

CORPORATE GOVERNANCE

Ethical conduct, good corporate governance, risk governance and fair remuneration are fundamental to the way that Montauk manages its business. Stakeholders' interests are balanced against effective risk management and Montauk's obligations to ensure ethical management and responsible control.

ETHICS

The Montauk board of directors is committed to the principles of good corporate governance. Ethical behaviour in Company undertakings is maintained by all directors, officers and staff in accordance with the Group's ethics policy. The policy requires that individual employees comply with all relevant legal requirements and regulations that apply to their area of work and provides guidance on matters such as respecting intellectual property rights and avoiding conflict of interest. Montauk acknowledges and understands that the operation of its businesses requires a shared set of core values and ethical conduct to which each employee is held accountable.

The directors of the Company are accountable to act in accordance with the Group's directors' code of conduct. The governing principles are broadly defined as standards of diligence and good faith.

The board endorses the Code of Corporate Practices and Conduct set out in the King III Report on Corporate Governance for South Africa ("King III").

The board acknowledges its responsibility to ensure the integrity of the integrated annual report, believes that it addresses all material issues, and that it fairly represents the integrated performance of Montauk. The Company's commitment to good corporate governance is formalised in its charter and policies.

As a corporate citizen, Montauk has a responsibility to conduct its affairs with diligence and responsibility, and to safeguard the interests of all stakeholders.

The board is accountable for the strategy, direction and corporate behaviour of the Company. This includes oversight over policies and procedures that promote Company conduct in accordance with the Company's code of ethics.

RISK MANAGEMENT AND INTERNAL CONTROL

The board acknowledges that it is accountable for the process of risk management and the system of internal control of Montauk. The Group operates in a highly regulated environment. Company management ensures adherence to the various legislations and regulations that govern the day-to-day operations. Internal control structures have been

implemented to ensure that significant business and financial risk is identified and appropriately managed.

BOARD OF DIRECTORS

The board is regulated by a formal board charter, which sets out the role of the board and the responsibilities of the directors. While control is delegated to the management committee in the day-to-day management of the Group, the board retains full and effective control over the Company and is accountable and responsible for its performance. The board charter codifies the board's composition, appointment, authorities, responsibilities and processes, and sets out the fiduciary duties of the directors of the Company. It provides the board with a mandate to exercise leadership, determine the Group's vision and strategy and monitor operational performance.

Composition of the board

The roles of chairman and chief executive officer of the Company are separate and not held by the same individual and the composition of the board ensures a balance of authority precluding any one director from exercising unfettered powers of decision-making. The directors are individuals of a high calibre with diverse backgrounds and expertise, facilitating independent judgement and broad deliberations in the decision-making process. The board each year evaluates its composition to ensure an appropriate mix of skills and experience.

The board comprises eight (8) members of whom six (6) are non-executive directors. Three (3) of the non-executive directors are also independent directors in terms of the definition stated below. Principle 2.16 of King III recommends that the board should elect a chairperson who is an independent non-executive director. The board has appointed a non-executive chairperson and, in terms of the definition provided, he is not regarded as independent. The board is of the opinion that the experience and specialist knowledge of the industry makes it appropriate for him to hold this position. The board has appointed Mr MH Ahmed as lead independent non-executive director. The independence of the directors classified as "independent" was evaluated by weighing all relevant factors, including length of services on the board, which may impair independence.

The executive directors are Mr ML Ryan (chief executive officer) and Mr SF McClain (chief financial officer).

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The Companies Act places certain duties on directors and determines that they should apply the necessary care and skill in fulfilling their duties. To ensure that this is achieved, best practice principles, as contained in King III, are applied where applicable.

No director has an automatic right to a position on the board. All directors are required to be elected by shareholders at an annual general meeting. The Company in general meeting may appoint any person to be a director subject to the provisions of the Company's MOI.

The boards of the Company's major subsidiaries are similarly constituted with the necessary mix of skills, experience and diversity. There is also an appropriate mix between executive and non-executive appointments.

The board is evaluated on an annual basis by the remuneration committee, on both an individual and a collective basis. In turn, the board evaluates the performance and effectiveness of board subcommittees.

Directors of the Company as of 31 March 2016 were:

JA Copelyn
MH Ahmed
DR Herrman
MA Jacobson
NB Jappie
SF McClain
BS Raynor
A van der Veen

There were no changes to the directorate during the year under review but as communicated to shareholders on 27 May 2016, Mr DR Herrman resigned as executive director and chief executive officer with effect from 10 June 2016. Mr ML Ryan was appointed as executive director and chief executive officer on 27 May 2016.

To uphold their independence and integrity, directors disclose all material interests as and when they arise. A list of directors' interests is tabled annually.

The directors are entitled to seek independent professional advice at the Company's expense concerning the Company's affairs and have access to any information they may require in discharging their duties as directors. In terms of the Company's MOI, one-third of directors must retire at every annual general meeting and are eligible for re-election. The directors who retire shall be those who have been longest in office since their last election. Any director who has held office for three years since the last election shall also retire at the conclusion of the

annual general meeting. A retiring director shall be eligible for re-election, and if re-elected, shall be deemed not to have vacated office. Any casual vacancy occurring on the board may be filled by the board, but the individual so appointed shall cease to hold office at the termination of the first shareholders' meeting to be held after the appointment of such individual as a director unless he/she is elected at such shareholders' meeting. As a result, the directors retiring at the forthcoming annual general meeting and who offer themselves for re-election are Messrs JA Copelyn, ML Ryan and MH Ahmed. The name and brief curriculum vitae of each director appear on page 6 of this report.

In terms of the Company's MOI, there is no mandatory retirement age for non-executive directors. No director has a fixed term of appointment with the Company.

Meetings of the board

The board met two (2) times during the year under review, on each of 3 June 2015 and 3 March 2016. The meetings were attended by all board members. The board has met two (2) times subsequent to the reporting date on each of 25 May 2016 and 28 July 2016. The directors are comprehensively briefed in advance of the meetings and are provided with all necessary information to enable them to discharge their responsibilities.

BOARD COMMITTEES

Three board committees and an executive committee have been established to assist the board in discharging its responsibilities. In line with King III, all board committees comprise only members of the board, but appropriate personnel may be invited to the meetings as required. All committees are empowered to obtain such external or other independent professional advice as they consider necessary to carry out their duties. These committees play an important role in enhancing good corporate governance and improving internal controls and consequently the Company's performance. Each board committee must act according to written terms of reference, approved by the board and reviewed annually, setting out its purpose, membership requirements, and duties and reporting procedures.

Audit and risk committee

Members: MH Ahmed (chairman), NB Jappie and BS Raynor.

The audit and risk committee fulfils an oversight role regarding the Group's financial statements and the reporting process, including the system of internal financial control. The committee also assists the board in discharging its responsibilities by considering reports and information generated by the subsidiary companies' audit or finance committees to their respective boards.

The committee's objectives are to assist the board in fulfilling its fiduciary duties with regard to:

- reviewing the interim, provisional and year-end financial statements, culminating in a recommendation to the board to adopt them;
- reviewing legal matters that could have a significant impact on the Group's financial statements;
- reviewing the external audit report on the annual financial statements;
- verifying the independence of the external auditor, namely Grant Thornton Johannesburg Partnership;
- approving the audit fees and engagement terms of the external auditor;
- oversight of the integrated annual reporting as well as the evaluation of the significant judgements and reporting decisions affecting the integrated annual report;
- reviewing the expertise, resources and experience of the Company's finance function; and
- determining the nature and extent of allowable non-audit services and approving the contract terms for the provision of non-audit services by the external auditor.

All the members of the committee are independent non-executive directors. All members act independently as described in section 94 of the Companies Act.

A report by the audit committee has been provided on page 14 of this report.

Remuneration committee

Members: MH Ahmed (chairman), JA Copelyn and NB Jappie.

This committee is primarily responsible for overseeing the remuneration and incentives of the executive directors. It takes cognisance of best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the Company. The committee may utilise the services of independent remuneration consultants to assist in providing guidance on the remuneration for executive management.

Functions and mandates of the remuneration committee include:

- making recommendations to the board regarding directors' fees and the remuneration and service conditions of executive directors, including the chief executive officer;
- providing a channel of communication between the board and management on remuneration matters;

- reviewing the Group's remuneration policies and practices, and proposals to change these and to make recommendations in this regard to the board;
- reviewing and approving the terms and conditions of executive directors' employment contracts, taking into account information from comparable companies;
- determining and approving any share-based grants to executive directors and other senior employees; and
- reviewing and approving any disclosures in the annual report or elsewhere on remuneration policies or directors' remuneration.

All the members of the committee are non-executive directors. In line with the recommendations of King III, the chief executive officer attends the meetings of the committee at the request of the committee, but recuses himself from the meeting before any decisions are made in which he is affected.

A report by the remuneration committee has been provided on page 16 of this report.

Social and ethics committee

Members: JA Copelyn (chairman), ML Ryan and NB Jappie.

The committee's functions are in line with the requirements of the Companies Act. A report by the social and ethics committee has been provided on page 18 of this report.

Executive committee

The committee's primary objectives are to assist the board in the daily management of the Group, including the allocation and investing of the Group's resources.

The executive committee comprises Messrs ML Ryan (director), SF McClain (director) and JW Wallace.

CHIEF FINANCIAL OFFICER

Mr SF McClain, an executive director, is the chief financial officer of the Group. The audit and risk committee has considered his expertise and experience and deems it appropriate. The committee is also satisfied that the expertise, resources and experience of the finance function are adequate.

COMPANY SECRETARY

HCI Managerial Services Proprietary Limited, a juristic person, is the appointed company secretary of the Group and appointed by the board in terms of the Companies Act and in accordance with JSE Listings Requirements. The board has assessed the directors and the designated staff of the company fulfilling the role of the company secretariat and is satisfied that they have the competence, qualifications and

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experience to effectively fulfil the role of company secretary. The company secretary provides support and guidance to the board in matters relating to governance, ethical conduct and fiduciary duties. Where required, the secretary facilitates induction and training for directors and co-ordinates the annual board evaluation process. Directors have unrestricted access to the advice and services of the company secretary whilst maintaining an arm's length relationship between the board and the company secretary.

DEALING IN THE COMPANY'S SECURITIES

Montauk complies with the continuing obligations of the Listings Requirements of the JSE. A Group-wide share trading policy is in place whereby all directors and employees who have access to financial results and other price-sensitive information are prohibited from dealing in Montauk shares during certain prescribed restricted periods as defined by the JSE or when the Company is operating under a cautionary announcement. The company secretary disseminates written notices to inform these employees of the insider trading legislation and advises of closed periods. All directors and senior executives are required to obtain written clearance prior to the dealing in shares of the Company and to report all share dealings to the company secretary to ensure that all such dealings are disclosed in terms of the applicable JSE Listings Requirements.

CONFLICTS OF INTEREST

The directors are required to avoid situations where they have direct or indirect interests that conflict or may conflict with the Group's interests. Procedures are in place for disclosure by directors of any potential conflicts and for appropriate authorisation to be sought if conflict arises.

COMPLIANCE WITH LAWS, CODES AND STANDARDS

Montauk respects and complies with the laws of the countries in which it operates. This includes corporate laws, common law as well as specific laws. The Group operates in a highly regulated environment and, where necessary, compliance officers have been appointed to ensure adherence to the various Acts and Codes that govern the day-to-day operations.

DISCLOSURES

To ensure shareholder parity Montauk makes accurate and timely disclosure of information that may have a material effect on the value of its securities or influence investment decisions to all of its shareholders. The Company publishes details of its corporate actions and performance via the Securities Exchange News Service ("SENS") and in the main South African daily newspapers. The Company maintains

a website through which access is available to the broader community on the Company's latest financial, operational and historical information, including its integrated annual report.

LITIGATION

There are no material legal or arbitration proceedings (including proceedings which are pending or threatened of which the directors of Montauk are aware) which may have or have had, during the year ended 31 March 2016, a material effect on the financial position of Montauk. Subsequent to the reporting year, the Company initiated an arbitration proceeding against its contractor for the 20 Megawatt facility in Southern California related to certain schedule and performance issues.

GOVERNANCE OF INFORMATION TECHNOLOGY

Due to the inherent risks in information technology ("IT"), King III has recommended that the board of directors be responsible for the assessment, implementation and monitoring of IT within the Company. IT governance is the responsibility of the board of directors, forms an integral part of the Group's risk management and is assisted by the audit and risk committee in carrying out its IT responsibilities. The board of directors of Montauk acknowledges the need for an IT policy which, if effectively managed, can streamline and add value to the underlying businesses. The board is assisted by Mr SF McClain, who also serves as the Company's chief information officer, in the implementation of an IT policy. A governance framework for implementation at subsidiary level will be considered for approval by the board in due course. At a holding Company level, Montauk does not believe it is necessary to employ a chief information officer as recommended by King III. The audit and risk committee is responsible for the monitoring of IT compliance within the Group. Moreover, as part of the Company's annual financial audit, an IT audit is performed.

APPLICATION OF KING III PRINCIPLES

Montauk believes that, in all material respects, it complies with the major recommendations of the code to ensure that sound corporate governance and structures are applied within the Group. Alternatives to the King III recommendations can be applied to further the best interests of the Company, as long as the overarching principles of good corporate governance are achieved. The board monitors compliance to ensure ongoing improvement of operational and corporate practices and that the affairs of the Group are conducted with transparency and integrity.

A detailed analysis of compliance with the individual principles of King III is published on the Company's website.

The JSE Listings Requirements require explanations where the principles of King III have been “applied differently”. Below are those principles which require explanation:

- P = Partially compliant
- U = Under review
- X = Not compliant

PRINCIPLE	LEVEL OF COMPLIANCE	RESPONSE
2.10 The board should ensure that there is an effective risk-based internal audit.	X	Due to the size of the Group’s operations and centralised finance and administration functions, Montauk has no internal audit function although the board and audit and risk committee continuously assess the need to establish such a function.
2.16 The board should elect a chairman of the board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of chairman of the board.	P	The Company has appointed a separate chairman and this role is not fulfilled by the CEO. The chairman of the board is not an independent non-executive director because of the interests that certain members of his family have in the shares of the Company. A lead independent director has been appointed.
2.27 Shareholders should approve the Company’s remuneration policy.	P	Remuneration paid to non-executive directors of the Company is subject to approval by shareholders at the annual general meeting of the Company. The remuneration of executive management is determined in accordance with Group remuneration policies as determined by the remuneration committee. The remuneration policies are endorsed by shareholders by way of a non-binding resolution.
9.3 Sustainability reporting and disclosure should be independently assured.	U	Although some of the information provided in relation to sustainability matters has not been independently assured, the board has taken care to use reliable sources for this information. The Company will evaluate the need for independent assurance on sustainability reporting in the future.