.

At Freight Services and Financial Services, newsletters, newsflashes, posters and the intranet are used as communications channels. Both divisions conducted roadshows during 2018 to address staff concerns regarding the revised business strategy and the Shipping division spin-off, as well as division-specific concerns.

The Freight Services roadshows are now conducted twice a year, followed by presentations to the employees of divisional businesses.

Financial Services embarked on an extensive media campaign to address public misconceptions regarding the bank's role in the SASSA contract, caused mainly by heated public debate between stakeholders.

Social responsibility

Grindrod's social investments favour education and environmental projects. During the year, Freight Services and Financial Services contributed R4.5 million (2017: R8.7 million).

The three major beneficiaries were the Wildlands Conservation Trust Blue Fund (R1 881 599), the Adopt-A-School Foundation (R911 510) and the Cyril Ramaphosa Education Trust (R500 000).

Adopt-A-School support again benefited:

- Hlahlindlela Secondary School, 981 learners and Inhlakanipho High School, 777 learners, by addressing focused and priority projects designed for each of the mentioned schools.

At both schools, selected grade 12 learners were awarded for academic achievement in mathematics, mathematical literacy, physical sciences and English.

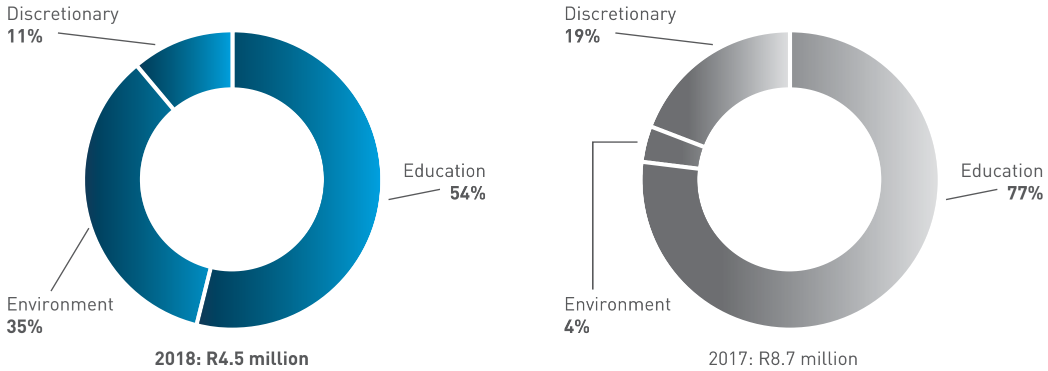
Wildlands is a non-profit, public welfare NGO that aims to create a sustainable future by developing programmes that target environmental sustainability and human well-being, to improve the livelihoods of underprivileged communities and restore the ecosystems that support them.

Grindrod has supported Wildlands since 2012. In 2014, Grindrod Bank partnered with the organisation to establish the Blue Fund, which focuses on the upliftment of coastal communities and the conservation of coastal marine ecosystems. These projects include:

- **The Blue Fund Ocean Stewards** programme, a socio-economic development initiative, in its fourth consecutive successful year. The programme gives selected marine students an all-encompassing experience in off-shore research aboard an oceanic research vessel, under the guidance of marine scientists. The experience adds depth to the students' post-graduate studies.
- **The Blue Crew**, a project established under the Wildlands Wastepreneur model, with the aim of creating sustainable livelihoods through pollution-control initiatives. The Blue Crew has been structured into two small businesses, each with a crew of women collecting recyclable material washed into the Durban Harbour or onto Durban's beaches. The material is bought for recycling, thereby creating a sustainable model for growth into new areas.

- **Whale Time**, a project that brings science, conservation, tourism and community together to update scientific knowledge of humpback whale populations and to engage the public in whale sightings and associated distribution and behaviour patterns. The project includes an online platform on which people can share photographs and sighting information. The project focusses on research, building public knowledge, promoting east coast whale migration in terms of both conservation and tourism and guiding communities to participate in whale eco-tourism.

Other Wildlands projects being explored for support include Trees for Life, Recycling for Life and the National Integrated Sustainable Schools and Community Programme, all of which target sustainability and recycling.



Social responsibility spend (%)

The Cyril Ramaphosa Education Trust (CRET) is the channel through which Grindrod sponsors university students. The trust also provides leadership training, personal empowerment camps and a mentoring programme to support and empower bursary recipients. CRET celebrated good growth, with 104 students on the programme at the beginning of the year, the highest number since inception. It also marked the highest number of first-year students, and a far greater diversity in the degrees been studied and the institutions they study at.

The Star Saver Financial Education Project, which was started in 2017, is a new Grindrod beneficiary. The project targets learners in grades 7 to 9 in disadvantaged schools in and around Durban and Richards Bay to establish a culture of saving by encouraging good financial management. In 2018, Grindrod's donation of R125 000 funded training for 800 learners.

In addition to these investments at group level, Grindrod staff supported various initiatives aimed at upliftment in communities. These include:

- Freight Services packing and distributing 17 000 meals on Mandela Day;
- Financial Services performing beach clean-up operations; and
- OACL preparing and distributing 600 lunch packs a week to homeless people close to the Port of Durban.

Planet

Natural Capital

Natural

Our environment

Represents the natural ecosystems and assets on which Grindrod's businesses impact, including geology, soil, air, water and all forms of life.

Grindrod acknowledges that the environment forms the basis for human survival and economic activity. As a responsible corporate citizen, it strives to minimise and mitigate the impact of its operations on the environment in a sensible, responsible, innovative and legally compliant manner. Environmental management is based on ISO 14001 criteria with established integrated safety, health, environmental and quality management systems being subject to regular audit.

Target

Grindrod has set a target to improve environmental performance in 2020. This target is the company's Vision 2020. The target is aimed at reducing the emission intensity of Grindrod's business by 10 percent in the period between 2010 and 2020, with the intensity specified in emissions per rand revenue. The company has, however, undergone significant restructuring since the target was introduced, and the baseline that was set on historic revenue values is no longer relevant to the current business. Grindrod has initiated a process to develop a new target that will guide the operations up to 2025.

The values reported in the table below measure the company's performance based on a year-on-year reduction target of one percent per year. This is consistent with the Vision 2020 target statement of a 10 percent reduction over a ten-year period.

	2018 target	2018 actual	2017 actual	Performance
		H1: 2018	H1: 2017	
Reduce by 1 percent (normalised overall group emissions CO_2 per rand revenue).*	205	185	207	Target met
Reduce by 10 percent land-based diesel vehicle GHG emissions per kilometre on average.	0.99	1.5	1.0	Target not met
Reduce by 20 percent normalised scope 2 electricity usage by machinery in buildings.	3 448	3 536	3 515	Target not met
Source at least five percent of total energy usage from renewable sources.	5%	0%	0%	Target not met

* H1 2017 and H1 2018 GHG emission data provided to enable comparison, following the shipping spin-off.

Our environment continued

Vision 2020 contains specific emission-related objectives, based on the international GHG Protocol which provides accounting and reporting standards for the management of GHG emissions. These objectives focus on the use of non-renewable fossil fuels in Freight Services and, until June, in Shipping, which collectively accounted for approximately 78 percent of the Grindrod carbon footprint.

Vision 2020 requires that reports on environmental activities are accurate, transparent and complete, against key performance indicators, and in line with requirements of the GHG Protocol, King IV and other benchmarks used to achieve integrated reporting for natural capital.

Independent carbon and energy specialist Promethium Carbon has been appointed to restate the Grindrod carbon performance in line with the business strategy and taking into account the effects of the Shipping spin-off and divisional restructuring.

The Task Force on Climate-related Financial Disclosures (TCFD) was established by the International Financial Stability Board and promotes voluntary and consistent climate-related financial risk disclosures companies can use in providing decision-useful information to stakeholders such as investors, lenders and insurers. The company's adoption of and commencement of implementation of the recommendation of the TCFD in a phased approach formed part of the 2018 Carbon Disclosure Project (CDP) submission.

The social and ethics committee reviewed the task force recommendations on climate change risk and its analysis of vulnerability as an input to the strategic planning process.

Carbon disclosure

Grindrod subscribes to the international CDP, in which participants are rated on their level of effectiveness in addressing climate risk and identifying opportunities, based on scores ranging from A to E. Grindrod's rating improved to a B in 2018 (2017: C). Its carbon strategy includes a stepped approach for the implementation of the TCFD recommendations over the medium term.

Marine biodiversity

Shipping implements stringent measures to preserve marine biodiversity, which include not transporting hazardous waste, adhering to International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines on practices that may negatively impact marine conservation and ensuring that ballast-water treatment systems adhere to IMO regulations. Compliance with the IMO 2020 air-emission standards is targeted.

Land-based environmental impacts

Grindrod strives to achieve zero material pollution of terrestrial ecosystems in which its land-based operations are located, through the implementation of rigorous management systems that ensure a prioritised approach to environmental risk management, ongoing training and awareness and environmental audits. Businesses manage materials with caution. Hazardous materials and waste are stored, used, managed and transported according to procedure and under controlled conditions, with consideration given to containment of potential spills and contaminated run-off.

The Richards Bay terminals, situated next to a wetlands area, are engaging with the DoE and have appointed an independent service provider to finalise the Integrated Water and Waste Licence.

Water stewardship

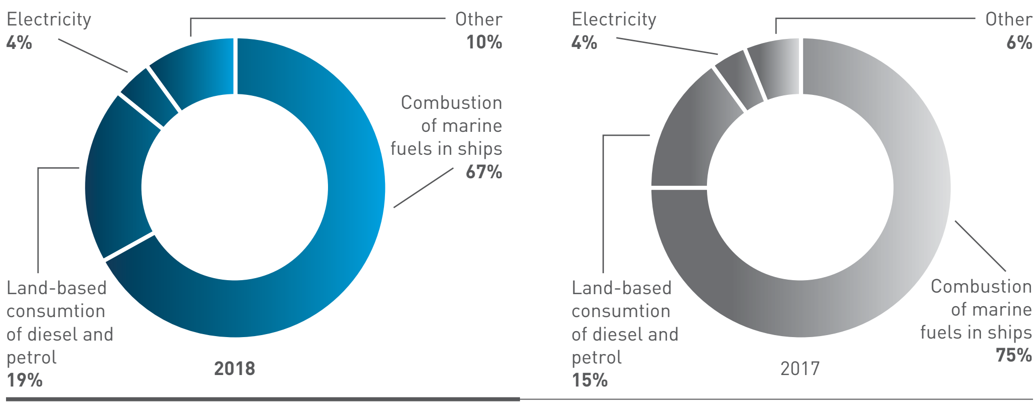
Grindrod is one of the founding members of the uMhlthuze Water Stewardship Partnership in the Richards Bay area. The project targets improved downstream water efficiency along an approximate 100-km stretch of the Mhlatuze River through improved coastal lake and dam management, agricultural water stewardship practices, efficient use of water and enhanced ecological infrastructure management. The project is led by the National Business Initiative, the GIZ-International Water Stewardship Programme and WWF South Africa and supported by some 20 government and private-sector partners. The project is managed by a full-time partnership manager, supported by a water stewardship manager employed by the WWF.

Key performance indicators

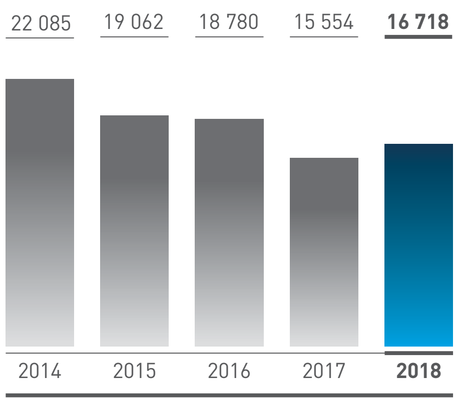
Key performance indicator	2018	2017	2016	2015	2014
Scope 1 and 2 GHG emissions (tonnes CO_2-e)*	331 026	479 999	444 695	461 961	431 665
Total GHG emissions including scope 3 (tonnes CO_2-e)*	356 183	489 740	453 590	480 782	443 911
SO_x emitted (tonnes)*	3 674	5 806	5 547	4 922	5 006
NO_x emitted (tonnes)*	7 105	11 005	10 378	10 302	10 138
Electricity efficiency (kWh/FTE)	3 536	3 515	3 197	2 706	2 942
Total water usage	193 300	108 818	152 179	277 523	219 507
Total solid and liquid waste generated (tonnes)	14 072	20 164	14 070	9 948	10 889

* 2017 figures restated to correct calculation error.

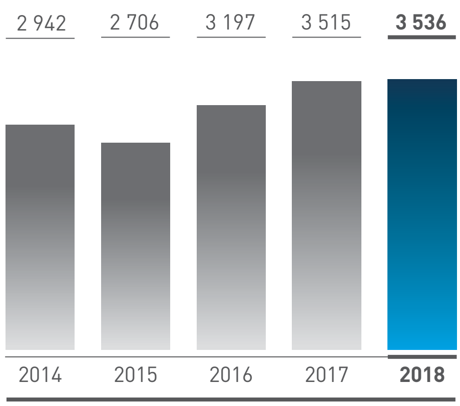
More detailed information on the key indicators is available on the company website.



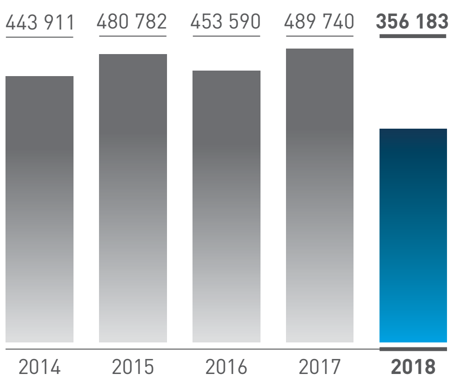
Grindrod's carbon footprint (%)



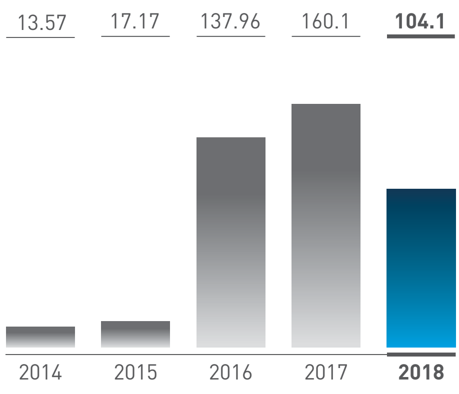
Total equivalent electricity usage (MWh)



Energy efficiency (electricity kWh/FTE)

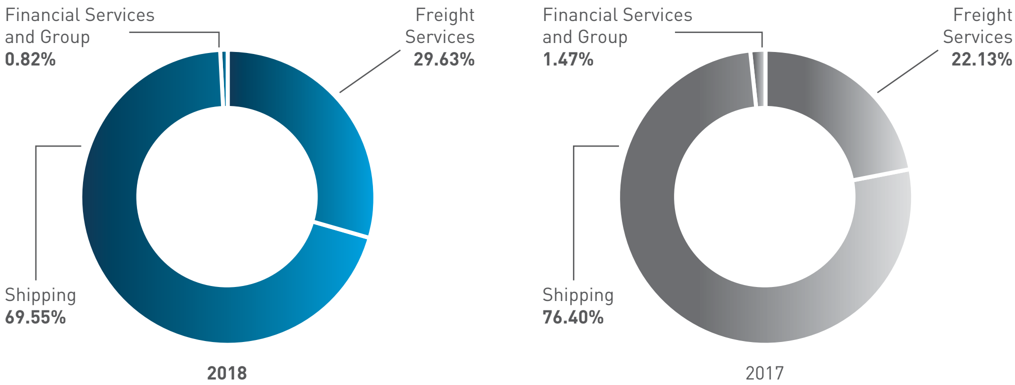


Total GHG emissions (CO_2 equivalent)

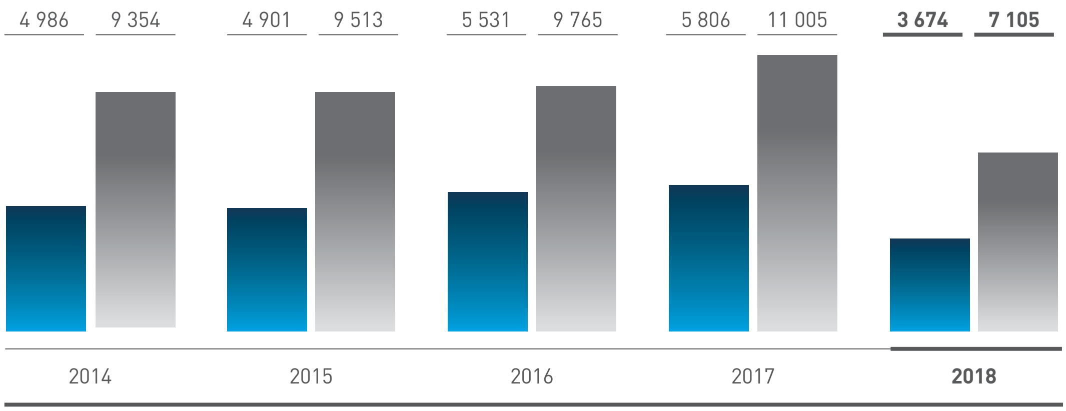


GHG emissions intensity
(grams CO_2 per rand revenue)

Our environment continued

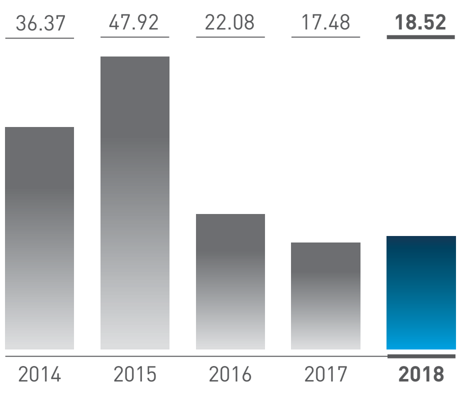


Divisional carbon footprint (%)



Air pollution – SO_x and NO_x emitted (tonnes)

SO_x NO_x



Water consumption (kilolitres per FTE)

Governance review

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Report of the risk committee 106
Report of the investment committee 107
Report of the nomination committee 108
Report of the remuneration committee 110
Report of the audit committee 128

Directorate and executive committee

Mike Hankinson 69
Non-executive chairman

BComm, CA(SA)

Appointed 15 December 2009

Mike was appointed as chairman of Grindrod Limited in 2014 after serving as a non-executive director since 2009. During 2017 Mike assumed the position of executive chairman as an interim arrangement to manage stakeholder value-creation in terms of the company's restructuring strategy. He resumed his position as non-executive chairman on 22 November 2018.

He is the current chairman of the Spar Group Limited and is a former non-executive director of numerous listed and unlisted companies, and former CEO of Romatex Limited and Dunlop Tyres International Proprietary Limited.

MIC, CNC, MRC, MSE, MRI

Andrew Waller 56
Executive director and CEO

CA(SA)

Appointed 1 March 2011, appointed as CEO 1 September 2018

Andrew joined Grindrod Limited in 2011 as financial director, after working at Deloitte and Touche in Scotland and South Africa for 15 years, the last six as audit partner.

He was appointed as CEO on 1 September 2018 and serves as an alternate director on the board of Grindrod Shipping Holdings and various local and international Grindrod Limited subsidiaries.

He serves as non-executive director of the Spar Group Limited.

MEC, CIC, MRI

Mkhuseli Faku 52
Independent non-executive director
BA (Law – Rhodes University); MAP (Wits Business School); OPM (Harvard Business School)

Appointed 15 December 2009

Mkhuseli serves on the following boards: Oiltanking Grindrod, Calulo (OTGC), Röhlig Grindrod, Skytanking, Skytanking Calulo and Calulo Renewable Energy Group and he also serves as Governor of the board of Rhodes University.

Committees key:

- **MAC** Member of the audit committee
- **MEC** Member of the executive committee
- **MIC** Member of the investment committee
- **MNC** Member of the nomination committee
- **MRC** Member of the remuneration committee
- **MRI** Member of the risk committee
- **MSE** Member of the social and ethics committee

Grant Gelink 69
Independent non-executive director

BCompt (Hons); BCom (Hons); CA(SA); HDip Education; Dip Public Administration

Appointed 1 January 2013

Non-executive director of Altron Limited, MTN Zhakele Limited, First Rand Limited.

Grant has had extensive work experience with Deloitte & Touche which spans over 26 years and he served as chief executive from 2006 until his retirement from the firm in 2012.

CAC

Zola Malinga 41
Independent non-executive director

CA(SA)

Appointed 24 October 2016

Co-founder and executive director of Jade Capital Partners.

Zola has experience in corporate finance, investments and debt and equity finance at the real estate division of Standard Bank, Investec Bank and the Liberty group.

She serves as member of the audit committee and board of Grindrod Bank Limited.

Zola also serves as non-executive director and a member of the audit committee of Sappi Limited.

MAC, MSE

Xolani Mbambo 44
Executive financial director

CA(SA)

Appointed 1 September 2018

Xolani joined Grindrod Limited in 2013 as CFO for Freight Services and was appointed in his current position on 1 September 2018.

He serves on the boards of various local and international Grindrod subsidiaries.

Prior to joining Grindrod, Xolani worked at Anglo American for 12 years in various finance roles in South Africa, Botswana and London.

MEC, MRI

Committees key:

CAC Chairman of the audit committee
CIC Chairman of the investment committee
CNC Chairman of the risk committee
CRI Chairman of the risk committee
CSE Chairman of the social and ethics committee

Directorate and executive committee continued

Raymond Ndlovu 52
Independent non-executive director

B Business Studies (Hons)

Appointed 27 May 2016

Raymond has 29 years' experience in various fields in the financial services industry.

In 2013 Raymond joined Invenfin, the venture investment division of Remgro as an investment executive. In July 2015, he was assigned initially as part of the Remgro investment team and subsequently in May 2018, as a member of the group's management board.

He serves as member of the audit, social and ethics committees and the board of Grindrod Bank Limited.

Raymond also serves in a non-executive capacity on the boards of several Remgro investee companies and as an independent director of Strate Limited.

MAC, CSE

Bongiwe Ntuli 41
Executive director

CA(SA)

Appointed 20 August 2015 (resigned 31 December 2018)

Director of major local subsidiary companies and associates, including Grindrod Bank, Grindrod (SA) Proprietary Limited, Oiltanking Grindrod Calulo Proprietary Limited and Röhlig-Grindrod Proprietary Limited. Bongiwe joined Freight Services in May 2008 as CFO after holding various positions within Anglo American.

She was appointed to the Grindrod Executive as Executive Corporate Services in 2012, as CEO Port, Terminals and Rail in 2014 and CEO Freight Services in 2016. She tendered her resignation effective 31 December 2018.

MEC, MRI

David Polkinghorne 54
Executive director

BCom; MA (Oxon)

Appointed 22 November 2006

Managing director of Grindrod Bank Limited and executive director of all the Financial Services Division group companies. Director of companies and trustee of various charitable trusts and foundations. Chairman of the Grindrod Pension and Grindrod Provident Funds.

David has been involved in the financial services sector for more than 27 years. He has had exposure to all areas of corporate and investment banking and, in particular, has extensive experience in commercial property finance, private equity and corporate finance.

MEC, MRI

Committees key:

MAC	Member of the audit committee
MEC	Member of the executive committee
MIC	Member of the investment committee
MNC	Member of the nomination committee
MRC	Member of the remuneration committee
MRI	Member of the risk committee
MSE	Member of the social and ethics committee

Nkululeko Sowazi 55
Lead independent non-executive director

MA (UCLA)

Appointed 25 February 2014

Chairman of KTH, a leading SA investment holding company, Tiso Investment Holdings and Synchem Group Limited, a chemicals holding company.

Nkululeko is a director of MTN Group Limited, Vanguard Group Limited (Ghana), Tiso Blackstar Group SE (UK) and IQ Business Holdings.

MNC, MRC, MRI

Pieter Uys 56
Independent non-executive director

MSc (Engineering); MBA

Appointed 30 August 2013

Director of local and international companies and serves on the Remgro Management Board. Pieter is a former CEO of Vodacom Limited.

MIC, MNC, CRC, CRI

Sandile Zungu 52
Independent non-executive director

BSc (Mechanical Engineering); MBA

Appointed 15 December 2009

Executive chairman and founding member of Zungu Investments Company.

Sandile serves on the Presidential Advisory Council on Black Economic Empowerment and was a member of the World Economic Forum in his capacity as Young Global Leader. He also serves as the president of the Black Business Council.

Committees key:

CAC Chairman of the audit committee
CIC Chairman of the investment committee
CNC Chairman of the risk committee
CRI Chairman of the risk committee
CSE Chairman of the social and ethics committee

Directorate and executive committee continued

Board profile – as at 31 December 2018

	Independent non-executive directors %	Non-executive directors %	Executive directors %	Board and Executive Committee %
By race group and gender				
African female	8.33	–	8.33	16.67
African male	33.34	–	8.33	41.67
Coloured male	8.33	–	–	8.33
Indian male	–	–	–	–
White male	8.33	8.33	16.67	33.33
By age group				
30 to 50 years old	8.33	–	16.67	25.00
>50 years old	50.00	8.33	16.67	75.00

Board tenure

	Independent non-executive directors %	Non-executive directors %	Executive directors %	Total %
0 – 3 years	16.67	–	8.33	25.00
4 – 9 years	25.00	–	16.67	41.67
More than 9 years	8.33	8.33	16.67	33.33

Attendance at meetings

	Board A/B	Committee A/B Executive[1]	Social and ethics	Audit	Risk	Investment	Nomination	Remuneration	Reason for non-attendance
H Adams[2]	2/4				1/2		2/3	2/3	Illness
MR Faku	3/4								Travelling
WD Geach[2]	4/4			2/2					
G Gelink	3/4			2/2					Conflicting board meeting
MJ Hankinson	4/4	5/5	2/2		2/2	5/5	3/3	3/3	
G Kotze[3]	3/3					3/3			
Z Malinga	4/4		2/2						
XF Mbambo[4]	1/1	2/2							
RSM Ndlovu*	4/4		2/2	2/2					
B Ntuli[5]	4/4	4/5			2/2				Travelling
DA Polkinghorne	4/4	5/5			2/2				
NL Sowazi^	3/4				2/2		2/3	2/3	Travelling
PJ Uys	4/4				1/2	5/5	3/3	3/3	Unable to attend – alternate attended
MR Wade		3/4							Travelling
AG Waller[6]	4/4	5/5	2/2		2/2	5/5			
SDM Zungu	3/4								Family illness

A Indicates the number of meetings which the director attended.
B Indicates the number of meetings which the director could have attended.
* Alternate director.
^ Lead independent non-executive director.
1. Includes four scheduled and one unscheduled divisional executive meetings and four Group SHERQ management committee meetings.
2. Resigned as executive director on 30 November 2018.
3. Resigned as executive director on 1 September 2018.
4. Appointed as executive financial director on 1 September 2018.
5. Resigned as executive director on 31 December 2018.
6. Appointed as CEO on 1 September 2018.

External specialist advisors were invited to attend the August 2018 board meeting in support of the broadened business strategy.

Corporate governance report

Governance structure

Grindrod Limited
Board

- **Group company secretary**
- **Nomination** committee
- **Remuneration** committee
- **Risk** committee
- **Investment** committee
- **Audit** committee
  - **Head of internal audit**
- **Social and ethics** committee

Grindrod Bank Limited
Board

- **Company secretary**
- **Remuneration** committee
- **Audit and compliance** committee
- **Risk and capital management** committee
- **Directors' affairs** committee
- **Asset and liability** committee
- **Social and ethics** committee
- **Credit risk** committee

Executive committee

- **IT steering** committee
- **HR steering** committee

A sound corporate governance framework commits Grindrod to high standards of business ethics. The framework guides the board, as the guardian of responsible corporate governance, in the formulation and implementation of the company strategy to achieve targeted performance and create sustainable value to the benefit of all stakeholders. The framework comprises appropriate policies, procedures and power of execution to ensure that governance objectives are properly implemented, managed, reviewed and adjusted. This ensures responsible corporate citizenship through regulatory and best-practice adherence, effective and ethical leadership and sustainable value creation.

The governance framework is aligned to the company's six core values of transparency, respect, integrity, professionalism, fairness and accountability. These values are encapsulated in four focus areas the company regards as core considerations in its drive to achieve business and social sustainability, namely health and safety, people, the environment and communities.

Grindrod Financial Services division maintains a governance framework that ensures compliance with legislative and regulatory requirements related to the financial services sector. This framework was enhanced during 2018 with the introduction of a social and ethics and SHERQ committee respectively for the division.

King IV

The Grindrod governance framework is aligned to the principles-based King IV Report on Corporate Governance for South Africa, to achieve four governance outcomes, these being ethical culture, good performance, effective control and legitimacy.

Grindrod's ability to meet all the application requirements of King IV is guided by an established governance practice improvement framework.

Ethical culture

Principle 1: *The governing body should lead ethically and effectively.*

The board, supported by the social and ethics committee, is responsible for cultivating an ethical and effective environment. Operating with integrity, maintaining appropriate levels of competence, assuming responsibility for the strategic direction and performance of the company and being accountable, fair and transparent underpin this responsibility.

The Grindrod memorandum of incorporation (MOI) and the board charter form the basis for directing the board. Control is exercised through the company's King IV aligned governance framework, which includes a system of assurances on internal controls and detailed reporting to the board and its committees.

The board charter sets out the practices and processes the board has adopted through which to discharge its mandate and responsibilities. The charter provides for a clear division of responsibilities at board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

The company MOI, the board charter and the terms of reference of all board and statutory committees are available on the company's website.

Each member of the board has a fiduciary duty to act in the best interest of the company. In discharging such duty, the board ensures that the company performs in the best interest of its stakeholders, which include shareholders, clients, partners, employees, regulators and the societies within which the company operates. Board members are required to act with due care and skill in all dealings and to uphold the ethics and values of the company.

Matters reserved for board decision-making and delegated authority in terms of the limits of authority are reviewed annually, based on recommendations made by the executive committee and board sub-committees where appropriate.

Directors are not permitted to deal directly or indirectly in the shares of the company during:

- any closed period, being from the end of the interim and annual reporting periods to the announcement of the interim and annual results; or
- any prohibited period as defined in the JSE Listings Requirements, of which none were declared by the company during the year.

Corporate governance report continued

Further to the spin-off and separate listing of the Grindrod Shipping business on the NASDAQ and JSE, details of directors of the company who compulsorily forfeited Grindrod Shipping Holdings Limited shares and received Grindrod ordinary shares in exchange, in terms of the provisions of the Company's Forfeitable Share Plan and pursuant to the Grindrod Distribution detailed in the circular distributed to shareholders dated 7 May 2018 and approved at the general meeting of shareholders held on 4 June 2018, are as follows:

Name	Date of transaction	Nature of transaction	Deemed price per Grindrod ordinary share (cents per share)	Number of Grindrod ordinary shares	Value of transaction (R)
B Ntuli	28 June 2018	Off-market compulsory exchange of Grindrod Shipping ordinary shares received as forfeitable shares, for additional forfeitable Grindrod ordinary shares	6.86	229 631	1 575 269
DA Polkinghorne	28 June 2018		6.86	103 747	711 704
AG Waller	28 June 2018		6.86	237 733	1 630 848

No further share purchase or share sale transactions were concluded by directors during 2018.

Principle 2: *The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.*

The board is responsible for the governance of ethics and the approval of stakeholder-inclusive codes of conduct and ethics policies. The responsibility for implementation and execution of these codes and policies is delegated to management. The group company secretary is the custodian of governance and the Grindrod ethics officer.

The principles of ethical leadership, management and behaviour to which the company subscribes, are set out in the Grindrod code of ethics and other relevant policies. The code, which outlines the principles for ethical conduct based on Grindrod's six core values, is available on the company website.

The code is designed to raise ethical awareness, guide day-to-day decision-making and provide assurance on the integrity of the group companies to external stakeholders.

All employees are required to adhere to the code, which is communicated during employee induction. All South African staff annually acknowledge their adherence to the code of ethics and related governance policies. In addition they declare conflicts of interest and gifts given and received that, in terms of the approved gifts policy, exceed R5 000.

In 2018 ethical behaviour was promoted through a focused fraud training and awareness campaign facilitated by the internal audit function. Unethical behaviour can be reported to the Grindrod ethics officer.

In 2018 one instance (2017: two instances) was reported to the ethics officer, which, following investigation was not considered a material transgression of the code and has been closed out.

Grindrod (South Africa) Proprietary Limited and subsidiaries and operating divisions obtained certification from TRACE International, Inc., a leading global anti-bribery standards-setting organisation for the third consecutive year. SGM was TRACE certified for the fourth consecutive year. The certification is internationally recognised and used widely in tender and other relevant processes.

Grindrod operates an independent, toll-free fraud-reporting hotline through Deloitte & Touche, which provides an impartial and confidential facility for all stakeholders to anonymously report any fraud-related matter. In 2018, 14 incidents (2017: 20 incidents) were reported through this hotline.

All reported incidents are investigated and listed in a register, with confidentiality always guaranteed.

Incidents of corruption at management level are investigated internally and, if deemed appropriate, referred to disciplinary proceedings or to law enforcement agencies. No material incidents of corruption were identified in 2018.

Compliance with the code of ethics is also monitored through internal audits to assess the adequacy and effectiveness of the internal control environment, which includes risks related to fraud and corruption. The executive committee and social and ethics committee are provided with statistics of non-compliance to the code.

Principle 3: *The governing body should ensure the organisation is, and is seen to be, a responsible corporate citizen.*

The objective of responsible corporate citizenship is underpinned by various policies, procedures and review mechanisms in the corporate governance framework. Execution and oversight is achieved through various board sub-committees, corporate and divisional management and internal and external communications objectives.

At their meetings, the board and board sub-committees as relevant to their respective terms of reference, review and monitor the company's performance against measures and targets related to human capital and economic, social and environmental areas. Further details on board and board sub-committee meetings and the attendance of directors are included on page 91.

Performance and value creation

Principle 4: *The governing body should appreciate that the organisation's core purpose, risk and opportunities, strategy, business model, performance and sustainable development are inseparable elements of the value-creation process.*

The company's vision of creating sustainable returns and long-term value for stakeholders through unlocking trade corridors and delivering sustainable customer solutions is targeted and achieved against the norms, values and processes detailed in the governance framework.

The board, supported by the investment committee, is responsible for the approval and monitoring of the company's short-, medium- and long-term strategy within the context of the risks, opportunities and other significant economic, societal and environmental matters and impact thereof on the related resources and relationships.

The responsibility for formulating and implementing the short-, medium- and long-term strategy, policies and operational plans is delegated to management.

The group's strategy is mapped by the executive committee for review by the investment committee and, based on the recommendation of the committee, subsequent approval by the board. The group business plan for the ensuing year, inclusive of the annual budget, is finalised following the review of the strategy by the board at its meeting held each year in November.

Following completion of the spin-off of the Shipping division in June 2018, the vision and business performance were reviewed and the strategy revised to achieve optimum short- and medium-returns.

Principle 5: *The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments for the organisation's performance and its short-, medium- and long-term prospects.*

The Grindrod integrated annual report, approved by the board on the recommendation of the executive committee and audit committee respectively, aims to provide stakeholders with a balanced assessment of the company's ability to create and sustain value to ensure its short-, medium- and long-term viability.

Disclosure in the integrated report is guided by the material economic, environmental and social issues which the directors believe have the potential to substantially impact Grindrod's ability to create and sustain value for its stakeholders. The report is compiled applying the principles contained in the JSE Listings Requirements, IFRS and the Companies Act. It is also compiled in accordance with the concepts, guiding principles and content elements contained in the International Integrated Reporting (<IR>) Framework issued by the IIRC, the indicator assessments used as a basis for the FTSE/JSE Responsible Investment Index and the Sustainability Reporting

Corporate governance report continued

Standards of the Global Reporting Initiative. The report aims to provide a complete and balanced review of Grindrod's economic, social and environmental performance.

Assurance on sustainability performance indicator disclosure is provided by Grindrod's internal audit function. This corporate governance report, on pages 92 to 103 is reviewed and confirmed by the social and ethics committee and recommended for inclusion in the integrated annual report.

Effective control

Principle 6: *The governing body should serve as the focal point and custodian of corporate governance in the organisation.*

The board is ultimately responsible for providing strategic guidance and for approving the company strategy and reviewing its implementation to achieve targeted performance and create sustainable value within a comprehensive framework which has been designed to ensure responsible corporate governance.

The roles, responsibilities, membership requirements and procedural conduct of the board and its sub-committees are documented in the board charter and sub-committee terms of reference. Board sub-committees are authorised to investigate any activity within their respective mandates and interact with employees and obtain external professional advice in matters relevant to their mandate, when required.

Attendance of members at meetings of the board and its committees during the year is listed on page 91 of this integrated annual report.

Principle 7: *The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.*

Board members are appointed through a formal process, assisted by the nomination committee to identify and review suitable candidates for election by the shareholders.

Board appointments are based on the corporate leadership skills, knowledge, experience and expertise required to advance the strategic direction of the company, with diversity in gender and race also considered in terms of the company's approved gender diversity policy.

Directors who join the board during the course of a year are required to have their appointments confirmed by shareholders at the following annual general meeting. Xolani Mbambo was appointed as an executive director to the board during 2018.

In the board's assessment, all directors have the relevant knowledge, skills and experience to make a meaningful contribution to and ensure effective leadership of the company.

Board composition

Following the spin-off of the Shipping division, the board reviewed its composition in light of the balance of knowledge, skills, experience, diversity and independence necessary to drive the company's strategy.

At its meeting held in November 2018, the nomination committee evaluated the composition of the board and its committees against their core functions as per their respective mandates. The evaluation assessed skills and experience based on the responsibilities of the board and its sub-committees pertaining to the business of the two divisions and governance-specific criteria.

The evaluation included a review of members' gender, age group, race, board tenure, qualifications and skills. In support of considerations outlined in a JSE consultation paper issued in September 2018, the evaluation also took cognisance of the need for increased emphasis being placed on board diversity and a wider range of perspectives to improve governance, decision-making and performance.

Based on the evaluation, the nomination committee recommended changes to the composition of the board, which recommendations were accepted by the board. Subsequent to this and as a result of their tenure, Hassen Adams and Walter Geach retired from the board on 30 November 2018. The nomination committee also recommended changes to the composition of the investment, risk and social and ethics committees respectively.

At 31 December 2018 the board comprised 12 directors, of whom four were executive directors. At the date of this report, the board comprises 11 directors, of whom three are executive directors. Details of the directors are provided on pages 86 to 89.

Chairman

Following the early retirement of the CEO on 31 July 2017, as an interim arrangement, the board appointed the non-executive chairman as executive chairman to oversee the implementation of the revised business strategy. This appointment was reviewed in conjunction with the review of the board composition. The chairman reverted to a non-executive role on 22 November 2018. With due consideration of the period spent in an executive capacity, the nomination committee resolved that Mike Hankinson was not deemed independent, and the board concurred unanimously.

The board, in accordance with the requirements of the MOI, King IV and the JSE Listings Requirements, reconfirmed the appointment of Nkululeko Sowazi as lead independent director. The board charter sets out the way in which the powers of the chairman and the lead independent director are executed.

Independence

At its meeting held in March 2019 the nomination committee evaluated the independence, in accordance with the nine indicators included in King IV and tenure in excess of nine years, of all serving board members on a substance-over-form basis. Based on this assessment, all non-executive directors, with the exception of the chairman as noted above, were deemed independent and the board, on the recommendation of the nomination committee, passed a resolution confirming the independence of the non-executive directors.

Rotation

One third of the company's non-executive directors are, in terms of the MOI, required to retire by rotation at the annual general meeting. Retiring directors may offer themselves for reappointment by the shareholders.

The suitability of the directors retiring by rotation was assessed by the nomination committee in March 2019, and the board resolved to put these directors to shareholders for re-election based on the recommendation of the committee.

The nomination committee also evaluated the suitability of the proposed members of the audit committee. Based on the recommendation of the committee, the board proposed appointment of Grant Gelink, Zola Malinga and Raymond Ndlovu as members to the audit committee.

Professional development

Members appointed to the board are inducted and the group company secretary provides guidance to directors on governance, compliance and fiduciary responsibilities and sustainability. Following his appointment to the board and as part of his structured induction, the group company secretary facilitated a stakeholder engagement process for Xolani Mbambo.

In 2018, executive and divisional executive sessions were facilitated by a global multinational law practice, focussed on creating further awareness on Competition Law, governance, King IV and the fiduciary duties of directors.

Directors' declarations

Members of the board are required to declare all directly and indirectly held financial, economic and other interests and any conflict of interest in respect of matters on the board agenda. Declarations are provided to the group company secretary annually. Declarations on specific transactions are also minuted at board meetings.

Corporate governance report continued

Principle 8: *The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power and the effective discharge of its duties.*

The board is assisted in its responsibility to manage the company and identify, oversee and manage economic, environmental and social risk and opportunities by management, executives and the board sub-committees, being the audit, investment, nomination, remuneration, risk and social and ethics committees.

The terms of reference of all board committees are available on the company's website. The roles, composition and key activities of the board sub-committees are outlined in the respective sub-committee reports included in this integrated annual report.

The Grindrod Limits of Authority, in terms of which the board and management may act and bind the company, outline matters reserved for board decision-making and the delegation of authority to management in specified matters. These are reviewed annually, based on recommendations made by the executive committee. No amendments were recommended in 2018.

Principle 9: *The governing body should 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.*

In November 2018 the board and its committees undertook a detailed evaluation based on the governance outcomes outlined in King IV, being an ethical culture, good performance, effective control and legitimacy. The four outcomes were evaluated according to between eight and 14 criteria each, with questionnaires compiled by the group company secretary based on an IoDSA-accredited evaluation tool.

Board members also evaluated the performance and effectiveness of the chairman in a questionnaire detailing 15 tasks that summarise his role, as well as the performance of all board committees.

The nomination committee was, based on its evaluation, satisfied with the board composition, levels of governance, the skills, experience and qualifications of the members and the performance of the chairman. The board accepted the evaluation of the committee.

Following the evaluations, the chairman engaged with board members individually to discuss the outcomes of the collective evaluation.

Principle 10: *The governing body should ensure that the appointment of and delegation to management contributes to role clarity and the effective exercise of authority and responsibilities.*

The board is responsible for appointing the CEO, an executive director whose role is separate from that of the chairman, and the financial director.

The executive committee assists the CEO in managing the business at an operational level. The scope of authority and responsibilities of the executive committee are defined in the executive committee terms of reference, approved during 2013 and reviewed annually.

The executive committee terms of reference make provision for the annual evaluation of its members against KPIs contained in their respective performance scorecards. The evaluation is undertaken by the CEO and reviewed by the remuneration committee.

CEO

The CEO, supported by the executive committee, is responsible for the formulation and implementation of strategies and policies, day-to-day operational management, the establishment of best-management practices, functional standards, risk management and internal control systems, good governance, legal compliance, stakeholder engagement, the appointment and evaluation of senior management and guiding management and their teams in implementation of the business' strategy, within the parameters of the board-approved delegation of authority framework.

Following evaluation by the nomination committee, the board appointed Andrew Waller as CEO on 1 September 2018.

Financial director

The financial director is responsible for the financial management of the group, all aspects of the company's financial strategy, due and proper preparation of financial statements as per IFRS requirements, due and proper financial reporting and providing financial leadership through financial planning and organisationally aligned strategies. Following the appointment of Andrew Waller as CEO, and further to the recommendation of the nomination committee following its evaluation, the board appointed Xolani Mbambo as financial director on 1 September 2018.

The audit committee considered the expertise and experience of Xolani Mbambo, the financial director, and deemed it appropriate. The committee is also satisfied that the expertise, resources and experience of the finance function are appropriate to support the company business.

Company secretary

The group company secretary ensures corporate governance and legal compliance and adherence to the JSE Listings Requirements and to proper corporate governance principles. She does not fulfil an executive management function and is not a director of the board.

She is, as a basis for the submission of the annual compliance certificate submitted to the JSE, responsible for an annual detailed JSE Listings Requirements compliance audit. No breaches of the JSE Listings Requirements were identified in 2018.

The group company secretary is, based on the approved annual work plans, responsible for preparing meeting agendas in advance and in consultation with the chairman of the board or sub-committee, and for recording minutes.

She provides material, accurate, concise and relevant information to the board in a timeous manner to enable the board to take informed decisions and to monitor the progress and performance of management against the approved business strategy and ensures accurate external disclosure including this integrated report.

The group company secretary, as the custodian of governance, also fulfils the function of the group ethics officer, is responsible for governance structures appropriate to sustainability reporting, and serves as the principal officer of the major Grindrod pension and provident funds.

The board considered the interactions between the group company secretary and the board during the past year, and is satisfied that there is an arms-length relationship between the board and the group company secretary.

Based on a formal assessment, which included review of the group company secretary's qualifications, experience and demonstration of competence in execution of her functions, the board is of the opinion that Cathie Lewis, the group company secretary, possesses the requisite competence, qualifications and experience and has confirmed that she is suitably qualified, competent and experienced to hold the position of group company secretary.

She is an admitted attorney and conveyancer with 24 years legal experience and holds the following degrees: BLC, BProc, BA, LLB, LLM (Law of Contract), LLM (Corporate Law) and has met the requirements for a Master of Studies in Sustainability Leadership. The academic and professional qualifications of the group company secretary were externally verified prior to her appointment.

Principle 11: *The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.*

The board, supported by the risk committee, is ultimately responsible for governing risk-management processes in accordance with corporate governance requirements to support the setting and achieving of strategic objectives.

More information on the company's material identified risks is included on pages 34 to 46.

Corporate governance report continued

Risk governance

The board, supported by the risk committee, sets the direction for how risk should be approached and addressed in the company. The group's executive management encourages a risk-conscious business culture by embedding agreed internal controls and mitigating actions through all levels of management and supervisory staff.

The risk committee reviews the group's risk appetite and tolerance levels relative to specific risks and risk-management policy and processes and recommends the approval of the group risk-management plan for the ensuing year by the board. The investment committee reviews, within the framework of the board-approved delegations of authority, capital and other strategic applications for recommendation to the board.

Enhanced oversight is provided through the assignment of specific risks to relevant board sub-committees, as more fully set out on page 36. Further to the inputs of its sub-committees, the board monitors, reviews and assesses all aspects related to the appropriate management of economic, social and environmental risk and opportunity at each quarterly board meeting. Pervasive risks are also identified and reported on for review by the risk committee.

Appropriate risk-management measures, which include accountability for risk management as a key performance area of line managers, exist throughout the group to counter significant business risks which could undermine the achievement of business objectives. Policies and guidelines on risk management and control support management in discharging its risk responsibilities.

The effectiveness of risk-management efforts are assessed by internal and external assurance providers in terms of the group's combined assurance model.

Risk-management framework

The Grindrod risk-management framework incorporates an assessment of the impact of identified risks and opportunities on the six capitals of value creation, first outlined in the IIRC's Integrated Reporting Framework and incorporated in King IV.

The risk-management framework was reviewed and approved by the risk committee in 2018.

Executive and operational management is responsible for the continuous identification, assessment, mitigation and management of risks in conjunction with the evaluation of opportunities within their areas of operation.

The framework provides for the review of identified high-level strategic and external risks and accounts for new and emerging opportunities and risks and is supported by continuously updated operational risk registers. The effectiveness of this framework is reviewed by internal audit.

Risk-management process

Risk-management processes are designed to identify, quantify, prioritise, respond to and monitor the consequences of both internal and external risks and their associated opportunities. The processes also promote the ownership of risk areas and risk-management accountability within the group.

The potential impacts of identified risks are evaluated together with probability in terms of the likelihood of occurrence. Areas include strategy execution, market and financial risks, stakeholder engagement, legislative and regulatory compliance and reputation and the risk of harm to people and environment. The evaluations of the impact and probability establish the basis for determining the inherent risks and their significance to the business. Residual risk is determined based on the risk-mitigation plans developed and implemented by management.

The internal audit charter provides for an internal audit plan that is aligned with the risk framework.

The board, supported by the risk committee, reviews the effectiveness of both the processes and procedures adopted by management for identifying, assessing and reporting on significant business risks on a group-wide and divisional level, and the roles of assurance providers with respect to risk management.

Principle 12: *The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.*

The board, supported by the audit committee, is responsible for information and technology (IT) governance and the strategic alignment of IT with the performance and sustainability objectives of the company.

IT governance is based on best practice principles, providing for the alignment of the IT strategy with that of the company. Additionally, best-practice frameworks have been adopted, including PMBOK and Prince II. A continually refined three-year IT governance roadmap, initially developed in 2015, provides for IT strategy, governance and policies and legal and other compliance as key focus areas. The roadmap was aligned with the principles of King IV.

An IT governance charter has been developed and is managed through the group IT steering committee reporting to the Grindrod executive committee. The charter ensures that the IT function is focused on the strategic leadership and alignment of IT activities, prioritised IT investment initiatives, internal engagement to promote collaborative IT planning and the promotion of IT effectiveness to capitalise on economies of scale across the group.

The group IT steering committee, responsible for the implementation of business-focused IT strategies, comprises the chief information officer, divisional CFOs and IT managers, and ad-hoc members who are experts in particular business processes or technologies. The committee met three times in 2018 (2017: three times) to drive the implementation of fit-for-purpose IT infrastructure and software.

Decision-making structures are defined and a reporting framework is in place. Based on bi-annual reporting, the audit committee reviews and evaluates audit assessments of IT-related controls performed by the internal and external auditors, together with the appropriateness of actions taken by management to address key issues identified.

2018 saw a concerted drive to streamline data management. The project plotted data and determined the nature and owners of the data, in order to consolidate data and remove data no longer required. The project raised awareness about the importance of data management, including the protection of data and adequate back-up measures.

Principle 13: *The governing body should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.*

The board is responsible for the governance of compliance with applicable laws and adopted, non-binding rules, codes and standards. The implementation and execution of compliance management is delegated to management.

The board resolved that Grindrod complies with the JSE Listings Requirements and all significant requirements incorporated in relevant legislation, regulations, international codes and best practices in all countries in which it operates.

Given the nature of its operations, the Financial Services division ensures compliance through the various committees established as outlined on page 92.

In 2018, the formalised legal compliance universe for the Freight Services division and separate business units was revised, together with the legal compliance policy. This aims to entrench legal and regulatory compliance across the group. Divisional legal registers and training and awareness further promotes a culture of compliance.

A legal compliance review was undertaken within the South African and Mozambique-based operations within the Freight Services division during 2018. This review, facilitated by an external specialist service provider, indicated no material instances of non-compliance.

Compliance with applicable laws and consideration to non-binding rules, codes and standards is reviewed by the social and ethics committee bi-annually and by the audit committee as it applies to its mandate.

Grindrod supports the objectives of economic empowerment and, in compliance with the requirements of the Broad-Based Black Economic Empowerment (B-BBEE) Amendment Act No 46 of 2013, the Broad-Based Black Economic Empowerment Regulations 2016 and the JSE Listings Requirements.

Corporate governance report continued

A framework to ensure employment equity compliance across all group companies, established in consultation with the Department of Labour (DOL), provides the basis for constructive engagement and collaboration with the DOL on the substantive implementation of EE plans and tracking of progress against set targets. A B-BBEE compliance report is available on the company website.

Grindrod aims to comply fully, in a timely, accurate and professional manner, with the tax laws and regulations of the countries in which it operates, to fulfil its tax obligations by contributing fairly to the fiscus of the various jurisdictions in which it operates. Its moral and legal responsibilities are guided by a tax governance framework that deals with tax compliance and tax risk across all jurisdictions and is incorporated into the corporate governance framework of the board. The company seeks to achieve clarity, certainty and transparency in its tax affairs, thereby ensuring that tax planning is built on a sound commercial business activity. From a board perspective, in order to identify improvement opportunities in a tax-efficient manner through proactive collaboration with all group companies, the board has formalised and articulated a group tax compliance and tax risk policy.

In this regard, Grindrod is progressing according to plan to meet the 2018 three-tier documentation approach implemented by SARS in terms of the Organisation for Economic Cooperation and Development (OECD) and Transfer Pricing documentation and country by country reporting (BEPS) Action Plan 13 report. The plan takes into account changes in global tax and transfer pricing regulations and the resulting, increased focus on transfer pricing.

South Africa's transfer pricing legislation was amended to introduce significant reporting and documentation requirements. The new transfer pricing rules appear to be aligned with the international transfer pricing principles developed by the OECD. These requirements are in line with BEPS Action 13 recommendations and involve the completion of the Country-by-Country reporting (CbC) and the Master File and Country Local File documents.

As per the BEPS Action Plan 13 report requirements, Grindrod Limited, as a reporting entity based in South Africa, have completed the CbC report, a master file and a local file for the tax years commencing on or after 1 January 2016.

Principle 14: *The governing body should 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.*

The Grindrod remuneration policy and implementation thereof is set out in the remuneration report on pages 110 to 127.

Principle 15: *The governing body should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and the organisation's external reports.*

The directors are ultimately responsible for the company's system of internal control, which is designed to identify, evaluate, manage and provide reasonable assurance against material misstatement and loss. It has been designed to provide assurances on the maintenance of proper accounting records and the reliability of financial information used within the business and for publication. The internal control systems and governance structures are subject to independent review by internal audit and external assurance providers.

Combined assurance

A combined assurance model aims to optimise assurance coverage by management and internal and external assurance providers. Collectively, they provide the board with assurances on the effectiveness of controls that mitigate the risks identified during risk assessments. The model, aligned with the principles and supporting practices of King IV, was developed by identifying risks, control measures and assurance providers.

The audit of risks is assigned to appropriate assurance providers, who monitor the effectiveness of the action plans developed and implemented by management to mitigate the risks.

This model gives the board the assurance, through the audit and risk committees, that all significant risks and associated opportunities are adequately managed.

In 2018, Grindrod's internal audit function undertook a review of the financial reporting risks, internal financial controls, fraud and IT risks as they relate to financial reporting. A financial reporting risk framework was developed to further enhance associated risk management processes and internal controls and presented to the audit committee who, following review and agreement, reported to the risk committee.

Internal audit

Grindrod's internal audit function, which covers the group's operations, is central to the company's governance processes, internal control framework and risk governance.

All internal audit activities are performed in compliance with International Internal Audit Practice and the methodology and standards required by the South African Institute of Internal Auditors.

The effectiveness of the internal audit function and scope restrictions are monitored and reviewed by the audit committee together with the internal audit manager's appointment and performance. The internal audit manager reports functionally to the audit committee and administratively to the financial director and has unrestricted access to the chairman and members of the audit committee.

The audit committee approves the internal audit charter, internal audit plan and the budget of internal audit to ensure it operates independently of management.

The internal audit charter outlines the role of the internal audit function. The function reviews significant business, strategic and control risks to assist management to develop and embed internal financial control frameworks, to identify financial reporting risks and ensure the adequacy of controls to address the risk of material misstatements of financial results and to provide the audit committee with an assessment on the level of assurance that can be placed on governance and control across Grindrod.

The annual audit plan is based on an assessment of identified internal and external risk areas. The annual audit plan is amended to ensure it remains responsive to changes in the business. A comprehensive report on material internal audit findings and matters of significance is submitted to the audit committee bi-annually.

Trust, good reputation and legitimacy

Principle 16: *The governing body should, in the execution of its governance role and responsibilities, adopt 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 supports stakeholder engagement and communication strategies that facilitate transparent and reciprocal communication and engagement.

The group maintains continual engagement with its identified key stakeholder groups to promote the achievement of business objectives and support economically, socially and environmentally sustainable business practices.

Report of the social and ethics committee

The social and ethics committee is a statutory committee of the board that assists the board in adhering to the Companies Act and Regulations. The committee also provides a basis for a more structured and focused approach to social and ethical issues relevant to the company.

The committee functions within formally approved terms of reference, reviewed on an annual basis and operates according to an approved, detailed annual work plan.

Role of the committee

The role of the social and ethics committee is to monitor the activities of the company and its subsidiaries, within a framework of legislative compliance and prevailing codes of best practice. The committee monitors and reviews the company's standing and promotion of good corporate citizenship, which includes ensuring that:

- organisational ethics promotes embedding integrity, competence, responsibility, accountability, fairness and transparency;
- sustainable development promotes stakeholder value creation in the short-, medium- and long-term;
- stakeholder engagement is constructive, interactive and in support of business objectives;
- employee health and workplace safety are pro-actively managed to achieve workforce well-being;
- the impacts of the company's operations on the environment are managed to minimise and mitigate negative outcomes;
- human capital is managed to improve people's ability to achieve their objectives;
- transformation and B-BBEE objectives are met in a constructive manner to establish a culture that reflects and supports all facets of the environments within which the businesses operate;
- businesses comply with relevant laws, regulations and codes;
- the company's corporate governance report is reviewed and approved for inclusion in the annual integrated report; and
- the principles of sound corporate governance are adhered to. These include adherence to Grindrod values, upholding human rights, working within an ethical framework, discharging its responsibilities towards communities in which it operates and reporting business, operational and other outcomes in a sustainable manner.

The committee is supported by the executives and authorised by the board to investigate any activity within the scope of its terms of reference, interact with employees and obtain external professional advice in conducting its business.

Composition and committee meetings

The committee comprises the chairman and two independent non-executive directors. During the year under review, members serving on the committee included Raymond Ndlovu (chairperson, appointed 27 May 2016), Mike Hankinson (appointed 28 February 2012), Zola Malinga (appointed 17 August 2017) and Andrew Waller (appointed 16 November 2011, resigned 22 November 2018).

More details of these members are given on pages 86 to 89.

The group company secretary serves as secretary to the committee.

Committee members meet at scheduled meetings twice a year and unscheduled meetings when the committee is required to address urgent matters in its scope of responsibility. No unscheduled meetings were held in 2018.

Attendance of committee members at the meetings of the committee during the year is listed on page 91 of this integrated annual report.

Fees paid to the committee members are reflected on page 117 in the remuneration report and the proposed fees for 2019 are detailed on page 154.

Key activities

In terms of its mandate, matters considered by the social and ethics committee based on its annual work plan for 2018 included:

- monitoring and reviewing the company's sustainability performance in line with the Grindrod sustainability pillars, the UN Global Compact Ten Principles and applicable risk-identification and mitigation measures;
- monitoring and reviewing the company's sustainability performance measured against the five UN Sustainable Development Goals – SDG4: quality education, SDG6: clean water and sanitation, SDG8: decent work and economic growth, SDG9: industry, innovation and infrastructure and SDG13: climate action – as adopted as part of Grindrod's sustainability strategy;
- reviewing the recommendations of the Task Force on Climate-related Financial Disclosures on climate change risk and vulnerability scenario analysis as an input to the strategic planning process;
- monitoring and reviewing of the company's human capital management strategies and performance, including HR strategies, systems and policy, and employee relations, skills development and retention, performance management and the company's status in terms of safety and health and employee wellness;
- monitoring and reviewing of the company's B-BBEE strategies and performance including the Grindrod B-BBEE scorecard;
- monitoring and reviewing of the company's action plans to set and achieve transformation objectives and employment equity strategies and performance including engagement with key stakeholders;
- reviewing performance in the areas of corporate social investment and socio-economic development;
- legal compliance and good corporate governance, including ethics;
- approving the amended legal compliance and director/staff share dealings and insider trading policies;
- an integrated approach to stakeholder engagement;
- reviewing the role ascribed to the social and ethics committee as outlined in King IV;
- evaluating the performance of the social and ethics committee;
- approving the committee's report for inclusion in the 2018 integrated annual report; and
- approving the annual work plan for 2019.

On behalf of the social and ethics committee

Raymond Ndlovu
Chairman

5 March 2019

Report of the risk committee

Role and key functions

The risk committee is a committee of the board that provides focused support to the board with respect to its risk-governance responsibility. The committee functions in terms of defined terms of reference, approved by the board in 2015 and reviewed annually, and an approved detailed annual work plan.

The committee reviews, monitors, advises on and makes recommendations regarding the effective management of the risks that potentially influence the strategic direction of the company and the associated opportunities. It also monitors and reviews the development and implementation of appropriate policy, plans and systems to ensure business performance within defined risk appetite and tolerance limits.

Composition and committee meetings

The committee comprises the chairman of the committee, two independent non-executive directors and three executive directors. During the year under review, directors serving on the committee included Pieter Uys (chairman), Hassen Adams (retired 30 November 2018), Mike Hankinson, Xolani Mbambo (effective 22 November 2018), Bongiwe Ntuli (resigned 31 December 2018), David Polkinghorne, Nkululeko Sowazi and Andrew Waller. More details of these directors are given on pages 86 and 89.

The committee's terms of reference make provision for scheduled meetings twice a year and unscheduled meetings when the committee is required to address urgent matters in its scope of responsibility. No unscheduled meetings were held in 2018.

Attendance of committee members at the meetings of the committee in the year is listed on page 91 of this integrated annual report.

Fees paid to the committee members are reflected on page 117 in the remuneration report and the proposed fees for 2019 are detailed on page 154.

The group company secretary serves as secretary to the committee.

Key activities

In terms of its mandate, matters considered by the risk committee based on its annual work plan for 2018 included:

- review of the risk-management framework, policy, risk appetite and risk-tolerance limits for the company;
- review and assessment of the top group and divisional risks and opportunities associated with the environment in which the company operates, the capitals used and affected by the operations and the appropriateness of the mitigation strategies implemented;
- review the report of the audit committee on the effectiveness of the process for identifying, assessing and reporting on significant internal financial-control, fraud and IT risks as related to financial reporting;
- review of internal audit assessment on the effectiveness of the risk management process;
- review of the insurance cover in place and associated claims history;
- evaluation of the performance of the risk committee;
- approval of the risk committee report for inclusion in the 2018 integrated annual report; and
- approval of its annual work plan for 2019.

Risk-management process

Following its assessment, the risk committee is of the opinion that the company's risk-management processes are effective in identifying, assessing and addressing the material factors that may impact the company in the development and implementation of its strategies. More information on the company's material identified risks is included on pages 34 to 46. Application of principle 11 of King IV is included on page 99 of the governance report.

On behalf of the risk committee

Pieter Uys
Chairman

5 March 2019

Report of the investment committee

Role and key functions

The investment committee is a committee of the board that makes recommendations on the strategic direction of the company. In addition to guiding management on strategy formulation, the committee reviews and advises on capital and other strategic applications in terms of the company's limits of authority for recommendation to the board.

The committee functions in terms of defined terms of reference, approved by the board in 2016 and reviewed annually, and an approved detailed annual work plan.

Composition and committee meetings

The committee comprises three members, the CEO, the chairman and an independent non-executive director, Pieter Uys. More details of these directors are given on pages 86 and 89. The financial director, Xolani Mbambo, Raymond Ndlovu (as alternate to Pieter Uys) and Walter Grindrod (representing Grindrod Investments Proprietary Limited, a beneficial shareholder holding in excess of five percent of the company's issued shares) attend all meetings by standing invitation.

The chairman of the committee may co-opt ad-hoc members for a meeting, based on capital and other applications and strategic deliberations to be considered.

Meetings are scheduled as required as per the terms of reference. Five committee meetings were scheduled in 2018. Attendance of committee members is listed on page 91 of this integrated annual report.

Fees paid to the committee members are reflected on page 117 in the remuneration report and the proposed fees for 2019 are detailed on page 154.

Key activities

In terms of its mandate, matters considered by the investment committee in 2018 included applications to submit tenders, the increase of current investments, placement of new investments and the restructuring of investments. Following consideration the committee provided recommendations to the board for their approval.

The committee also provided guidance and reviewed progress on the implementation of the company's strategy.

On behalf of the investment committee

Andrew Waller

Andrew Waller
Chairman

5 March 2019

Report of the nomination committee

Role and key functions

The nomination committee is a committee of the board. It reviews, monitors, advises on and makes recommendations regarding the nomination of directors for consideration and final approval by the board and election by shareholders.

The role and key functions of the nomination committee are defined in the nomination committee terms of reference, reviewed annually. The committee operates according to an approved detailed annual work plan.

Composition and committee meetings

The committee comprises the chairman and two independent non-executive directors. During the year under review, directors serving on the committee included Nkululeko Sowazi (appointed on 25 November 2014 and appointed as chairman on 1 November 2017), Hassen Adams (appointed on 1 November 2017, retired 30 November 2018), Mike Hankinson (re-appointed on 22 November 2018 and resumed chairmanship) and Pieter Uys (appointed on 27 May 2016). More details of these directors are given on pages 86 and 89.

The committee's terms of reference make provision for scheduled meetings twice a year and unscheduled meetings when the committee is required to address urgent matters in its scope of responsibility. One unscheduled meeting was held in 2018.

Attendance of committee members at the meetings of the committee in the year is listed on page 91 of this integrated annual report.

Fees paid to the committee members are reflected on page 117 in the remuneration report and the proposed fees for 2019 are detailed on page 154.

Key activities

In terms of its mandate, matters considered by the nomination committee based on its annual work plan for 2018 included:

- reviewing the performance evaluations of the chairman of the board and the board sub-committees;
- reviewing the performance and independence of the audit committee for recommendation to the shareholders for re-election;
- reviewing the composition of the board and the board sub-committees;
- monitoring the professional development programme for appointed directors;
- monitoring directors' briefings on changes in risks, laws and the environment in which the company operates;
- reviewing the independence of non-executive directors based on the nine indicators included in King IV and tenure in excess of nine years;
- reviewing the performance of directors retiring by rotation to support the recommendation for their re-election by shareholders;
- monitoring succession planning for members of the board, the CEO, members of the executive committee and senior management;
- reviewing the insurance cover in place for directors and officers;
- approving the nomination committee report for inclusion in the 2018 integrated annual report; and
- approving its annual work plan for 2019.

Board appointments and change in directorate

In 2018, the committee gave consideration to the appointment of a CEO and financial director.

On the basis of a detailed review of his competencies and experience, the committee recommended the appointment of Andrew Waller as CEO, effective from 1 September 2018, which recommendation was unanimously supported by the board.

On the basis of a detailed review of his competencies and experience, the committee recommended the appointment of Xolani Mbambo as executive financial director, effective from 1 September 2018, which recommendation was unanimously supported by the board.

At its meeting held in November 2018, the nomination committee evaluated the composition of the board and its committees against their core functions as per their respective mandates. The evaluation reviewed the composition in light of the balance of knowledge, skills, experience, diversity and independence necessary to drive the company's strategy, including members' gender, age group, race, board tenure and skills.

The nomination committee, noted the retirement of Hassen Adams and Walter Geach on 30 November 2018, who collectively had served on the board for 28 years and the resignation of Bongiwe Ntuli as executive director effective 31 December 2018.

The chairman's re-appointment was reviewed in conjunction with the review of the board composition, and reclassified to a non-executive appointment with effect from 22 November 2018. With due consideration of the period spent in an executive capacity, the committee resolved that Mike Hankinson was not deemed independent, with which the board agreed. The board, in accordance with the requirements of the MOI, King IV and the JSE Listings Requirements, reconfirmed the appointment of Nkululeko Sowazi as lead independent director.

In November 2018 the committee undertook an evaluation of the board and its committees based on the four governance outcomes outlined in King IV. The outcomes were evaluated according to between eight and 14 criteria each, with questionnaires compiled by the group company secretary based on an IoDSA-accredited evaluation tool.

The nomination committee was, based on its evaluation, satisfied with the board composition, levels of governance and the skills, experience and qualifications of the members, which evaluation was accepted by the board.

The committee also gave consideration to the appointment of the chairperson and members to the audit committee. Having given due consideration to skills and experience requirements in conjunction with succession planning, the committee recommended the re-appointment of Grant Gelink as chairperson and Zola Malinga and Raymond Ndlovu as members of the audit committee, which were unanimously supported by the board, to be recommended to the shareholders at the forthcoming AGM.

On behalf of the nomination committee

Mike Hankinson
Chairman

5 March 2019

Report of the remuneration committee

Role and key functions

The remuneration committee is a committee of the board that assists in determining and recommending remuneration policy. The role and key functions of the remuneration committee are defined in the remuneration committee terms of reference, approved by the board in 2014 and reviewed annually.

The committee independently reviews, approves, advises on and makes recommendations relating to all remuneration matters to promote an environment that is conducive to the achievement of strategic objectives and encourages individual performance. The committee also monitors the outcomes of the implementation of the remuneration policy to measure whether or not its objectives have been met.

Scope of report

This report is compiled in accordance with King IV practices and comprises a background statement, an overview of the main provisions of the remuneration policy and an implementation report. The activities of the remuneration committee and the remuneration principles and policy that guide its decisions and disclose directors' and prescribed officers' remuneration are set out below.

Composition and committee meetings

The committee comprises the chairman and two independent non-executive directors. During the year under review, directors serving on the committee included Pieter Uys (chairman, appointed 27 May 2016), Hassen Adams (appointed 1 November 2017, retired 30 November 2018), Mike Hankinson (reappointed 22 November 2018 when he reverted to a non-executive role) and Nkululeko Sowazi (appointed 25 November 2014). More details of these directors are given on pages 86 and 87.

Committee members meet at scheduled meetings twice a year and unscheduled meetings when the committee is required to address urgent matters in its scope of responsibility. One unscheduled meeting was held in 2018.

Attendance of committee members at the meetings of the committee during the year is listed on page 91 of this integrated report.

Fees paid to the committee members are reflected on page 117 in this report and the proposed fees for 2019 are detailed on page 154.

Key activities

In terms of its mandate, matters considered by the remuneration committee based on its annual work plan for 2018 included:

- monitoring the company's remuneration policy;
- evaluating and recommending fees for non-executive directors based on industry benchmarks;
- reviewing and approving the criteria against which executive directors are remunerated and evaluated;
- reviewing the performance of executive directors against predetermined financial and operational targets;
- reviewing and approving the remuneration packages and incentives, including annual and other incentive bonuses, for executive directors;
- approving the overall divisional allocations for senior-management bonuses;
- approving annual remuneration increases for employees outside the bargaining unit;
- monitoring annual remuneration increases for employees within the bargaining unit;
- monitoring the readjustments to the share-price-linked option scheme and the forfeitable share plan during and after the Shipping spin-off transaction;

- reviewing the performance of the primary stand-alone pension and provident funds and monitoring progress with the transition of the two primary provident funds to umbrella funds;
- reviewing legislative and regulatory compliance within the scope of its mandate;
- approving the remuneration report for inclusion in the 2018 integrated annual report; and
- approving the annual work plan for 2019.

Performance evaluation

During the year, the committee considered the performance of the chief executive officer, the financial director and executive directors in determining their respective remuneration. The primary performance indicators for executives are set out on page 119.

Integrated annual report

The committee reviewed the accuracy, completeness and transparency of this remuneration report, including the details of emoluments paid to directors and incentive schemes included on pages 119 to 127, and approved the report for inclusion in the Grindrod integrated annual report for the year ended 31 December 2018 to the board.

On behalf of the remuneration committee

Pieter Uys
Chairman

5 March 2019

Directors' interests in the company

At 31 December 2018, the directors held interests in the company as follows:

Ordinary shares	2018			2017		
	Beneficial indirect	Beneficial direct	Non-beneficial indirect	Beneficial indirect	Beneficial direct	Non-beneficial indirect
MJ Hankinson	–	27 000	8 000	–	27 000	8 000
B Ntuli[1]	–	110 000	–	–	10 000	–
DA Polkinghorne	–	162 262	–	–	128 929	–
AG Waller	–	457 858	–	–	357 858	–
SDM Zungu	–	4 228	–	–	4 228	–
	–	761 348	8 000	–	528 015	8 000

1. Resigned as executive director on 31 December 2018.

The beneficial direct shareholdings increased by 364 941 after year end further to vesting in terms of the forfeitable share plan.

Report of the remuneration committee continued

i. Background statement

2018 focus

The retention of specialist skills remained a key focus of the remuneration committee before and after the Shipping spin-off, which was successfully concluded in June 2018.

Retention measures initiated in 2017 for executives and selected employees considered critical to the successful implementation of the Grindrod strategy included eighteen-month retention contracts with all executive committee members, incentives to stimulate the successful achievement of the Shipping division spin-off and the repositioning of remaining businesses and merit rewards in the form of share allocations.

In the run-up to the Shipping spin-off, the committee gave consideration to the readjustment of the long-term benefit schemes available to executive directors – the share-price-linked option scheme and the forfeitable share plan – to ensure the fair and reasonable treatment of the scheme participants on the effective date of disposal of the Shipping division (the implementation date). Detail of the readjustment of the scheme benefits was set out in the circular posted to shareholders as part of the Shipping spin-off Category 1 transaction.

Options held under the share-price-linked option scheme relating to Grindrod Shipping participants were valued in terms of the Black-Scholes valuation methodology and cash-settled on a pro-rata basis. The strike price and number of options relating to Grindrod participants were adjusted to ensure that pre- and post-spin-off benefits remained comparable, without change to the vesting dates and remaining conditions attached to the awards.

Unvested awards issued prior to June 2017 held under the forfeitable share plan relating to Grindrod Shipping participants were, in terms of the plan rules, subject to proportional early vesting on the implementation date. The portion vested was determined based on the number of months between the award date and the implementation date, relative to the total months of the vesting period; with the remaining portion lapsing. During June 2017, 710 000 forfeitable ordinary shares were awarded to Grindrod Shipping participants, with full entitlement to vesting on the implementation date. To ensure the continued alignment of Grindrod participants with Grindrod shareholders, Grindrod Shipping shares received as forfeitable shares on the implementation date were compulsorily exchanged for additional forfeitable Grindrod ordinary shares on a value-for-value basis, with the provisions of the original grants and vesting dates attached to the restructured awards being unchanged.

An additional bonus to safe-guard and ensure the successful implementation of the Grindrod strategy, a value-realisation incentive, was introduced following consultation with an independent remuneration expert. This incentive provided for defined, cash-settled incentives based on successful value realisation and strategy implementation by divisional executives. Cash-settled incentives for group executives were based on an equivalent fifty percent of the payments made to divisional executives.

In addition to its activities related to the execution of the company's strategy, the committee gave consideration to proposals and recommendations from Human Resources to ensure that remuneration across the company is aligned and remains industry-competitive. The committee:

- monitored remuneration recommendations negotiated with bargaining councils and trade unions;
- approved increases for salaried employees, determined to promote comparability based on external remuneration surveys;
- approved the addition of a third medical scheme to ensure that employees have access to scheme benefits according to their needs and budget;
- considered progress made with benchmarking the two retirement funds and related group-life, disability and dread-disease cover and the options available to ensure that employees' retirement savings are optimised.

Shareholder advisory votes at the 2018 AGM

The outcome of the shareholder non-binding advisory votes at the annual general meeting on 31 May 2018 on the confirmation of the remuneration policy and implementation report was 69.06 percent and 73.78 percent respectively as opposed to the minimum requirement for each of 75 percent. On 1 June 2018 Grindrod released an announcement on SENS extending an invitation to dissenting shareholders to forward their objections with a view to further engagement.

The main objections, raised by Investec Asset Management and Sanlam, relate to the lack of measurable participation criteria in the share-price-linked option scheme and the forfeitable share plan, the adequacy of disclosure and the awards associated with the Shipping spin-off transaction.

During independent engagement with Investec Asset Management and Sanlam, the objections raised were acknowledged and explanations provided as follows:

- The absence of profit targets in the vesting criteria of the forfeitable share plan relates to the use of the plan as a key retention measure during periods of depressed earnings due to market cyclicality. This fundamental principle was incorporated into the rules of the plan, which was approved by shareholders in 2012.
- Amendment to the share-price-linked option scheme provided for the inclusion of key performance indicators as a condition of vesting.
- A focus on improved disclosure related to remuneration.
- Awards related to the Shipping spin-off were structured to account for the specific nature of the Category 1 transaction, being cognisant of the disruptive nature and additional pressure placed on management. The ultimate transaction-specific incentive structure was designed under extensive guidance of an independent remuneration-specialist consultant. The committee is satisfied that the consultant was objective and independent in providing guidance and expert advice.

As a result of the engagement disclosure of executive remuneration was extended as set out in the implementation report included on pages 117 to 127.

Future focus

Our future focus will remain on ensuring that employees across all spectrums are remunerated fairly, responsibly and transparently and that critical skills are retained to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

Confirmation

The remuneration committee is of the view that Grindrod's remuneration philosophy and policies continue to support the group's strategy and promote fair, responsible and transparent remuneration.

The committee is satisfied that its decisions taken in 2018 further contributed to meeting the objectives of Grindrod's remuneration policies, to fairly reward individual performance measured against objective structures, organisational sustainability, a high-performance culture and the retention of scarce and specialised skills.

The committee is satisfied that Grindrod's core skills complement is intact and capable of successfully repositioning Freight Services and Financial Services to the benefit of all stakeholders.

ii. Remuneration policy

The Grindrod remuneration philosophy, available on the company website, is to fairly reward individual performance, measured against objective structures, to support organisational sustainability, a high-performance culture and the retention of scarce and specialised skills.

Remuneration policies are designed to attract, motivate, reward and retain human capital and to promote the achievement of strategic objectives within approved risk appetite and tolerance levels, positive outcomes, an ethical culture and responsible corporate citizenship. They are structured to achieve value-based management, which stimulates performance at organisational level and optimises employed capital and shareholder returns. Policy frameworks adhere to legislation and sound governance criteria and are aligned with the business strategy and objectives.

Report of the remuneration committee continued

ii. Remuneration policy (continued)

The remuneration committee is mandated to assist the board to compensate employees fairly and responsibly for specific roles. The evaluation of specific roles within a formal job-grading system provides for an objective measurement against benchmarks and an informed consideration of the gap between all levels of pay. The policies provide a basis for the structured grading of jobs and formulation of role descriptions, with regular evaluations supporting fair reward for employees based also on their individual skills and performance.

Individual performance is measured against individually tailored, predetermined KPIs, including non-financial sustainability measures that incrementally trigger rewards. To achieve performance continuity and the desired retention levels, some policies factor out conditions over which operations and individuals have no control, such as adverse market conditions.

Human-resources officers and management regularly engage with recognised unions and bargaining councils to ensure all objectives are addressed over time.

The remuneration of executive management is monitored in terms of the overall remuneration across the group. Monitoring criteria include levels and trends in salary, collective bargaining outcomes and bonus participation. At the time that salary increases are considered, the committee receives a report on the approach management proposes to adopt for general staff increases.

Sign-on, retention and restraint payments are not part of normal remuneration, unless the remuneration committee determines otherwise in specific cases.

Payments made on termination of office in relation to good leavers include severance and leave pay. Payments made in respect of the long-term incentives, if applicable, include pro-rata vesting on the forfeitable share plan and payment based on the current share price on outstanding options with reference to the share-priced-linked option scheme, unless the board, in consultation with the CEO, determines otherwise.

If an employee's employment terminates due to resignation or dismissal on grounds of misconduct, poor performance or proven dishonest or fraudulent conduct, long-term incentives are forfeited.

Remuneration structure

Executives, prescribed officers and key managers receive remuneration comprising a guaranteed total cost of employment (TCOE) and a variable portion which incorporates short- and long-term incentives which are linked to performance and sustainability achievements. Some rewards are based on share-price appreciation, which promotes a long-term commitment to creating shareholder value.

The short- and long-term incentive schemes reward an individual's contribution to company performance to align the focus of executives with the expectations of stakeholders and promote executive retention through share ownership.

Executive remuneration is annually reviewed and approved by the committee against each individual's level of experience, responsibilities and performance, the scarcity of the person's knowledge and skills and the premium placed on such a resource in the market. Current levels of remuneration are benchmarked at the median of the relevant global grades and/or comparator group, which include large local and international companies.

Executives' guaranteed remuneration considers the complexity of the role of each executive, their level of experience and their contribution to the group's overall performance. Increases in guaranteed remuneration are awarded based on performance and amended responsibilities.

Executive remuneration is benchmarked with the "TASK" grading methodology in consultation with independent compensation consultants, to grade the level of responsibility with consideration of factors such as sales volumes, profits, number of employees, assets managed and salary/wage account.

Employment contracts of executive committee members contain a six-month notice period to ensure continuity in top management.

The remuneration committee excluded all long-term incentives from the remuneration package of Mike Hankinson during his period of acting as executive chairman.

Non-executive director fees are reviewed annually by the committee. Reviews are undertaken in consultation with independent and objective remuneration specialists or, when considered appropriate, benchmarked internally based on independent and reputable remuneration research reports. The proposed fees, aligned with the remuneration levels of comparable listed companies, are referred to the board for shareholder approval at the annual general meeting. Non-executive directors are excluded from participation in the short- and long-term incentive schemes.

Incentive schemes – short term

Performance bonuses are based on the achievement of stretch profit targets and specified strategic and non-specified value-added objectives approved by the remuneration committee annually. Short-term incentives for executives are capped at 100 percent of TCOE.

KPIs are grouped according to the following three elements:

- The stretch profit element (capped at 50 percent of TCOE), which is based on both targeted divisional and group profits. Factors including market conditions, return on equity and financial performance are considered in determining such targets. This element triggers on achieving the board-approved budget. One percent is triggered on achievement of budget with a straight-line incremental award depending on the allocated and agreed stretch achieved.
- The specific strategic element (capped at 30 percent of TCOE), aimed at ensuring attainment of key initiatives from the three-year strategic plan, which is directly aligned to the delivery of shareholder value.
- A non-specified value-added component (with a 20 percent cap), comprising objectives that include transformation, SHERQ and operational and commercial imperatives that add both long- and short-term value to the group.

The total executive committee remuneration for 2018, excluding the benefits accruing on the vesting of long-term incentive schemes, would, in the case of minimum-target achievement, have been equal to the total package as reflected in the emoluments table included in the implementation report on page 117. The maximum remuneration, exclusive of vesting, would have been equivalent to 200 percent of the total package.

Key managers within all divisions receive bonuses based on a structure similar to that for executives. Performance is measured against pre-agreed key objectives and financial results. All bonuses are reviewed by the CEO and bonus information is tabled for approval by the remuneration committee.

Incentive schemes – once off value realisation incentive

Introduced in 2018 following consultation with an independent remuneration consultant, the incentive made provision for defined, once-off cash-settled incentives based on the successful achievement of objectives by the divisional executives, with bonuses for group executives to the value of 50 percent of payments made to divisional executives. The scheme provided additional assurance to achieve the successful implementation of the Grindrod strategy across three divisions.

The incentive was based on:

- Freight Services – the successful implementation of five strategic value-realisation targets across the division to consolidate, improve or bulk up services and increase net asset value;
- Financial Services – the successful strategic repositioning of the division; and
- Shipping – a mathematical calculation of the market value of Grindrod Shipping and Grindrod Limited on implementation date.

Incentive schemes – long term

Grindrod Limited's and Grindrod Bank's primary performance incentive, the share-price-linked option schemes, aim to reward and retain executives and key managers.

Report of the remuneration committee continued

ii. Remuneration policy (continued)

In consideration of the cyclical nature of the markets in which the company operates, shareholders approved a pure retention incentive, the Grindrod Limited forfeitable share plan, used in periods of market distress when share price appreciation is unlikely. The incentive, capped at six million shares (0.7 percent of share capital) in accordance with shareholder approval at the 2012 annual general meeting, is designed to be a small but critical part of the long-term incentives and is utilised in limited circumstances to retain key management. The board has awarded a total of 5 025 217 shares to retain key management, as reflected on page 126.

The schemes are set out in more detail below.

Grindrod Limited share-price-linked option scheme

The share-price-linked option scheme was introduced in 2007 as a retention incentive for executives and key managers. Key strategic managers are nominated for participation in the scheme during the annual staff-appraisal period, based on their performance and contribution to the success of the divisional business plan in that year. The merit of each nomination is debated at meetings between divisional executives and the CEO and qualifying candidates are nominated to the remuneration committee for its review and subsequent approval by the board.

The options, which are linked to the Grindrod ordinary share price, are settled in cash and therefore not classified as equity-settled in terms of the JSE Listings Requirements. Vesting effects in three one-third tranches on the third, fourth and fifth anniversaries of the grant date and do not have an expiry date beyond the vesting date. The cash settlement, paid net of tax, is based on the difference between the grant and settlement prices, being the weighted average of the closing price for the seven trading days preceding the vesting date.

Vesting of awards in the scheme is subject to the participant's achievement of key performance criteria and appreciation of the Grindrod Limited share price, measured against increased shareholder value over the vesting period.

Vesting settlements may not exceed ten percent of the attributable profit of a division. No settlement is paid if the share price does not rise between grant and vesting dates, if an employee resigns, is dismissed, has interrupted service or has rendered unsatisfactory performance as determined by the remuneration committee or CEO.

Grindrod Limited forfeitable share plan

The forfeitable share plan was introduced and approved by shareholders in 2012 to support the recruitment and long-term retention of executives and key managers during times that the Grindrod ordinary share price is stagnant or decreasing due to circumstances over which the company and participants have no control. As such, vesting is not subject to profit targets, but participants must remain in their positions in the group for an award to vest.

Shares, awarded to executives and qualifying managers who meet strategic objectives in the business plan vest in three equal tranches at the end of years three, four and five after the award date. Prior to vesting, participants receive dividends paid and may vote in respect of the shares awarded, but they cannot trade or encumber their allocation until vesting date. Unvested awards are forfeited on termination of employment by the company or the participant. The value granted is recognised in the income statement at the awarded price over the vesting period.

The scheme is capped at six million shares.

Grindrod Financial Services group share-price-linked option scheme

The Grindrod Financial Services group share-price-linked option scheme was introduced in 2009 for Grindrod Bank executives and key employees. The scheme operates according to the same performance requirements as the Grindrod Limited share-price-linked option scheme, except that the share-price element is calculated as the greater of the net asset value of Grindrod Bank or an agreed price-earnings value, that payments are limited to ten percent of the division's attributable profit and that vesting dates are the dates of Grindrod Bank remuneration committee meetings. Vesting may, in exceptional circumstances and subject to the approval of the remuneration committee, occur earlier than the five-year vesting period.

iii. Implementation report

Emoluments paid to directors and prescribed officers

The tables below provide an analysis of the emoluments, split between local and offshore remuneration package approvals, paid to executive and non-executive directors and prescribed officers of the company in relation to the 2018 and 2017 financial years.

Current directors – local

	Directors' fees R000	Committee fees R000	Basic remuneration R000	Retirement medical and other benefits R000	Total package R000	Performance bonus[1] R000	2018 Total R000	% increase from 2017 excluding bonus[13]
Executive directors								
MJ Hankinson[2]	1 457	8	6 083	587	8 135	5 265	13 400	66.2
XF Mbambo[3]	–	–	2 388	639	3 027	2 200	5 227	
B Ntuli[4]	–	–	4 287	1 913	6 200	2 385	8 585	38.0
DA Polkinghorne	–	–	4 210	1 040	5 250	3 392	8 642	25.7
AG Waller[5]	–	–	4 745	866	5 611	3 400	9 011	16.9
Sub-total	1 457	8	21 713	5 045	28 223	16 642	44 865	
Non-executive directors								
H Adams[6]	334	192	–	–	526		526	
MR Faku	367	–	–	–	367		367	
WD Geach[6, 7]	452	310	–	–	762		762	
G Gelink	367	275	–	–	642		642	
G Kotze[8]	–	–	–	–	–		–	
Z Malinga[7]	531	308	–	–	839		839	
R Ndlovu [7, 9, 10]	185	660	–	–	845		845	
NL Sowazi	699	174	–	–	873		873	
PJ Uys[10]	552	485	–	–	1 037		1 037	
SDM Zungu	367	–	–	–	367		367	
Sub-total	3 854	2 404	–	–	6 258	–	6 258	
Total emoluments local	5 311	2 412	21 713	5 045	34 481	16 642	51 123	

Prescribed officer – offshore

	Currency	Directors' fees 000	Committee fees 000	Basic remuneration 000	Retirement medical and other benefits 000	2018 Total 000
MR Wade[11, 12]	SGD	–	–	398	66	464[14]

1. Short-term incentive performance bonuses in respect of services rendered in 2018 accrued as at year-end as detailed on page 118.
2. Resigned as executive chairman effective 22 November 2018. Appointed executive chairman for 18 months as the group restructured and was not awarded any long-term incentives.
3. Appointed as executive financial director on 1 September 2018.
4. Resigned as executive director on 31 December 2018.
5. Appointed as CEO on 1 September 2018.
6. Retired as independent non-executive director on 30 November 2018.
7. Includes fees paid by Grindrod Bank.
8. Resigned as independent non-executive director on 1 September 2018.
9. Alternate to PJ Uys. Fees is respect of member of Audit committee and chairman of Social and Ethics committee.
10. Fees ceded to Remgro.
11. Singapore resident. Emoluments paid in SGD. Includes accommodation costs in Singapore as part of the employment contract.
12. Resigned as executive director on 1 November 2017, resigned as a member of the executive committee effective 19 June 2018.
13. Increases are based on performance and responsibilities and include role complexity, level of experience and contribution to group performance. Remuneration is benchmarked by independent consultants.
14. Not a true measure as current year remuneration is for the period up to Shipping spin-off effective 18 June 2018.

iii. Implementation report (continued)

Report of the remuneration committee continued

Current directors – local

	Directors' fees R000	Committee fees R000	Basic remuneration R000	Retirement medical and other benefits R000	Total package R000	Bonus[1] R000	Severance and leave pay on retirement 000	2017 Total R000	% increase from 2016 excluding bonus[8]
Executive directors									
MJ Hankinson[2]	940	455	3 500	–	4 895	4 895	–	9 790	
AK Olivier[3]	–	–	4 144	964	5 108	–	9 795	14 903	
B Ntuli	–	–	3 081	1 413	4 494	2 800	–	7 294	6.9
DA Polkinghorne	–	–	3 350	827	4 177	3 450	–	7 627	7.9
AG Waller	–	–	4 057	743	4 800	2 500	–	7 300	6.2
Sub-total	940	455	18 132	3 947	23 474	13 645	9 795	46 914	
Non-executive directors									
H Adams	302	90	–	–	392	–		392	
MR Faku	302	–	–	–	302	–		302	
WD Geach	380	286	–	–	666	–		666	
G Gelink	302	242	–	–	544	–		544	
G Kotze	–	–	–	–	–	–		–	
Z Malinga	384	93	–	–	477	–		477	
R Ndlovu[4]	112	481	–	–	593	–		593	
NL Sowazi[5]	302	237	–	–	539	–		539	
PJ Uys[6]	433	391	–	–	824	–		824	
SDM Zungu	302	–	–	–	302	–		302	
Sub-total	2 819	1 820	–	–	4 639	–	–	4 639	
Total emoluments local	3 759	2 275	18 132	3 947	28 113	13 645	9 795	51 553	

Prescribed officer – offshore

	Currency	Directors' fees 000	Committee fees 000	Basic remuneration 000	Retirement medical and other benefits 000	Total package 000	Bonus[1] 000	2017 Total 000	% increase excluding bonus[8]
Executive director									
MR Wade[7]	SGD	–	–	768	133	901	307	1 208	Nil

1. Bonus payment in respect of services rendered in 2017 accrued as at year-end. Amounts restated to reflect TCOE at year-end based on the approval of the remuneration committee.
2. Appointed as executive chairman 1 June 2017.
3. Retired 30 July 2017.
4. Alternate to PJ Uys.
5. Appointed as lead independent non-executive director 1 June 2017.
6. Fees ceded to Remgro.
7. Resigned as executive director 1 November 2017.
8. Increases are based on performance and responsibilities and include role complexity, level of experience and contribution to group performance. Remuneration is benchmarked by independent consultants.

Short-term incentive: performance bonuses

Performance bonuses paid to executive participants in the scheme are based on the evaluation of group or divisional and individual performances, measured against objectives and targets that are established and approved by the remuneration committee at the beginning of each year.

Stretch profit targets – Budgeted group and divisional profit targets are used as a trigger from which stretch targets are determined. One percent is triggered on achievement of budget with a straight-line incremental award depending on the allocated and agreed stretch achieved.

Specific strategic actions – Measureable specific strategic actions include acquisitions and disposals, repositioning of business model and new business development.

Non-specific value-added element – Specific objectives include inter alia, SHERQ and transformation.

The table below reflects the assessed performances of executive participants in the scheme as approved by the committee:

	Stretch profit targets	Specific strategic actions	Non-specific value-added element	Payout as a percentage of TCOE	
				2018	2017
MJ Hankinson	20	30	20	70	100
XF Mbambo[1]	–	30	20	50	N/A
B Ntuli[2]				N/A	56
DA Polkinghorne	50	14	–	64	69
MR Wade[3]				N/A	40
AG Waller[4]	15	21	14	50	50
Average	21	24	14	59	63
Target weighting	50	30	20	100	100

1. Appointed as executive financial director on 1 September 2018.
2. Resigned as executive director on 31 December 2018.
3. Resigned as executive director on 1November 2017.
4. Appointed as CEO on 1 September 2018.

Incentive schemes – Once off value realisation incentive

Executive directors local	Freight Services 2018 R000	Financial Services 2018 R000	Shipping 2018 R000	Total 2018 R000
MJ Hankinson	3 000	–	3 750	6 750
B Ntuli	6 000	–	–	6 000
DA Polkinghorne	–	–	–	–
AG Waller	3 000	–	3 750	6 750
Total	12 000	–	7 500	19 500

Prescribed officer offshore

	Currency	Freight Services 2018 000	Financial Services 2018 000	Shipping 2018 000	Total 2018 000
MR Wade[1]	SGD	–	–	741	741

1. Prescribed officer until shipping spin-off on 18 June 2018.

Report of the remuneration committee continued

iii. Implementation report (continued)

Share option scheme

The share option scheme is closed. The only remaining participant, who retired in 2017, held 400 000 vested ordinary-share options with a strike price of R12,51 and an expiry date of 31 July 2018. In consultation with Grindrod, the participant elected to allow these options to lapse. Grindrod elected to cash-settle the participant with a resultant payment of R1 016 000, net after tax.

Grindrod Limited share-price-linked option scheme

Excluding payments made on the spin-off of the Shipping division, no share option gains and cash-settled share-price-linked option payments were paid during 2018. This was due to the share price below the award price.

Executive directors/prescribed officers	Share-price-linked option payment 2018 R000	Share-price-linked option payment 2017 R000
XF Mbambo	–	–
B Ntuli	–	–
DA Polkinghorne	–	–
MR Wade	–	–
AG Waller	–	–
Total	–	–

A summary of options granted to executives and senior management, still to vest as at 31 December 2018, is as follows:

	Date option granted						
	2014	2015	2016	2017	2017	2018	Total
Price (R)[1]	14.90	10.48	5.09	7.65	6.02	7.40	
Number of options granted	2 427 000	4 111 000	6 911 000	7 094 000	1 350 000	2 871 000	24 764 000
Cancellations	(318 000)	(435 000)	(961 000)	(578 000)	–	–	(2 292 000)
Forfeited	(961 000)	–	–	–	–	–	(961 000)
Vesting on retirement/ transfer	(241 000)	(948 000)	(1 612 000)	(1 517 000)	(150 000)	–	(4 468 000)
Vested	(645 667)	(909 333)	–	–	–	–	(1 555 000)
Vested as a result of Shipping spin off[2]	(142 333)	(735 333)	(1 412 000)	(1 559 000)	(520 000)	–	(4 368 666)
Restructure as a result of Shipping spin off	96 423	877 793	2 370 852	2 787 331	550 984	2 326 287	9 009 670
Sub total	215 423	1 961 127	5 296 852	6 227 331	1 230 984	5 197 287	20 129 004
Forfeiture	–	(366 881)	(776 606)	(1 392 098)	–	(753 072)	(3 288 657)
Net total[3]	215 423	1 594 246	4 520 246	4 835 233	1 230 984	4 444 215	16 840 347

1. The price reflects the market price on the dates of the awards, mathematically adjusted on the successful conclusion of the Shipping division spin-off.
2. Payments totalling R5.4 million were made on options vesting which included a payment made to MR Wade of R1.8 million.
3. At 31 December 2018, the fair value of these options was R8.4 million.

The remuneration committee excluded all long-term incentives from the remuneration package of Mike Hankinson during his period of acting as executive chairman.

The details of awards granted to executives as at 31 December 2018 are as follows:

Director	Options at 1 January 2018	Options granted during the year	Adjust-ment as a result of Shipping spin off	Options forfeited/ Shipping spin-off settlement during the year	Options vested during the year	Vesting price R	Options at 31 December 2018[1]	Option price R	Vesting dates
XF Mbambo	27 333				27 333	13,39		16.68	February 2018
	19 333				19 333	13,39		26.97	February 2018
	19 334		15 665				34 999	14.90	February 2019
	40 667				40 667	13,39		18.97	February 2018
	40 667		32 951				73 618	10.48	February 2019
	40 666		32 950				73 616	10.48	February 2020
	36 000		29 170				65 170	5.09	February 2019
	36 000		29 170				65 170	5.09	February 2020
	36 000		29 170				65 170	5.09	February 2021
	37 333		30 250				67 583	7.65	February 2020
	37 333		30 250				67 583	7.65	February 2021
	37 334		30 251				67 585	7.65	February 2022
		53 000	42 944				95 944	7.40	February 2021
		53 000	42 944				95 944	7.40	February 2022
		53 000	42 944				95 944	7.40	February 2023
	408 000	159 000	388 659	–	87 333		868 326		

1. At 31 December 2018, the total fair value of these options in respect of executives was R2.8 million.

Report of the remuneration committee continued

iii. Implementation report (continued)

Grindrod Limited share-price-linked option scheme (continued)

Director	Options at 1 January 2018	Options granted during the year	Adjust-ment as a result of Shipping spin off	Options forfeited/ Shipping spin-off settlement during the year	Options vested during the year	Vesting price R	Options at 31 December 2018[1]	Option price R	Vesting dates
B Ntuli	111 400				111 400	13.39		16.68	February 2018
	82 667				82 667	13.39		18.97	February 2018
	82 667		66 983	149 650				10.48	February 2019
	82 666		66 982	149 648				10.48	February 2020
	108 667		88 050	196 717				5.09	February 2019
	108 667		88 050	196 717				5.09	February 2020
	108 666		88 049	196 715				5.09	February 2021
	228 333		185 012	413 345				7.65	February 2020
	228 333		185 012	413 345				7.65	February 2021
	228 334		185 012	413 346				7.65	February 2022
		125 000	101 284	226 284				7.40	February 2021
		125 000	101 284	226 284				7.40	February 2022
		125 000	101 284	226 284				7.40	February 2023
	1 370 400	375 000	1 257 002	2 808 335	194 067		–[2]		

1. At 31 December 2018, the total fair value of these options in respect of executives was R2.8 million.
2. B Ntuli forfeited all share priced linked options on resignation, therefore nil award and nil payment.

Director	Options at 1 January 2018	Options granted during the year	Adjust-ment as a result of Shipping spin off	Options forfeited/ Shipping spin-off settlement during the year	Options vested during the year	Vesting price R	Options at 31 December 2018[1]	Option price R	Vesting dates
DA Polkinghorne	54 333				54 333	13.39		16.68	February 2018
	12 667				12 667	13.39		26.97	February 2018
	12 666		10 263				22 929	14.90	February 2019
	37 300				37 300	13.39		18.97	February 2018
	37 300		30 223				67 523	10.48	February 2019
	37 400		30 304				67 704	10.48	February 2020
	84 000		68 063				152 063	5.09	February 2019
	84 000		68 063				152 063	5.09	February 2020
	84 000		68 063				152 063	5.09	February 2021
	79 333		64 281				143 614	7.65	February 2020
	79 333		64 281				143 614	7.65	February 2021
	79 334		64 282				143 616	7.65	February 2022
		64 667	52 398				117 065	7.40	February 2021
		64 667	52 398				117 065	7.40	February 2022
		64 666	52 397				117 063	7.40	February 2023
	681 666	194 000	625 016	–	104 300		1 396 382		

1. At 31 December 2018, the total fair value of these options in respect of executives was R2.8 million.

Report of the remuneration committee continued

iii. Implementation report (continued)

Grindrod Limited share-price-linked option scheme (continued)

Director	Options at 1 January 2018	Options granted during the year	Adjustment as a result of Shipping spin off	Options forfeited/ Shipping spin-off settlement during the year	Options vested during the year	Vesting price R	Options at 31 December 2018[1]	Option price R	Vesting dates
MR Wade	50 000				50 000	13.39		16.68	February 2018
	107 667				107 667	13.39		26.97	February 2018
	107 667			107 667				10.48	February 2019
	107 666			107 666				10.48	February 2020
	144 000			144 000				5.09	February 2019
	144 000			144 000				5.09	February 2020
	144 000			144 000				5.09	February 2021
	146 667			146 667				7.65	February 2020
	146 667			146 667				7.65	February 2021
	146 666			146 666				7.65	February 2022
	1 245 000	–	–	1 087 333	157 667		–		

1. At 31 December 2018, the total fair value of these options in respect of executives was R2.8 million.

Director	Options at 1 January 2018	Options granted during the year	Adjust-ment as a result of Shipping spin off	Options forfeited/ Shipping spin-off settlement during the year	Options vested during the year	Vesting price R	Options at 31 December 2018[1]	Option price R	Vesting dates
AG Waller	137 000				137 000	13.39		16.68	February 2018
	79 334				79 334	13.39		18.97	February 2018
	79 333		64 281				143 614	10.48	February 2019
	79 333		64 281				143 614	10.48	February 2020
	195 667		158 543				354 210	5.09	February 2019
	195 667		158 543				354 210	5.09	February 2020
	195 666		158 542				354 208	5.09	February 2021
	185 000		149 900				334 900	7.65	February 2020
	185 000		149 900				334 900	7.65	February 2021
	185 000		149 900				334 900	7.65	February 2022
		123 667	100 204				223 871	7.40	February 2021
		123 667	100 204				223 871	7.40	February 2022
		123 666	100 203				223 869	7.40	February 2023
	1 517 000	371 000	1 354 501	–	216 334		3 026 167		
Totals	5 222 066	1 099 000	3 625 178	3 895 668	759 701		5 290 875		

1. At 31 December 2018, the total fair value of these options in respect of executives was R2.8 million.

The cost of scheme settlements is hedged against 13 260 494 treasury shares (2017: 6 287 384), not allocated to the forfeitable share plan. During 2018, 8 720 000 shares (2017: 100 000 shares) were bought back at an average price of R6.65 (2017: R13.87).

Report of the remuneration committee continued

iii. Implementation report (continued)

Grindrod Limited forfeitable share plan

The following table summarises the movements in the forfeitable share plan during the year.

Award date	Date option granted	Number of options granted	Price[1, 2] R	Number of forfeitable shares vested	Number of forfeitable shares forfeited	Adjustment as a result of Shipping spin off	Total forfeitable shares[3]
31 May 2012	2012	2 150 000	13.65	(1 654 630)	(495 370)	–	–
31 May 2012	2012	152 884	14.71	(152 884)	–	–	–
31 August 2013	2013	107 388	24.91	(44 596)	(62 792)	–	–
24 February 2014	2014	1 068 000	27.15	(628 438)	(430 076)	81 028	90 514
23 February 2015	2015	650 000	17.97	(291 088)	(273 272)	216 050	301 690
22 February 2016	2016	1 076 000	9.61	(267 837)	(526 953)	423 513	704 723
28 September 2016	2016	100 000	12.00	–	(100 000)	–	–
28 February 2017	2017	100 000	13.87	–	(50 000)	40 514	90 514
26 June 2017	2017	3 020 000	13.87	(830 000)	(572 924)	1 442 282	3 059 358
1 November 2017	2017	430 000	15.48	–	–	348 418	778 418
		8 854 272		(3 869 473)	(2 511 387)	2 551 805	5 025 217

1. The price reflects the market price on the dates of the awards, mathematically adjusted on the successful conclusion of the Shipping division spin-off.
2. The vesting price for the 2014 and 2015 awards that vested during 2018 was R 13.15 and R13.38 respectively. The vesting price of the award that vested as a result of the shipping spin-off was R 9.25.
3. At 31 December 2018, the fair value of these options based on a closing share price of R6.15 was R30.9 million.

The remuneration committee excluded all long-term incentives from the remuneration package of Mike Hankinson during his period of acting as executive chairman.

The table below shows the executive participants in the scheme. No forfeitable shares were granted to the executives during 2018.

Director	Opening balance 1 January 2018	Number of forfeitable shares vested	Adjustment as a result of Shipping spin off	Number of forfeitable shares forfeited	Total forfeitable shares[1]
XF Mbambo	250 000	–	202 568	–	452 568
B Ntuli[2]	383 400	(100 000)	229 631	(513 031)	–
DA Polkinghorne	161 400	(33 333)	103 747	–	231 814
MR Wade[3]	311 200	(216 580)	–	(94 620)	–
AG Waller	393 400	(100 000)	237 733	–	531 133
	1 499 400	(449 913)	773 679	(607 651)	1 215 515

1. At 31 December 2018, the fair value of these options was R7.5 million.
2. Resigned as executive director on 31 December 2018.
3. Resigned as executive director on 1 November 2017.

Grindrod Financial Services group share-price-linked option scheme

A summary of options granted to executives and senior management of Grindrod Bank, still to vest as at 31 December 2018, is as follows:

Date option granted	Number of options granted	Price R	Lapse	Vested	Net total
2014	2 207 000	9.88	(31 000)	(1 820 667)	355 333
2015	1 309 000	13.04	(92 000)	(543 000)	674 000
2016	945 000	15.60		(69 000)	876 000
2017	1 109 000	16.93			1 109 000
2018	1 194 000	17.96			1 194 000
	6 764 000		(123 000)	(2 432 667)	4 208 333

Payments totalling R7 407 498 were made on Grindrod Bank options vesting and settled in 2018. This included payments made to D Polkinghorne of R918 640.

The details of awards granted to an executive as at 31 December 2018 are as follows:

Director	Options at 1 January 2018	Options granted during the year	Options vested during the year	Vesting price R	Options at 31 December 2018	Option price R	Vesting dates
DA Polkinghorne	28 000		28 000	17.96		7.55	February 2018
	49 000		49 000	17.96		9.88	February 2018
	49 000				49 000	9.88	February 2019
	47 000		47 000	17.96		13.04	February 2018
	47 000				47 000	13.04	February 2019
	47 000				47 000	13.04	February 2020
	46 000				46 000	15.60	February 2019
	46 000				46 000	15.60	February 2020
	46 000				46 000	15.60	February 2021
	48 333				48 333	16.93	February 2020
	48 333				48 333	16.93	February 2021
	48 334				48 334	16.93	February 2022
		58 667			58 667	17.96	February 2021
		58 667			58 667	17.96	February 2022
		58 666			58 666	17.96	February 2023
	550 000	176 000	124 000		602 000		

Report of the audit committee

The audit committee is a statutory board sub-committee, appointed by the shareholders to assist the board in its corporate governance supervision responsibilities. The committee operates independently of management, is free of any organisational restraint or pressure and acts in accordance with its statutory duties and the delegated authority of the board, within formally approved terms of reference, reviewed and approved annually.

Role of the committee

The audit committee ensures that accurate financial reporting and adequate systems, controls and financial risk-management policies, procedures and standards are in place. The committee is responsible to ensure appropriate corporate governance and compliance within the scope of its mandate, with a specific focus on the potential risks to the company, and for IT governance and the strategic alignment of IT with the performance and sustainability objectives of the company.

The committee is also, subject to board approval, authorised to investigate any activity within the scope of its terms of reference and to interact with the directors, management, employees and assurance providers and to obtain independent professional advice to ensure effective governance. The committee has decision-making authority regarding its statutory duties and is accountable to the board and the company's shareholders.

Composition and committee meetings

The committee composition adheres to the requirements of the Companies Act, the JSE Listings Requirements and King IV. The chairman of the board may not serve as chairman or as a member of the committee.

The committee comprises three independent non-executive directors, all of whom are financially literate. During the year under review, directors serving on the committee included Grant Gelink (re-appointed 31 May 2018 and appointed as chairperson 26 November 2014), Walter Geach (re-appointed 31 May 2018, retired 30 November 2018), Zola Malinga (appointed 22 November 2018) and Raymond Ndlovu (re-appointed 31 May 2018). More details of these directors are given on pages 86 to 89 of the integrated annual report.

The independence of the audit committee and performance of its members were evaluated by the nomination committee during 2018. Based on the recommendation of the committee, the board proposed the re-election of the members to the shareholders at the forthcoming annual general meeting.

The committee invites the chairman, the CEO, the CFO, internal audit manager and representatives of the external auditors to attend its meetings.

Committee members meet at scheduled meetings twice a year and at unscheduled meetings when required to address urgent matters in its scope of responsibility. No unscheduled meetings were held in 2018.

Attendance of committee members at the meetings of the committee during the year is listed on page 91 of the integrated annual report.

Fees paid to the committee members are reflected on page 117 and the proposed fees for 2019 are detailed on page 154, of the integrated annual report.

The group company secretary serves as secretary to the committee.

The internal and external auditors have unrestricted access to the chairman and members of the committee. In 2018, the chairman of the committee had two meetings with the internal auditors and two with the external auditors without management being present. During these meetings no material issues were raised.

Key activities

In terms of its mandate, matters considered by the audit committee based on its annual work plan for 2018 included:

- evaluation of the independence, effectiveness and performance of the internal audit function;
- reviewing and approving the internal audit charter, annual work plan and internal audit fees;
- reviewing documents and financial disclosures related to the Shipping division spin-off and recommending approval thereof by the board;
- assessing the suitability, expertise and experience of the CFO and the expertise, experience and resources of the company's finance function;
- reviewing the combined assurance model and the effectiveness of the process for identifying, assessing and reporting on significant internal financial-control and fraud risks as related to financial reporting;
- approving the revised IT strategy and governance charter;
- reviewing the group IT governance report and IT risks, and evaluation of audit assessments of IT-related controls performed by the internal and external auditors together with the appropriateness of actions taken by management to address key issues identified, and reporting on its findings to the risk committee;
- nominating the independent external auditor and designated audit partner and the approval of their terms of engagement and fees for audit services, for approval by shareholders at the annual general meeting;
- reviewing the extent of non-audit services provided by the independent external auditor and approval of the related fees;
- reviewing the external auditors' work plan, staffing, independence, effectiveness, audit findings, key audit risks and external audit report;
- reviewing the internal auditors' limited assurance report;
- legislative and regulatory compliance within the scope of its mandate;
- reviewing implementation of the company's tax policy;
- reviewing and recommending to the board publicly disclosed financial information, including the interim results for the six months ended 30 June 2018;
- reviewing the annual financial statements and results for the year ended 31 December 2018 and this 2018 integrated annual report in line with applicable legislative and regulatory compliance and recommendation thereof for approval by the board of directors;
- reviewing and confirming the going concern status;
- noting the Report of the JSE on Reporting Back on Proactive Monitoring of Financial Statements in 2017, dated 20 February 2018;
- noting the recommendations of the Task Force on Climate-related Financial Disclosures;
- noting a briefing document on audit matters prepared by Deloitte & Touche;
- monitoring JSE correspondence addressed to audit firms relating to information to be provided by audit firms to audit committees;
- evaluating the performance of the audit committee; and
- approving its annual work plan for 2019.

The functions of the committee are also performed for the subsidiaries within each division of Grindrod Limited as represented in the segmental analysis on page 142. The external auditor was nominated for each material subsidiary company for re-appointment.

Report of the audit committee continued

External audit

Deloitte & Touche served as the company's registered external auditors for the 2018 financial year. The terms of engagement, independence, expertise, audit quality, objectivity and the appropriateness of rotation of key partners in Deloitte & Touche as the external auditor were appraised by the audit committee, which includes an annual evaluation. The committee meets with the external auditors twice a year.

In assessing the auditor's independence, the committee considered guidance contained in King IV as well as Independent Regulatory Board for Auditors (IRBA) publications and the related commentary thereon. Deloitte & Touche have been auditors of the Grindrod group for 15 years and have demonstrated an institutional knowledge, deep expertise and experience of the group in all the related countries in which the group operates. The committee is satisfied that in discharging its duties in terms of its mandate, together with the robust internal Deloitte independence processes that Deloitte & Touche's independence is maintained and has not been impacted by tenure. The Deloitte & Touche internal independence processes include periodic internal quality reviews as well as those conducted by IRBA, the rotation of the group audit partner and key component audit partners at least every five years, independence audits on all partners, established safeguards and procedures and independence training and monitoring of non-audit services. The committee is satisfied that adequate steps have been taken by Deloitte & Touche and management.

The committee is satisfied that the auditors do not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the company. External audit fees approved for the 2018 financial year to Deloitte & Touche amounted to R19.5 million (2017: R22.2 million); US$283 233 (2017: US$252 073); SGD 339 200 (2017: SGD1.0 million) and P868 140 (2017: P819 000).

The approved audit fee accounts for 27 audit partners in 31 countries in order to perform the 200+ global statutory audits. The total non-audit services for the 2018 financial year performed by and paid to Deloitte & Touche amounted to R3.0 million (2017: R3.6 million), of which 100% percent relates to permissible tax services.

Following review the committee satisfied itself that the auditors' independence was not prejudiced by any consultancy, advisory or other work undertaken or as a result of any previous appointment as auditor.

Significant areas of judgement

Many areas within the financial statements require judgement, which are set out in the accounting policies of the annual financial statements.

The committee has considered the quantum of the assets and liabilities on the statement of financial position and other items that require significant judgement and the following are highlighted:

- valuation of goodwill;
- valuation of investments in joint ventures;
- classification and measurement of non-current assets held for sale and discontinued operations;
- credit impairment against advances and related IFRS 9 *Financial Instruments Expected Credit Loss*.

Goodwill and other indeterminate useful life intangible assets are assessed annually for impairment. The key assumptions used are cash flow projections, growth rates and discount rates applied. The committee considered the impairment test conducted, and is in agreement no impairment of the goodwill and intangible assets was required. The carrying amount of the goodwill is fairly stated. Please refer to the accounting policies and note 3 of the annual financial statements for further detail.

Annual impairment tests are conducted to assess the recoverability of the carrying value of the various investments in joint ventures, using discounted cash flow models and include a number of key assumptions, such as revenue growth, operating margins, exchange rate fluctuations and the discount rates applied to the projected future cash flows. The committee considered the impairment test conducted, and is in agreement no impairment was required and that the carrying value of the investments in joint ventures is fairly stated.

Once a board decision relating to the sale or loss of control of a disposal group has been committed to, all of the assets and liabilities of such disposal group are classified as held-for-sale in terms of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and the classification of discontinued operations is assessed.

The committee agreed with the fair value less costs to sell assessment of the disposal groups and assessed any key adjustments to net book value of the disposal groups based on the requirements of IFRS 5 subsequent measurement. In addition, the committee concurred with the classification of the discontinued operations. Please refer to note 12 of the annual financial statements.

Significant judgement is required in assessing the impairment processed against advances in terms of the new requirements of IFRS 9 Financial Instruments, relating to Expected Credit Loss (ECL). The significant judgements applied in determining the impairment include the expected realisable value of the collateral securing the advance, the probability that an advance will default (Probability of Default ("PD"), credit risk changes (Significant Increase in Credit Risk ("SICR")), the size of credit exposures (Exposure at Default ("EAD")), and the expected loss on default (Loss Given Default ("LGD")). The committee agreed with the adjustment processed relating to ECL and assessed the key judgments and assumptions made in arriving at this adjustment. Please refer to notes 9 and 34 of the annual financial statements.

Annual report

Annual financial statements

Following the committee's review of the annual financial statements for the year ended 31 December 2018, it is of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act and IFRS as issued by the IASB, and fairly present the results of operations, cash flows and the financial position of Grindrod. On this basis, the committee recommended that the board of directors approve the annual financial statements of Grindrod for the year ended 31 December 2018.

Integrated annual report

The committee reviewed this report together with supplementary attachments, taking cognisance of material factors and risks that may impact the integrity thereof and recommended that the board of directors approve the integrated annual report of Grindrod for the year ended 31 December 2018.

On behalf of the audit committee

Grant Gelink
Chairman

5 March 2019

Financials

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Approval of the summarised consolidated financial statements

for the year ended 31 December 2018

The preparation of the summarised consolidated financial statements that fairly represent the results of the group in accordance with the Companies Act and IFRS is ultimately the responsibility of the board. The board also ensures an independent audit of the summarised consolidated financial statements by the external auditors. The board is of the opinion that the internal accounting control systems assure the adequate verification and maintenance of accountability for Grindrod's assets, and assure the integrity of the summarised consolidated financial statements. No major breakdown in controls that could influence the reliability of the annual financial statements was experienced during 2018. Based on the financial results of Grindrod and the cash flow forecast for the year ended 31 December 2019, and the application of solvency and liquidity tests, the board is further of the opinion that the Grindrod group has adequate resources to continue in operation for the foreseeable future. The summarised consolidated financial statements were consequently prepared on a going concern basis.

At the board meeting held on 5 March 2019, the board of directors approved the summarised consolidated financial statements and further authorised Mr Mike Hankinson and Mr Andrew Waller in their respective capacities as chairman and chief executive officer to sign off the annual financial statements. The annual financial statements which appear on pages 136 to 147, are therefore signed on its behalf by:

Mike Hankinson
Chairman
Durban

5 March 2019

Andrew Waller
Chief executive officer
Durban

5 March 2019

Compliance statement by the group company secretary

for the year ended 31 December 2018

The group company secretary of Grindrod Limited certifies that, in terms of section 88(2) of the Companies Act No. 71 of 2008, as amended, the company has lodged with the Companies and Intellectual Property Commission of South Africa all such returns and notices as are required of a public company in terms of this Act and that all such returns are true, correct and up to date in respect of the financial year ended 31 December 2018.

Cathie Lewis
Group company secretary
Durban

5 March 2019

Preparation of the summarised consolidated financial statements

for the year ended 31 December 2018

Basis of preparation

The summarised consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa requirements applicable to summarised financial statements.

The audited consolidated annual financial statements are available at the company's registered office for inspection.

Following the successful spin-off of the Shipping division, the group cost allocation methodology across operating segments was revised. Comparative income statement information has been restated to reflect the change in methodology and to provide a more meaningful comparison to current year figures.

The summarised consolidated financial statements and the full set of consolidated financial statements have been prepared under the supervision of Xolani Mbambo CA (SA) and were approved by the board of directors on 5 March 2019. The directors take full responsibility for the preparation of the dividend announcement and the financial information has been correctly extracted from the underlying annual financial statements.

Accounting policies

The accounting policies applied in the preparation of the full consolidated financial statements from which the audited summarised consolidated financial statements were derived are in terms of IFRS and are consistent with those of the previous full consolidated financial statements except for the adoption of the new IFRS 9: *Financial Instruments* and IFRS 15: *Revenue from Contracts with Customers*.

The group adopted IFRS 9: *Financial Instruments* and IFRS 15: *Revenue from Contracts with Customers* with a date of initial application of 1 January 2018. As a result, the group has changed its accounting policy for revenue recognition and financial instruments. The group has elected not to restate comparative information and has recorded the cumulative effect of initially applying the new standards as an adjustment to the opening balance of equity at the date of initial application. Therefore the comparative information has not been restated and is reported under the previous standards.

Audit opinion

These summarised consolidated financial statements for the year ended 31 December 2018 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the full consolidated financial statements for the year ended 31 December 2018 from which these summarised consolidated financial statements were derived. A copy of the auditor's report on the summarised consolidated financial statements and on the full consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports.

Deloitte & Touche has not audited future financial performance and expectations expressed by the directors included in the commentary in the summarised consolidated financial statements and accordingly do not express an opinion thereon. The auditor's report does not necessarily report on all of the information contained in the summarised consolidated financial statements. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

Post balance sheet events

There are no material post balance sheet events to report.

Xolani Mbambo CA(SA)
Chief financial officer

Durban

5 March 2019

Independent auditors' report on the summarised consolidated financial statements

To the shareholders of Grindrod Limited

Opinion

The summarised consolidated financial statements of Grindrod Limited, which comprise the summarised consolidated statement of financial position as at 31 December 2018, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Grindrod Limited for the year ended 31 December 2018.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Grindrod Limited, in accordance with IAS 34: Interim Financial Reporting and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Other Matter

We have not audited non-financial information, future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

Summarised Consolidated Financial Statements

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Grindrod Limited and the auditor's report thereon. The summarised financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 5 March 2019. That report also includes, the communication of other key audit matters as reported in the auditor's report of the audited financial statements.

Directors' Responsibility for the Summarised Consolidated Financial Statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with IAS 34: Interim Financial Reporting and the requirements of the Companies Act of South Africa as applicable to summarised financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Deloitte + Touche

Deloitte & Touche
Registered auditor
Per: Kim Peddie CA (SA), RA
Partner

15 April 2019

Deloitte Place, 2 Pencarrow Crescent,
Pencarrow Park, La Lucia Ridge Office Estate,
La Lucia 4051, Durban

Summarised consolidated statement of financial position

as at 31 December 2018

	Audited 31 December 2018 R000	Audited 31 December 2017 R000
Property, terminals, machinery, vehicles and equipment	1 752 225	1 478 003
Intangible assets	701 975	710 909
Investments in joint ventures	2 900 070	2 453 230
Investments in associates	970 919	867 220
Deferred taxation	60 945	59 313
Other investments and derivative financial assets	2 127 079	2 389 218
Total non-current assets	8 513 213	7 957 893
Loans and advances to bank customers	7 755 744	7 149 198
Liquid assets and short-term negotiable securities	2 843 541	1 763 875
Bank balances and cash	3 817 069	8 970 274
Other current assets	2 423 548	2 466 331
Non-current assets held for sale	298 349	6 641 399
Total assets	25 651 464	34 948 970
Shareholders' equity	9 618 529	14 152 823
Non-controlling interests	59 133	44 659
Total equity	9 677 662	14 197 482
Interest-bearing borrowings	455 223	295 429
Financial Services funding instruments	1 191 874	720 137
Deferred taxation	248 732	244 655
Other non-current liabilities	62 459	66 199
Total non-current liabilities	1 958 288	1 326 420
Deposits from bank customers	10 506 404	14 640 363
Current interest-bearing borrowings	1 571 109	349 881
Financial Services funding instruments	368 895	738 953
Other liabilities	1 500 486	1 300 360
Non-current liabilities associated with assets held for sale	68 620	2 395 511
Total equity and liabilities	25 651 464	34 948 970
Net worth per ordinary share – at book value (cents)	1 314	1 790
Net (cash)/debt:equity ratio	(0.04):1	0.00:1
Capital expenditure	678 683	389 472

	31 December 2018 R000	31 December 2018 US$000	31 December 2017 R000	31 December 2017 US$000
Capital commitments	447 264	–	29 000	19 000
Authorised by directors and contracted for	19 202	–	29 000	19 000
Due within one year	19 202	–	29 000	19 000
Due thereafter	–	–	–	–
Authorised by directors not yet contracted for	428 062	–	–	–

The summarised consolidated financial statements have been included in this integrated annual report. The full set of consolidated annual financial statements is available on www.grindrod.com.

Summarised consolidated income statement

for the year ended 31 December 2018

	Audited 31 December 2018 R000	Audited 31 December 2017 R000
CONTINUING OPERATIONS		
Revenue	3 423 534	3 059 422
Earnings before interest, taxation, depreciation and amortisation	645 394	621 981
Depreciation and amortisation	(193 277)	(195 844)
Operating profit before interest and taxation	452 117	426 137
Non-trading items	81 726	129 272
Interest received	245 454	264 575
Interest paid	(85 451)	(97 850)
Profit before share of joint venture and associate companies' profit	693 846	722 134
Share of joint venture companies' profit after taxation	204 405	111 475
Share of associate companies' profit after taxation	130 948	60 481
Profit before taxation	1 029 199	894 090
Taxation	(153 951)	(172 937)
Profit for the year from continuing operations	875 248	721 153
DISCONTINUED OPERATIONS		
Profit/(loss) after taxation from discontinued operations	2 044 836	(1 229 023)
Profit/(loss) for the year	2 920 084	(507 870)
Attributable to:		
Ordinary shareholders	2 845 281	(582 695)
From continuing operations	803 411	646 275
From discontinued operations	2 041 870	(1 228 970)
Preference shareholders	65 682	67 645
Owners of the parent	2 910 963	(515 050)
Non-controlling interests	9 121	7 180
From continuing operations	6 155	7 233
From discontinued operations	2 966	(53)
	2 920 084	(507 870)

Earnings per share information

for the year ended 31 December 2018

		Audited 31 December 2018 R000	Audited 31 December 2017 R000
Reconciliation of headline earnings from continuing operations			
Profit attributable to ordinary shareholders		803 411	646 275
Adjusted for:		(86 837)	(75 474)
Impairment of investments		–	126 479
Impairment of intangibles, property, terminals, machinery, vehicles and equipment		18 958	8 503
Net profit on disposal of investments		(7 276)	(1 226)
Net profit on disposal of property, terminals, machinery, vehicles and equipment		(76 051)	(17 372)
Gain on bargain purchase		(17 357)	–
Foreign currency translation reserve release		–	(245 656)
Joint ventures and associates:			
Net profit on disposal of investments		(28 861)	–
Net (gain)/loss on disposal of investment property, intangibles, ships, property, terminals, machinery, vehicles and equipment		(1 100)	121
Impairment of intangibles, ships, property, terminals, machinery, vehicles and equipment		7 972	16 735
(Reversal of impairment)/impairment of other investments		(2 675)	31 748
Impairment of goodwill		832	–
Total taxation effects of adjustments		18 721	5 194
Headline earnings from continuing operations		716 574	570 801
Ordinary share performance			
Number of shares in issue less treasury shares*	(000s)	680 268	751 640
Weighted average number of shares (basic)	(000s)	751 877	751 164
Diluted weighted average number of shares	(000s)	756 902	755 810
Basic earnings/(loss) per share:	(cents)		
From continuing operations		106.9	86.0
From discontinued operations		271.6	(163.6)
Total		378.5	(77.6)
Diluted earnings/(loss) per share	(cents)		
From continuing operations		106.1	85.5
From discontinued operations**		269.8	(163.6)
Total		375.9	(78.1)
Headline earnings per share from continuing operations:	(cents)		
Basic		95.3	76.0
Diluted		94.7	75.5
Dividends per share:	(cents)	14.6	–
Dividend cover (headline)***	(times)	4.0	–

* In the current year, 8.7 million shares were brought back by the group and 64.0 million shares were included on consolidation of the broad based-black economic empowerment (B-BBEE) consortium.

** In the prior year, diluted loss per share from discontinued operations was calculated on the weighted average number of shares due to the anti-dilutive effect of the long-term incentive shares.

*** Dividend cover based on second-half headline earnings.

Summarised consolidated statement of other comprehensive income
for the year ended 31 December 2018

	Audited 31 December 2018 R000	Audited 31 December 2017 R000
Profit/(loss) for the year	2 920 084	(507 870)
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	872 263	(797 649)
Net movement in cash flow hedges	186	760
Items that will not be reclassified subsequently to profit or loss		
Actuarial (losses)/gains	(17 850)	7 102
Fair value gain/(loss) arising on available-for-sale instruments	1 755	(1 901)
Total comprehensive income/(loss) for the year	3 776 438	(1 299 558)
Total comprehensive income/(loss) attributable to:		
Owners of the parent	3 764 797	(1 304 522)
Non-controlling interest	11 641	4 964
	3 776 438	(1 299 558)

Summarised consolidated statement of cash flows

for the year ended 31 December 2018

	Audited 31 December 2018 R000	Audited 31 December 2017 R000
Operating profit from continuing operations	452 117	426 142
Operating loss from discontinued operations	(195 803)	(825 287)
Non-cash adjustments	(6 945)	860 797
Operating profit before working capital changes	249 369	461 652
Working capital changes	(90 166)	97 566
Cash generated from operations	159 203	559 218
Net interest received	30 689	38 335
Net dividends received	30 624	55 570
Taxation paid	(204 223)	(169 616)
	16 293	483 507
Net (advances to)/deposits from customers and other short-term negotiables	(5 855 567)	(227 051)
Deposits – Retail Banking	(5 185 788)	120 876
Other	(669 779)	(347 927)
Net cash flows (utilised in)/generated from operating activities before ship sales and purchases	(5 839 274)	256 456
Proceeds on disposal of ships	–	238 097
Capital expenditure on ships	(242 244)	(69 753)
Net cash flows (utilised in)/generated from operating activities	(6 081 518)	424 800
Acquisition of investments, property, terminals, machinery, vehicles and equipment	(325 135)	(368 457)
Net (outflow)/proceeds on disposal of non-current assets held for sale, property, terminals, machinery, vehicles and equipment	(338 554)	169 900
Goodwill/intangible assets acquired	(2 010)	(4 110)
Proceeds from disposal of intangible assets	353	7 948
Funds repaid by/(advanced to) joint ventures and associate companies	216 815	(22 144)
Acquisition of additional investments in subsidiaries, joint ventures and associates	(33)	(82 448)
Net cash flows utilised in investing activities	(448 564)	(299 311)
Acquisition of treasury shares	(57 953)	(1 386)
Long-term interest-bearing debt raised	1 848 108	1 277 549
Payment of capital portion of long-term interest-bearing debt	(1 610 613)	(1 030 371)
Short-term interest-bearing debt repaid	18 016	–
Net cash flows raised from financing activities	197 558	245 792
Net (decrease)/increase in cash and cash equivalents	(6 332 524)	371 281
Cash and cash equivalents at beginning of the year	9 558 382	9 294 457
Difference arising on translation	153 391	(107 356)
Cash and cash equivalents at end of the year	3 379 249	9 558 382
Consisting of:		
Cash and cash equivalents	1 765 726	2 759 071
Retail deposits	1 613 523	6 799 311

Summarised consolidated statement of changes in equity

for the year ended 31 December 2018

	Audited 31 December 2018 R000	Audited 31 December 2017 R000
Ordinary and preference share capital and share premium	3 977 456	5 992 756
Balance at beginning of the year	5 992 756	5 971 721
Share options vested	20 615	22 421
Return of share capital	(1 584 362)	–
Adjustment arising on consolidation of B-BBEE structure	(393 600)	–
Treasury shares acquired	(57 953)	(1 386)
Equity compensation reserve	54 991	58 364
Balance at beginning of the year	58 364	68 513
Share-based payments	18 990	12 272
Share options vested	(20 615)	(22 421)
Balance disposed on Shipping spin-off	(1 748)	–
Foreign currency translation reserve	1 547 498	3 505 281
Balance at beginning of the year	3 505 281	4 546 313
Foreign currency translation realised	(2 830 505)	(243 653)
Foreign currency translation adjustments	872 722	(797 379)
Other non-distributable statutory reserves	(43 637)	(43 566)
Balance at beginning of the year	(43 566)	(51 592)
Financial instrument hedge settlement	186	3 005
Foreign currency translation adjustments	(1 355)	2 035
Fair value adjustment on hedging reserve	14 068	(202)
Deferred tax effect on cash flow hedge	–	(2 132)
Net business combination	–	5 320
Balance disposed on Shipping spin-off	(12 970)	–
Accumulated profit	4 082 221	4 639 988
Balance at beginning of the year	4 639 988	5 217 482
Transitional provision – implementation of IFRS 9 and IFRS 15	(33 217)	–
Other comprehensive income/(loss) arising from available for sale financial assistance	1 755	(1 901)
Adjustment arising on consolidation of B-BBEE structure	(696 650)	–
Actuarial (loss)/gain recognised	(17 850)	7 102
Profit/(loss) for the year	2 910 963	(515 050)
Ordinary dividends paid*	(2 657 086)	–
Preference dividends paid**	(65 682)	(67 645)
Total interest of shareholders of the company	9 618 529	14 152 823
Equity attributable to non-controlling interests of the company	59 133	44 659
Balance at beginning of the year	44 659	48 919
Foreign currency translation adjustments	2 520	(2 216)
Non-controlling interest disposed	7 505	244
Profit for the year	9 121	7 180
Dividends paid	(4 672)	(9 468)
Total equity attributable to shareholders of the company	9 677 662	14 197 482

* Ordinary dividends relate to the Shipping spin-off.
** Preference dividends paid relate to cumulative non-redeemable preference shares which are required to be paid and are based on prime interest rate.

Segmental analysis for continuing operations

for the year ended 31 December 2018

	Audited 31 December 2018 R000	Audited 31 December 2017 R000 Re-presented**
Revenue		
Port and Terminals	922 859	863 939
Logistics	2 687 031	2 307 907
Marine Fuel and Agricultural Logistics	20 444 417	17 585 797
Financial Services	536 563	467 039
Group	64 472	51 214
	24 655 342	21 275 896
Segmental adjustments*	(21 231 808)	(18 216 474)
	3 423 534	3 059 422
Earnings/(loss) before interest, taxation, depreciation and amortisation		
Port and Terminals	251 208	281 763
Logistics	499 281	307 445
Marine Fuel and Agricultural Logistics	89 692	65 061
Financial Services	395 624	362 952
Group	(58 119)	(73 524)
	1 177 686	943 697
Segmental adjustments*	(532 292)	(321 716)
	645 394	621 981
Operating profit/(loss) before interest and taxation		
Port and Terminals	159 438	193 263
Logistics	325 613	165 351
Marine Fuel and Agricultural Logistics	80 528	50 740
Financial Services	390 261	357 707
Group	(100 776)	(123 460)
	855 064	643 601
Segmental adjustments*	(402 947)	(217 464)
	452 117	426 137
Share of associate companies' profit/(loss) after taxation		
Port and Terminals	62 361	53 820
Logistics	1 331	(10 130)
Marine Fuel and Agricultural Logistics	122 641	55 093
Group	–	257
	186 333	99 040
Segmental adjustments*	(55 385)	(38 559)
	130 948	60 481
Profit/(loss) attributable to ordinary shareholders		
Port and Terminals	145 565	165 684
Logistics	160 805	216 750
Marine Fuel and Agricultural Logistics	148 689	57 777
Financial Services	209 647	188 958
Group	138 705	17 106
	803 411	646 275
Segmental adjustments*	–	–
	803 411	646 275

* For segment reporting, investments in joint ventures are accounted for using proportionate consolidation where an effective share of the group's ownership is applied to each line item above. In the consolidated annual financial statements (International Financial Reporting Standards (IFRS) presentation), investments in joint ventures are equity accounted. Segmental adjustments relate to effects of proportionate consolidation to reconcile to IFRS presentation.

** Re-presented for segmental changes as detailed in the basis of preparation

Income statement – discontinued operations

for the year ended 31 December 2018

	Audited 31 December 2018 R000	Audited 31 December 2017 R000
Revenue	1 950 514	5 432 486
Loss before interest, taxation, depreciation and amortisation	(195 803)	(606 721)
Shipping	(195 710)	25 309
Rail	(93)	(632 030)
Depreciation and amortisation	–	(218 564)
Shipping	–	(204 450)
Rail	–	(14 114)
Operating loss before interest and taxation	(195 803)	(825 285)
Non-trading items	3 008 897	(587 770)
Gain on re-measurement of fair value less costs to sell	(701 399)	483 180
Interest received	25 807	71 646
Interest paid	(60 027)	(117 382)
Profit/(loss) before share of joint venture companies' profit/(loss)	2 077 475	(975 611)
Share of joint venture companies' profit/(loss) after taxation	39 719	(162 356)
Profit/(loss) before taxation	2 117 194	(1 137 967)
Taxation	(72 358)	(91 056)
Profit/(loss) for the year	2 044 836	(1 229 023)
Attributable to:		
Owners of the parent	2 041 870	(1 228 970)
Non-controlling interests	2 996	(53)
	2 044 836	(1 229 023)

Business combinations

for the year ended 31 December 2018

Acquisition of subsidiaries:

During the year, the group acquired the following entities:

Company acquired	Nature of business	Percentage acquired	Date acquired 2018	Purchase consideration R000
Novagroup	Ships Agencies	100%	1 October	(123 794)
Newshelf 1279	B-BBEE consortium	100%	31 December	–

Reasons for the acquisition:

In the current year, the group acquired a controlling interest in the Novagroup entities to strengthen the group's position in the marine technical market and to provide a more comprehensive service offering. The transaction was accounted for in terms of IFRS 3 *Business Combinations*. Intangible assets relating to customer contracts were identified and recognised which resulted in a gain on bargain purchase.

In addition, during the current year, the group assisted Newshelf 1279, a B-BBEE consortium. The consortium continues to have voting rights, however, due to the additional funding, the group's rights have changed from protective to substantive and the consortium is now controlled by the group in terms of IFRS 10 consolidated financial statements, effective 31 December 2018.

Summarised consolidated notes

for the year ended 31 December 2018

Impact of the acquisition on the results of the group:

From the dates of their acquisition, the acquired businesses contributed losses of R4.8 million.

Net assets acquired	Acquiree's carrying amount before combination at fair value R000
Property, terminals, machinery, vehicles and equipment	(127 942)
Intangible assets	(28 890)
Other investments	489 607
Working capital	(18 905)
Taxation	(738)
Long-term borrowings	609 582
Deferred taxation	18 880
Non-controlling interests	7 505
Cash and bank	(38)
Bank overdraft	37 832
Total	986 893
Treasury shares acquired on consolidation of B-BBEE structure	(393 600)
Adjustments on consolidation of B-BBEE structure	(696 650)
Less: gain on bargain purchase	17 357
Total purchase consideration	(86 000)
Cash acquired	(37 794)
Net assets acquired	(123 794)

Related party transactions

for the year ended 31 December 2018

During each year, the group, in the ordinary course of business, enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions. These transactions occurred under terms that are no more or less favourable than those arranged with third parties. Below is a list of significant related party transactions and balances for each year:

	Nature of relationship	Audited 31 December 2018 R000	Audited 31 December 2017 R000
Goods and services sold to:			
Vitol Shipping Singapore Pte Limited	Joint venture	58 282	111 163
Goods and services purchased from:			
Cockett Marine Oil Pte Limited	Joint venture	(318 368)	(702 945)
Amounts due from related party:			
Terminal De Carvo da Matola Limitada	Joint venture	2 632	313 132
Cockett Marine Oil Pte Limited	Joint venture	512 888	420 203
GPR Leasing Africa Limited	Joint venture	153 517	146 896
Newshelf 1279 (Pty) Limited*	Other related party	–	548 954
IVS Bulk Pte Limited	Joint venture	–	283 632
Loans to associates	Associates	2 245 360	1 919 048
Directors (directly or indirectly)**	Directors and key officers	4 797	178 842

* No balance for the current year due to the consolidation of the B-BBEE consortium.
** Reduction due to the resignation of certain non-executive directors during 2018.

Foreign currency denominated items

as at 31 December 2018

Exchange rates (ZAR/US$)	Audited 31 December 2018	Audited 31 December 2017
Opening exchange rate	12.39	13.69
Closing exchange rate	14.38	12.39
Average exchange rate	13.23	13.36

Leases and ship charters

for the year ended 31 December 2018

The minimum future lease and ship charters receivable/(payable) under non-cancellable operation leases and charter party agreements are as follow:

	Audited 31 December 2018 R000	Audited 31 December 2017 R000
CONTINUING OPERATIONS		
Income	77 425	116 234
Expenditure	1 400 819	1 183 952
DISCONTINUED OPERATIONS		
Income*	1 128	1 205 939
Expenditure	–	1 918 015

* Relates only to future committed income under non-cancellable operating leases and does not include revenue earned through the spot market.

Fair value of financial instruments

as at 31 December 2018

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Levels 2 and 3 fair values were determined by applying either a combination of, or one of the following, valuation techniques:

- market-related interest rate yield curves to discount expected future cash flows; and/or
- projected unit method; and/or
- market value; and/or
- the net asset value of the underlying investments; and/or
- a price earnings multiple or a discounted projected income/present value approach.

The fair value measurement for income approach valuation is based on significant inputs that are not observable in the market. Key inputs used in the valuation include discount rates and future profit assumptions based on historical performance but adjusted for expected growth. Management reassesses the earnings or yield multiples at least annually based on their assessment of the macro- and micro-economic environment.

Summarised consolidated notes continued

for the year ended 31 December 2018

	Audited 31 December 2018 R000 Level 1	Audited 31 December 2018 R000 Level 2	Audited 31 December 2018 R000 Level 3	Audited 31 December 2018 R000 Total
Financial assets				
Financial assets designated at fair value through profit or loss	138 629	931 148	3 347 780	4 417 557
Total	138 629	931 148	3 347 780	4 417 557
Financial liabilities				
Derivative financial instruments	–	(7 911)	–	(7 911)
Other liabilities*	–	(54 548)	–	(54 548)
Total	–	(62 459)	–	(62 459)

* Other liabilities include provisions for post-retirement medical aid and cash settled share based payment scheme.

	Audited 31 December 2017 R000 Level 1	Audited 31 December 2017 R000 Level 2	Audited 31 December 2017 R000 Level 3	Audited 31 December 2017 R000 Total
Financial assets				
Derivative financial assets	–	1 617	–	1 617
Financial assets designated at fair value through profit or loss	–	811 417	1 427 617	2 239 034
Total	–	813 034	1 427 617	2 240 651
Financial liabilities				
Derivative financial instruments	–	(20 744)	–	(20 744)
Other liabilities*	–	(92 132)	–	(92 132)
Total	–	(112 876)	–	(112 876)

* Other liabilities include provisions for post-retirement medical aid and cash settled share based payment scheme.

Fair value gains recognised in the summarised consolidated income statement and summarised consolidated statement of other comprehensive income for Level 3 financial instruments were R374.8 million (2017: R125.8 million).

Reconciliation of Level 3 fair value measurements of financial assets

	Audited 31 December 2018 R000	Audited 31 December 2017** R000
Opening balance	1 427 617	1 084 948
IFRS 9 Financial instruments 1 January 2018	1 388 959	–
Purchases	427 694	236 750
Settlements	(271 290)	(19 900)
Total gains recognised in		
– Summarised consolidated statement of other comprehensive income	(2 734)	(1 221)
– Summarised consolidated income statement	377 534	127 040
Closing balance	3 347 780	1 427 617

** Comparative figures have been revised to reflect more appropriate disclosures of financial instruments.

Contingent assets/liabilities

as at 31 December 2018

The company guaranteed loans and facilities of subsidiaries and joint ventures amounting to R3 920.9 million (December 2017: R4 739.8 million) of which R1 223.4 million (December 2017: R1 731.7 million) had been utilised at the end of the period.

Grindrod placed R249.8 million (December 2017: R190.6 million) on deposit as security with the funders of the B-BBEE consortium and provided a guarantee of R130.0 million (December 2017: R130.0 million) to secure the structure. Grindrod continues to have the ability, but no obligation, to increase its funding within the structure should the current lenders wish to exit.

In the prior year the company guaranteed loans and facilities of subsidiaries and joint ventures within discontinued operations amounting to R404.7 million of which R404.4 million had been utilised at the end of the period. In the current year, no guarantees or facilities were made or utilised.

Included in the prior year the company guaranteed charter-hire payments of subsidiaries within discontinued operations amounting to R403.5 million. The charter-hire payments were due by the subsidiaries in varying amounts from 2018 to 2022. In the current year, there are no guarantees of charter-hire payments.

Due to the significant restructuring, sale and disposal processes over the last few years, there are potential legal, tax and compliance risks, which may result in potential exposures. The board continues to monitor and provides where appropriate.

Share analysis of ordinary shareholders

as at 28 December 2018

	Number of shareholdings	Percentage of shareholdings	Number of shares	Percentage of shares
Shareholder spread				
1 to 5 000 shares	5 653	70.90	8 594 688	1.13
5 001 to 10 000 shares	965	12.10	7 056 135	0.92
10 001 to 50 000 shares	944	11.84	19 363 226	2.54
50 001 to 100 000 shares	147	1.85	10 502 144	1.38
100 001 shares and over	264	3.31	717 037 121	94.03
	7 973	100.00	762 553 314	100.00
Non-public shareholders	8	0.10	269 147 927	35.30
Directors of the company	5	0.06	769 348	0.10
Treasury stock	1	0.01	18 285 710	2.40
Strategic holdings	2	0.03	250 092 869	32.80
Public shareholders	7 965	99.90	493 405 387	64.70
	7 973	100.00	762 553 314	100.00
Investor profile				
Banks and brokers	96	1.20	105 690 638	13.86
Close corporations	92	1.16	1 846 413	0.24
Empowerment	1	0.01	64 000 000	8.39
Endowment funds	25	0.31	1 144 490	0.15
Individuals	6 360	79.77	47 317 349	6.20
Insurance companies	35	0.44	17 236 794	2.26
Investment companies	2	0.04	158 690	0.02
Medical schemes	12	0.15	377 185	0.05
Mutual funds	133	1.67	128 537 198	16.86
Other corporations	44	0.55	324 736	0.04
Own holdings	1	0.01	18 285 710	2.40
Private companies	206	2.58	85 703 333	11.24
Public companies	8	0.10	4 946 107	0.65
Retirement funds	84	1.05	97 275 951	12.76
Strategic investor	1	0.01	173 183 235	22.71
Trusts	873	10.95	16 525 485	2.17
	7 973	100.00	762 553 314	100.00
Geographical breakdown				
South Africa	7 746	97.15	649 947 237	85.23
United States of America and Canada	27	0.34	43 798 252	5.74
United Kingdom	52	0.65	33 368 525	4.38
Rest of Europe	31	0.39	24 193 899	3.17
Rest of the World	117	1.47	11 245 401	1.48
	7 973	100.00	762 553 314	100.00

	Number of shareholdings	Percentage of shareholdings	Number of shares	Percentage of shares
Beneficial shareholders holding 5% or more				
Remgro			173 183 235	22.71
Grindrod Investments Proprietary Limited (Grindrod family)			76 909 634	10.09
Government Employees Pension Fund			71 657 317	9.40
PSG Konsult			69 955 096	9.17
Newshelf 1279 (RF) Proprietary Limited			64 000 000	8.39
			455 705 282	59.76
Top 10 Fund Managers				
PSG Asset Management			73 703 090	9.67
Public Investment Corporation			59 893 756	7.85
Sanlam Investment Management			25 424 747	3.33
Dimensional Fund Advisors			22 459 672	2.95
Marathon Asset Management			19 607 822	2.57
Vanguard			15 305 131	2.01
Steyn Capital Management			13 674 596	1.79
First State Investments			11 987 867	1.57
Oasis Asset Management			9 814 944	1.29
BlackRock Investment Management			8 703 889	1.14
			260 575 514	34.17

Share analysis of cumulative, non-redeemable, non-participating, non-convertible preference shares

as at 28 December 2018

	Number of shareholdings	Percentage of shareholdings	Number of shares	Percentage of shares
Shareholder spread				
1 to 5 000 shares	1 559	83.46	2 058 364	27.82
5 001 to 10 000 shares	146	7.81	1 054 039	14.25
10 001 to 50 000 shares	144	7.71	2 545 379	34.40
50 001 to 100 000 shares	19	1.02	1 740 609	23.53
100 001 shares and over	–	–	–	–
	1 869	100.00	7 400 000	100.00
Non-public shareholders	1	0.05	1 609	0.02
Public shareholders	1 868	99.95	7 398 391	99.98
	1 869	100.00	7 400 000	100.00
Investor profile				
Banks and brokers	8	0.43	114 628	1.55
Close corporations	21	1.12	142 314	1.92
Endowment funds	15	0.80	174 417	2.36
Individuals	1 368	73.20	3 817 416	51.59
Insurance companies	2	0.11	143 664	1.94
Investment company	1	0.05	1 633	0.02
Mutual funds	33	1.77	839 177	11.34
Other corporations	9	0.48	42 968	0.58
Private companies	84	4.49	737 463	9.96
Public companies	1	0.05	178 390	2.41
Retirement funds	11	0.59	46 342	0.63
Trusts	316	16.91	1 161 588	15.70
	1 869	100.00	7 400 000	100.00
Geographical breakdown				
South Africa	1 853	99.15	7 381 485	99.75
United States of America and Canada	1	0.05	1 400	0.02
United Kingdom	2	0.11	6 368	0.08
Rest of Europe	6	0.32	6 499	0.09
Rest of the World	7	0.37	4 248	0.06
	1 869	100.00	7 400 000	100.00


Stacker reclaimer at TCM, Mozambique

Notice of the annual general meeting

Notice is hereby given that the fifty-second annual general meeting of Grindrod Limited (the company) will be held in the boardroom, 7th Floor, Grindrod House, 108 Margaret Mncadi Avenue, Durban on Tuesday, 28 May 2019 at 14:00 for the purpose of considering and if deemed fit, passing with or without modification, according to the requirements of the Companies Act (the Act), as read with the JSE Listings Requirements, the ordinary and special resolutions as set out below.

The minutes of the meeting held on 31 May 2018 are available for inspection at the registered office of the company until 16:00 on 24 May 2019.

1. Presentation of annual financial statements and reports

1.1 To present the audited annual financial statements for the financial year ended 31 December 2018, together with the reports of the audit committee, the directors and the auditors.

The summarised consolidated financial statements for 2018 are set out on pages 136 to 150. of the integrated annual report. A copy of the full audited consolidated financial statements is available on the company's website at www.grindrod.com.

1.2 To present the report of the social and ethics committee, set out on pages 104 and 105 of the integrated annual report.

2. Ordinary resolutions

2.1 Ordinary resolution 2.1: Re-election of non-executive directors retiring by rotation

To vote on the re-election, each by way of a separate vote, of the following directors who are required to retire by rotation in accordance with article 5.1(8) of the memorandum of incorporation (MOI) and being eligible, offer themselves for re-election:

2.1.1 NL Sowazi

2.1.2 PJ Uys

2.1.3 SDM Zungu

The nomination committee of the company has conducted an assessment of the performance of each of the retiring candidates and the board accepted the results of the assessments. Accordingly, the board recommends their re-election to shareholders.

Brief CVs of the directors are provided on pages 86 to 89 of the integrated annual report.

2.2 Ordinary resolution 2.2: Confirmation of appointment of director appointed by the board since the previous annual general meeting

To, in accordance with article 5.1(5) of the MOI, confirm the appointment of the following director, appointed by the board since the previous annual general meeting:

2.2.1 XF Mbambo

The nomination and audit committees of the company respectively have assessed the eligibility of the newly appointed candidate and the board accepted the results of the assessment. Accordingly, the board recommends the election to shareholders.

A brief CV of the director is provided on page 87 of the integrated annual report.

2.3 Ordinary resolution 2.3: Election of member and appointment of chairman of the audit committee

To vote on the election of GG Gelink, an independent non-executive director of the company, as a member of the audit committee and his appointment as the chairman of the committee, until the end of the next annual general meeting of the company.

A brief CV of the director is provided on page 87 of the integrated annual report.

2.4 Ordinary resolution 2.4: Election of members of the audit committee

To vote on the re-election in terms of section 94 of the Act, each by way of a separate vote, the following independent non-executive directors of the company, as members of the audit committee to hold office until the end of the next annual general meeting of the company:

2.4.1 ZN Malinga

2.4.2 RSM Ndlovu

Brief CVs of the audit committee members are provided on pages 87 and 88 of the integrated annual report.

2.5 Ordinary resolution 2.5: Re-appointment of independent auditors and re-appointment of designated audit partner

To vote, each by way of a separate vote, on:

2.5.1 The re-appointment of Deloitte & Touche as independent auditors of the company, to hold office until the next annual general meeting.

2.5.2 The re-appointment of K Peddie as designated audit partner, to hold office until the next annual general meeting.

The audit committee nominated Deloitte & Touche to be independent auditors of the company and K Peddie to be designated audit partner and accordingly recommends that Deloitte & Touche and K Peddie be appointed as independent auditors and designated audit partner, respectively.

2.6 Ordinary resolution 2.6: General authority to directors to allot and issue ordinary shares

That, as an ordinary resolution, and subject to the provisions of the Act and the JSE Listings Requirements, from time to time, that the directors of the company be and are hereby authorised, as a general authority and approval, to allot and issue, for such purposes and on such terms as they may in their discretion determine, ordinary shares in the authorised but unissued share capital of the company up to a maximum of five percent of the number of ordinary shares in issue on the date of passing this resolution.

Explanatory note

The reason for proposing ordinary resolution number 2.6 above is to seek a general authority and approval for the directors to allot and issue ordinary shares in the authorised but unissued share capital of the company, up to five percent of the number of ordinary shares of the company in issue at the date of passing this resolution, in order to enable the company to take advantage of business opportunities which might arise in the future.

In order for ordinary resolution number 2.6 above to be approved, it must be supported by more than fifty percent of the voting rights exercised.

2.7 Ordinary resolution 2.7 of 75 percent: General authority to issue shares for cash

That, as an ordinary resolution, and subject to ordinary resolution number 2.6 above being passed, the directors of the company be and are hereby authorised, in accordance with the Act and the JSE Listings Requirements, to allot and issue for cash, on such terms and conditions as they may deem fit, all or any of the ordinary shares in the authorised but unissued share capital of the company, which they shall have been authorised to allot and issue in terms of ordinary resolution number 2.6 above, subject to the following conditions:

- This authority is valid until the company's next annual general meeting, provided that it will not extend beyond fifteen months from the date that this authority is given;
- The ordinary shares, which are the subject of the issue for cash, must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into or represent options in respect of a class already in issue;
- Any such issue will be made only to 'public shareholders' as defined in the JSE Listings Requirements and not to related parties, unless the JSE otherwise agrees;
- The number of shares issued for cash will not in aggregate exceed five percent of the company's listed ordinary shares (excluding treasury shares) as at the date of the notice of AGM, such number being 744 267 604 ordinary shares in the company's issued share capital (five percent being 37 213 380 ordinary shares);

Notice of the annual general meeting continued

- Any ordinary shares issued under this authority during the period of its validity must be deducted from the above number of ordinary shares and the authority shall be adjusted accordingly to represent the same allocation ratio on the event of a sub-division or consolidation of equity securities during the same period;
- The maximum discount permitted at which ordinary shares may be issued is five percent of the weighted average traded price on the JSE of those shares over the thirty business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities; and
- An announcement giving full details, including the number of shares issued, the average discount to the weighted average traded price of the shares over the thirty business days prior to the date the company agrees to issue the shares will be published at the time of any issue representing, on a cumulative basis within one financial year, five percent or more of the number of shares in issue prior to such issue.

Explanatory note

The reason for proposing ordinary resolution number 2.7 is that the directors consider it advantageous to have the authority to issue ordinary shares for cash in order to enable the company to take advantage of any business opportunity which might arise in the future. At present, the directors have no specific intention to use this authority, and the authority will thus only be used if circumstances are appropriate.

In order for ordinary resolution 2.7 to be approved, it must be supported by more than seventy-five percent of the voting rights exercised.

3. Special resolutions

3.1 Special resolution 3.1: Approval of non-executive directors' fees

That the fees payable to the non-executive directors of the company, members and chairmen of board committees for the year 1 July 2019 to 30 June 2020, as set out below, be approved.

	Member/Directors/Chairman	Present	Proposed
Board of directors	Chairman	R956 000	R1 013 000
	Lead independent director	R700 000	R742 000
	Non-executive director	R350 000	R371 000
	Attendance fee per day	R22 000	R23 000
Audit committee	Chairman	R246 000	R261 000
	Member	R136 000	R144 000
Investment committee	Chairman	Rnil	Rnil
	Standing member	R91 000	R96 000
Nomination committee	Chairman	R136 000	R144 000
	Member	R75 000	R79 500
Remuneration committee	Chairman	R136 000	R144 000
	Member	R75 000	R79 500
Risk committee	Chairman	R164 000	R174 500
	Member	R91 160	R97 500
Social and ethics committee	Chairman	R115 500	R122 500
	Member	R69 000	R73 000

The remuneration committee evaluated the fees for non-executive directors of the company, and members and chairmen of board committees. Factors such as the increased responsibilities of non-executive directors as a result of more stringent legal and corporate governance requirements, benchmarking against industry peers and market trends were taken into consideration when the remuneration committee recommended the above fees to the board. The board accepted the recommendations of the committee and accordingly recommends the above fees for approval by the shareholders in terms of section 66(9) of the Act.

3.2 Special resolution 3.2: General authority to provide financial assistance in terms of section 44 of the Act

That, as a general approval, the directors of the company be and are hereby authorised, to the extent required by the Act, and subject to compliance with the requirements of the company's MOI and the JSE Listings Requirements (each as presently constituted and as amended from time to time), to provide direct or indirect financial assistance, including by way of loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the company or any of its subsidiaries, and/or to any member of such subsidiary or related or inter-related company or entity, for the specific purpose of or in connection with, the subscription of any option or securities issued or to be issued by the company or a related entity, provided that the board has applied the solvency and liquidity tests as set out in section 4 of the Act and the terms of the proposed financial assistance is fair and reasonable to the company.

3.3 Special resolution 3.3: General authority to provide financial assistance in terms of section 45 of the Act

That, as a general approval, the directors of the company be and are hereby authorised, subject to the provisions of section 45 of the Act, compliance with the requirements of the company's MOI, the JSE Listings Requirements (each as presently constituted and as amended from time to time) and any other applicable laws that may exist from time to time, to provide direct or indirect financial assistance ('financial assistance' will herein have the meaning attributed to it in section 45(1) of the Act) that the board of directors of the company may deem fit, to any related or inter-related company or to any juristic person who is a member of or related to any such companies ('related' and 'inter-related' will herein have the meaning so attributed in section 2 of the Act) on the terms and conditions that the board of directors of the company may determine from time to time.

3.4 Special resolution 3.4: Repurchase of the company's ordinary shares

That, as a general approval, the directors of the company be and they are hereby authorised, subject to the provisions of section 48, read with section 46 of the Act and of the JSE Listings Requirements, to approve the purchase by the company of its own ordinary shares, and the purchase of ordinary shares in the company by any of its subsidiaries, upon such terms and conditions and in such amounts as the board may from time to time determine, provided that:

(i) the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;

(ii) this general authority shall only be valid until the earlier of the company's next annual general meeting or the expiry of a period of fifteen months from the date of passing of this special resolution;

(iii) in determining the price at which the company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be ten percent of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the five trading days immediately preceding the date on which the transaction is effected;

(iv) the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20 percent of the company's issued ordinary share capital;

(v) the company may only effect the repurchase once a resolution has been passed by the board confirming that the board has authorised the repurchase, that immediately after the repurchase the company would satisfy the solvency and liquidity tests, and that since this was done there have been no material changes to the financial position of the group;

Notice of the annual general meeting continued

(vi) the company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless a repurchase programme is in place where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;

(vii) an announcement, containing full details of acquisitions in accordance with section 5.79 of the JSE Listings Requirements, will be published once the company has cumulatively repurchased three percent of the number of the ordinary shares in issue at the time this general authority is granted (initial number), and for each three percent in aggregate of the initial number acquired thereafter; and

(viii) at any point in time, the company may only appoint one agent to effect any acquisition/s on its behalf.

Adequacy of working capital

At any time that the repurchase contemplated in this resolution is to take place, the board will ensure that, after considering the effect of the maximum repurchase and for a period of twelve months thereafter:

(i) the company and the group will be able to pay their debts as they become due in the ordinary course of business for the period of twelve months after the date of notice of the annual general meeting;

(ii) the consolidated assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards (IFRS), will be in excess of the consolidated liabilities of the company and the group for the period of twelve months after the date of notice of the annual general meeting;

(iii) the issued share capital and reserves of the company and the group will be adequate for the purpose of the ordinary business of the company and the group for the period of twelve months after the date of notice of the annual general meeting; and

(iv) the working capital available to the company and the group will be adequate for the purposes of the business of the company and the group for the period of twelve months after the date of notice of the annual general meeting.

Disclosure

The directors of the company has no specific intention at present for the company or its subsidiaries to repurchase any of the shares of the company as contemplated in this special resolution number 3.4 but considers that such a general authority should be put in place should an opportunity present itself to do so during the year, which is in the best interests of the company and its shareholders.

The directors, whose names are set out on pages 86 to 89 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of information pertaining to this special resolution number 3.4 and certify that to the best of their knowledge and belief there are no other facts, the omission of which would make any statement false or misleading, and that they have made all reasonable enquiries in this regard, and that this resolution contains all information required by law and the JSE Listings Requirements.

The following additional information, some of which appears elsewhere in the integrated annual report of which this notice forms part, is provided in terms of section 11.26 of the JSE Listings Requirements for purposes of the general authority contemplated above:

- Major beneficial shareholders – page 149 of the integrated annual report;
- Directors' interests in shares – page 111 of the integrated annual report;
- Share capital of the company – page 148 of the integrated annual report.

Other than the facts and developments reported on in the integrated annual report, there have been no material changes to the financial or trading position of the company and its subsidiaries since 31 December 2018 and the issuing of this notice to shareholders.

4. Non-binding advisory vote

4.1 Confirmation of the group remuneration policy

That, as a non-binding advisory vote, the company's remuneration policy as set out in the remuneration report on page 113 of the integrated annual report be and is hereby confirmed.

4.2 Confirmation of the group implementation report

That, as a non-binding advisory vote, the company's implementation report as set out in the remuneration report on pages 156 to 157of the integrated annual report be and is hereby confirmed.

In terms of the King Report on Governance for South Africa, 2016 (King IV), separate non-binding advisory votes should be put to the shareholders relating to the group remuneration policy and implementation report. The votes allow the shareholders to express their views on the remuneration policy and implementation report adopted and implemented, but are not binding on the company.

Other business

To transact such other business as may be required at this annual general meeting.

Record dates

The record date for purposes of determining which shareholders are entitled to receive this notice is Friday, 5 April 2019.

The record date for shareholders to be recorded in the securities register of the company in order to be able to attend, participate and vote at the annual general meeting is Friday, 17 May 2019. Accordingly, the last date to trade in order to be eligible to attend and vote at the annual general meeting is Tuesday, 14 May 2019. It is recommended that Forms of proxy for the annual general meeting are to be lodged with the share transfer secretaries of the company, Link Market Services (South Africa) (Proprietary) Limited, 13th Floor, Rennie House, 19 Amershoff Street, Braamfontein, email meetfax@linkmarketservices.co.za or facsimile 086 674 2450 by no later than 14:00 on Friday, 24 May 2019.

Preference shareholders

Preference shareholders are entitled to receive copies of correspondence related to all shareholder meetings. In respect of the annual general meeting to be held on Tuesday, 28 May 2019, preference shareholders are entitled to attend the meeting and to vote together with ordinary shareholders in respect of special resolution number 3.4 regarding renewal of the authority of directors to repurchase ordinary shares.

Voting and proxies

The minimum percentage of voting rights that is required for the adoption of each ordinary resolution is more than fifty percent of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting, except for ordinary resolution 2.7, which requires seventy-five percent.

The minimum percentage of voting rights that is required for the adoption of each special resolution is at least seventy-five percent of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting.

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. The attached form of proxy is only to be completed by those ordinary shareholders who hold ordinary shares in certificated form or are recorded in the sub-register in "own-name" dematerialised form.

Notice of the annual general meeting continued

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP or broker without "own-name" registration and who wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with the necessary letter of representation to attend the annual general meeting in person or proxy and vote. If they do not wish to attend the annual general meeting in person or by proxy and vote, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

A form of proxy must be lodged with the share transfer secretaries of the company, Link Market Services (South Africa) (Proprietary) Limited, not less than forty-eight hours before the time set for the meeting. Completion of a form of proxy will not preclude a member from attending the meeting.

Electronic participation by shareholders

In terms of section 61(10) of the Companies Act every shareholders' meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders. Grindrod shareholders wishing to participate electronically in the annual general meeting are required to deliver written notice to the company at Grindrod Mews, 2nd Floor, 106 Margaret Mncadi Avenue, Durban, 4001 (marked for the attention of Mrs CI Lewis) by no later than 16:00 on Monday, 27 May 2019 that they wish to participate via electronic communication at the annual general meeting (the "electronic notice"). In order for the electronic notice to be valid it must contain: (a) if the shareholder is an individual, a certified copy of his/her identity document and/or passport; (b) if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and certified copy of the identity documents and/or passports of the persons who passed the relevant resolution. The relevant resolution must set out who from the relevant entity is authorised to represent the relevant entity at the annual general meeting via electronic communication; and (c) a valid email address and/or facsimile number (the "contact address/number"). By no later than twenty-four hours before the time for the annual general meeting the company shall use its reasonable endeavours to notify a shareholder at its contact address/number who has delivered a valid electronic notice of the relevant details through which the shareholder can participate via electronic communication.

In terms of section 63(1) of the Act, meeting participants need to provide satisfactory identification.

By order of the board

Grindrod Limited
Cathie Lewis
Group company secretary

Durban

5 March 2019

Form of proxy

Grindrod Limited
(Incorporated in the Republic of South Africa)
Registration number: 1966/009846/06
Share code: GND and GNDP
ISIN: ZAE000072328 and ZAE000071106
(the company)

For use in respect of the fifty-second annual general meeting of the company by certificated shareholders or of dematerialised shareholders with own-name registration.

Holders of dematerialised ordinary shares, other than those with own-name registration, must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP to issue them with the necessary letter of representation. If they do not wish to attend the annual general meeting in person, they should provide their CSDP with their voting instructions.

I/We ______________________________ (full name in block letters)

of ______________________________ (address in block letters)

being the registered holder/s of ____________ ordinary shares and ____________ preference shares in the capital of the company do hereby appoint

1. ____________ of ______________________________ or failing him/her,

2. ____________ of ______________________________ or failing him/her,

the chairman of the meeting as my/our proxy to attend, speak and vote on my/our behalf at the annual general meeting of the company to be held on Tuesday, 28 May 2019 at 14:00 in the boardroom, 7th Floor, Grindrod House, 108 Margaret Mncadi Avenue, Durban, South Africa and at any adjournment thereof, and to vote or abstain from voting as follows on the resolutions to be proposed at such meeting.

Please indicate how you wish your proxy to vote by placing a cross ("X") in the box which applies:

	For	Against	Abstain
Ordinary resolution no. **2.1**: Re-election of non-executive directors retiring by rotation			
2.1.1. NL Sowazi			
2.1.2. PJ Uys			
2.1.3. SDM Zungu			
Ordinary resolution no. **2.2**:Confirmation of appointment of newly appointed director			
2.2.1 XF Mbambo			
Ordinary resolution no. **2.3**: Election of member and appointment of chairman of the audit committee – GG Gelink			
Ordinary resolution no. **2.4**: Election of members of the audit committee			
2.4.1. ZN Malinga			
2.4.2. RSM Ndlovu			
Ordinary resolution no. **2.5**: Re-appointment of independent auditors and re-appointment of designated audit partner			
2.5.1. Re-appointment of Deloitte & Touche as independent auditors			
2.5.2. Re-appointment of K Peddie as designated audit partner			
Ordinary resolution no. **2.6**: General authority to directors to allot and issue ordinary shares			
Ordinary resolution no. **2.7** of 75 percent: General authority to issue shares for cash			
Special resolution no. **3.1**: Approval of non-executive directors' fees			
Special resolution no. **3.2**: General authority to provide financial assistance in terms of section 44 of the Act			
Special resolution no. **3.3**: General authority to provide financial assistance in terms of section 45 of the Act			
Special resolution no. **3.4**: Repurchase of the company's ordinary shares			
Non-binding advisory vote **4.1**: Confirmation of the group remuneration policy			
Non-binding advisory vote **4.2**: Confirmation of the group implementation report			

Date: ______________________ Signature: ______________________

Please read the notes and instructions overleaf.

Notes to the form of proxy

1. A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.
2. In accordance with the company's MOI, voting shall be by poll only.
3. Please indicate with an "X" in the appropriate spaces overleaf how you wish your votes to be cast. If you return this form duly signed without any specific directions, the proxy will vote or abstain at his/her discretion.

Instructions on signing and lodging the form of proxy

1. You may insert the name of any person(s) whom you wish to appoint as your proxy in the blank space(s) provided for that purpose.
2. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration or correction must be initialled by the signatory/ies.
3. When there are joint holders of shares, any one holder may sign the form of proxy. In the event of any dispute, the first name appearing in the register shall be taken as the shareholder.
4. The chairman of the meeting shall be entitled to decline to accept the authority of a person signing the proxy form:

   (a) under a power of attorney; or

   (b) on behalf of a company;

   unless that person's power of attorney or authority is deposited at the offices of the company's share transfer secretaries not less than forty-eight hours before the meeting together with the form of proxy.
5. The completion and lodging of this form of proxy will not preclude the member who grants this proxy from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.
6. Completed forms of proxy should be lodged at or posted to the company's share transfer secretaries, Link Market Services South Africa (Proprietary) Limited, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000), South Africa, so as to reach them not later than forty-eight hours before the time set for the holding of the meeting.

List of abbreviations

Abbreviation	Definition
AGM	Annual General Meeting
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BEPS	Transfer Pricing documentation and country by country reporting
BOOT	Build-own-operate-transfer
CAGR	Compound Annual Growth Rate
CbC	Country by Country reporting
CO_2	Carbon dioxide
CO_2-e	Carbon dioxide equivalent
CDP	Carbon Disclosure Project
CEO	Chief executive officer
CFO	Chief financial officer
CFM	Ports and Railway Company of Mozambique
Company	Grindrod Limited
CSDP	Central Securities Depository Participant
CRET	The Cyril Ramaphosa Education Trust
CV	Curriculum Vitae
DoL	Department of Labour
DPW	Dubai Ports World
DRC	Democratic Republic of the Congo
DTI	Department of Trade and Industry
EBITDA	Earnings Before Interests, Tax, Depreciation and Amortisation
EE	Employment Equity
ECL	Expected Credit Loss
ESG	Environmental, Social and Governance
ETF	Exchange Traded Fund
ETR	Effective tax rate
EV/EBITDA	Enterprise Value/EBITDA

Abbreviation	Definition
FCTR	Foreign Currency Translation Reserve
FSCA	Financial Sector Conduct Authority
FTE	Full Time Equivalent
FTSE	Financial Times Stock Exchange
GFS	GFS Holdings Proprietary Limited
GHG	Greenhouse Gas
GML	Grindrod Mozambique Limitada
GRI	Global Reporting Initiative
Grindrod	Grindrod Limited
GSA	Grindrod (South Africa) Proprietary Limited
HDSA	Historically Disadvantaged South African
HEPS	Headline Earnings Per Share
HR	Human Resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IMO	International Maritime Organisation
IoDSA	Institute of Directors Southern Africa
IRBA	Independent Regulatory Board for Auditors
<IR>	Integrated Reporting
IRR	Internal rate of return
ISO	International Standards Organisation
IT	Information Technology
IVS	Island View Shipping
JSE	Johannesburg Stock Exchange

List of abbreviations continued

Abbreviation	Definition
King IV	The King IV Report on Corporate Governance for South Africa, 2016
kl	Kilolitre
Km	Kilometre
KPI	Key Performance Indicator
kWh	Kilowatt hour
l	Litre/s
LTIFR	Lost Time Injury Frequency Rate
m	Metre
m^2	Square metre
m^3	Cubic metre
MARPOL	International Convention for the Prevention of Pollution from Ships
MCTL	Grindrod Maputo car terminal
ML	Megalitre
MOI	Memorandum of Incorporation
MPDC	Maputo Port Development Company
mt	Million tons
mtpa	Million tons per annum
MW	Megawatt
MWh	Megawatt-hours
N/A	Not Applicable
NGO	Non-Governmental Organisation
NLPI	NLPI Limited
NOx	Nitrous Oxide
OACL	Ocean Africa Container Lines
OECD	Organisation for Economic Cooperation and Development
OHSAS	Occupational Health and Safety Advisory Services
OTGC	Oiltanking Grindrod Calulo
PMBOK	Project Management Body of Knowledge
PRINCE II	Projects In Controlled Environments II
RBTG	RBT Grindrod
RTGS	Real Time Gross Settlement

Abbreviation	Definition
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SARS	South African Revenue Services
SASSA	South African Social Security Agency
SDG	Sustainable Development Goal
SDGs	Sustainable Development Goals
SENS	Stock Exchange News Service
SGD	Singapore Dollar
SGM	Sturrock Grindrod Maritime
SGMT	Sturrock Grindrod Maritime Tech
SHERQ	Safety, Health, Environment, Risk and Quality
SOx	Sulphur Oxide
SMME	Small, Medium and Micro-sized Enterprises
TASK	Tuned Assessment of Skills and Knowledge
TCM	Terminal de Carvão da Matola
TCOE	Total Cost of Employment
TEU	Twenty Foot Equivalent Unit
TCFD	Task Force on Climate-related Financial Disclosures
The Companies Act	The Companies Act, No 71 of 2008 (South Africa)
TNPA	Transnet National Ports Authority
TRACE	TRACE International, Inc.
UK	United Kingdom
UN	United Nations
UNICORN	Unicorn Shipping
US$	United States Dollar
WACC	Weighted average cost of capital
WWF	World Wildlife Fund
ZAR	South African Rand

Company information

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ISIN: ZAE000072328 and ZAE000071106

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