



**SPUR** CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS

**REMUNERATION POLICY  
APPLICABLE FROM  
1 JULY 2019**



# REMUNERATION POLICY

Applicable from 1 July 2019

## INTRODUCTION

The Remuneration Policy's overall objective is to articulate and effect fair, responsible and transparent remuneration. Spur Corporation ("the group") aims to:

- remunerate all employees in such a way so as not only to attract and retain talented individuals, but also motivate all employees to contribute continuously to the success of the group;
- promote the achievement of strategic objectives within its risk appetite;
- promote positive outcomes; and
- promote an ethical culture and responsible corporate citizenship.

The *remuneration strategy & philosophy* and the *key remuneration principles*, contained in this Remuneration Policy, are the cornerstones in achieving these objectives.

## REMUNERATION STRATEGY & PHILOSOPHY

By implementing the Remuneration and other HR-related policies, the group aims to have and maintain a positive, high-quality, motivated workforce that operates responsibly within an ethical culture.

This strategy is underpinned by the overall business objective, namely maximising value to shareholders, and is informed by our risk framework and appetite, our HR strategy, stakeholder dialogue and by comparative industry practices.

## KEY REMUNERATION PRINCIPLES

The following more detailed and practical objectives support the overall remuneration strategy as set out in the section titled *Remuneration Strategy & Philosophy*. The group should:

- attract the appropriate people to key positions by means of appropriate remuneration;
- manage its workforce to realise their full potential during their employment and appropriately reward staff performance; and
- retain key knowledge by identifying and retaining key people.

To achieve the aforementioned objectives, the Remuneration Policy is based fundamentally on the following principles:

- Adherence to principles of good corporate governance and regulatory frameworks
- Alignment to the overall business strategy, objectives and values of the group
- The *remuneration strategy & philosophy* is informed by the group's risk framework and appetite, HR strategy, stakeholder dialogue and comparative industry practices
- "Horizontal fairness" is applied; i.e. equal pay for work of equal value. Employees performing similar job requirements at the same or similar level of performance in the organisation receive the same or similar levels of remuneration
- "Vertical fairness" is applied; i.e. differences in total remuneration between different job levels can be explained and justified on a consistent basis

- This Policy contains arrangements which ensure that executive management's remuneration is fair and responsible within the context of overall organisation-wide employee remuneration
- The group aims to strike a balance between guaranteed remuneration, short-term incentives and long-term incentives for executive and senior management. For these individuals, multiple metrics are used to determine performance criteria, which are aligned with the group's strategy and shareholder interests
- Organisation-wide (including executive directors) benchmarking is performed at least every five years
- The group targets remuneration at the median of benchmarked remuneration levels for each individual's area of expertise and responsibility
- Total remuneration packages are structured in such a way that ensures that the interests of employees and shareholders are aligned
- The group applies performance measures that support positive outcomes; over the long run, the group intends to express these outcomes across the various contexts in which the group operates, namely people (social), planet (environmental) and profit (economic)
- The group's performance system, Spurformance, and day-by-day informal performance assessments aim to, *inter alia*, identify and reward individual performance
- The aim of the group's leadership programme and forfeitable share plan includes the retention of promising employees.

## OVERVIEW

### SCOPE OF POLICY

This policy addresses organisation-wide remuneration.

### PURPOSE OF POLICY

The purpose of the policy is to provide the group with a framework within which to determine and approve organisation-wide remuneration which will attain the policy's overall objective, namely to articulate and effect fair, responsible and transparent remuneration.

## RESPONSIBILITIES

The board assumes the responsibility for the governance of remuneration and:

- ensures that the Remuneration Policy articulates and gives effect to its direction on fair, responsible and transparent remuneration;
- oversees and monitors, on an ongoing basis, the management of an ethical workplace, including employment equity and fair remuneration;
- approves the Remuneration Policy;
- oversees the implementation and execution of the policy.
- ensures that the Remuneration Policy achieves the objectives it contains; and
- determines non-executive directors' fees (the remuneration committee may however be requested to provide input and guidance to the board in this regard).



The board is assisted in its task regarding the governance of remuneration primarily by the remuneration committee and, on a secondary level, by the social, ethics and environmental sustainability committee.

The remuneration committee performs an oversight function as it relates to remuneration, and:

- ensures that appropriate principles, policies and practices are in place as a foundation for fair and responsible remuneration;
- recommends to the board a fair and responsible organisation-wide Remuneration Policy which promotes the creation of value in a sustainable manner;
- has the final authority on all remuneration matters of the company subject only to the board's approval (or shareholders' approval in the case of non-executive directors' remuneration); and
- provides guidance to the board as it relates to non-executive directors' fees.

The group has facilitated collaboration between the remuneration committee and the social, ethics and environmental sustainability committee to ensure ethical remuneration outcomes. The remuneration committee, assisted by the social, ethics and environmental sustainability committee, undertakes reviews from time to time to ensure the effectiveness of the Remuneration Policy and system in order to achieve ethical outcomes.

### STAKEHOLDER ENGAGEMENT

Ongoing meaningful stakeholder engagement has always been a primary objective, and the group is continuously assessing the manner in which it engages with its shareholders and other stakeholders. Additional proactive ways of engaging with shareholders are currently under consideration; these will include stakeholder engagement as it relates to remuneration-related matters, *inter alia*, its Remuneration Policy and the implementation thereof.

As per the *King Report on Governance for South Africa* ("King IV"), the Remuneration Policy and implementation report, as set out in the remuneration report, are tabled annually for a separate non-binding advisory vote by shareholders at the annual general meeting. In the event that either the policy and/or implementation report are voted against by 25% or more of the voting rights, the chief executive officer and chairperson of the remuneration committee will purposefully engage with the shareholders to:

- ascertain the reasons for dissenting votes; and
- appropriately address legitimate, reasonable concerns raised by shareholders; this may result in amendments to the remuneration policy and/or clarification on remuneration governance etc.

Were there to be more than 25% dissenting votes, the announcement of the results on SENS will include the following, as required by the JSE Regulations:

- An invitation to dissenting shareholders to engage with the issuer; and
- The manner and timing of such engagement.

Shareholders are responsible for the approval, by means of special resolution, of fees for non-executive directors, for their service as directors, as per the Companies Act and King IV.

### ADMINISTRATIVELY

The following persons are administratively responsible to effect and maintain this policy:

Policy Manager:	Group HR executive
Custodian of this policy:	Chief financial officer
Authorisation Body:	The board

## ELEMENTS OF REMUNERATION

### OVERVIEW

Remuneration consists of the following elements:

- Basic cost-to-company and travel allowance/company car
- Short-term incentive and thirteenth cheque
- Long-term incentives, including:
  - Equity-settled forfeitable share plan
  - Equity-settled share appreciation rights scheme

One of the group's key remuneration principles is to strike a balance between guaranteed remuneration, short-term incentives and long-term incentives for executive and senior management. Each of the above elements is elaborated on within the subsections below.

### BASIC COST-TO-COMPANY AND TRAVEL ALLOWANCE/COMPANY CAR

The basic cost-to-company package consists of a base salary, a medical aid contribution, and a provident fund contribution. In certain instances where employees are regularly and routinely required to travel for business purposes, a travel allowance or company car is granted to employees.

The following prevalent details or principles apply to basic cost-to-company and increases thereon:

- "Horizontal fairness" i.e. equal pay for work of equal value. The following standardised considerations are taken into account:
  - Seniority or length of service;
  - Qualifications, ability, competence, potential;
  - Employee demotions due to restructuring or legitimate reason without a reduction in pay or remuneration;
  - Shortage of relevant skill in a particular job classification; and
  - Work performance.
- "Vertical fairness" is applied; i.e. differences in total remuneration between different job levels can be explained and justified on a consistent basis.
- The basic cost-to-company package is largely based on competitive benchmarking undertaken at least every five years. On an *ad hoc* basis, remuneration information on market-related remuneration packages is specifically requested from reputable service providers to perform a comparison.

- All employees are required to be covered by medical aid, the cost of which is to be borne by the employee.
- All local employees are required to be a member of the group's provident fund, which is administered externally to the group. Employees must contribute a minimum of 15% of their cost-to-company (net of travel allowance, and provident fund contribution) to the fund but may voluntarily increase this to 20%. The contribution includes group life cover as well as income protection cover in the event of incapacity.

Travel allowances are increased annually by inflation. Travel allowances are determined based on the cost of financing, insuring and maintaining a certain level of vehicle depending on the seniority of the individual involved.

Company cars are granted at the discretion of the company. The type of vehicle is at the company's discretion.

The basic cost-to-company is provided to all employees, excluding non-executive directors.

The basic cost-to-company package is fixed for a period of 12 months and is subject to an annual review with effect from 1 July each year. Increases (excluding those of executive directors) are based on inflation, individual key performance indicators, benchmarking exercises, core skills, changes in responsibilities and group financial performance measures, and are proposed by the relevant line managers, reviewed and recommended by the group HR executive, group chief financial officer, group chief operating officer and reviewed and approved by the group chief executive officer.

Executive directors' increases are recommended by the group chief executive officer and the remuneration committee to the board, who approves the remuneration. As it relates to the group chief executive officer's remuneration, he formally recuses himself from the remuneration committee's discussion on his remuneration, and the board approves his remuneration, subject to the recommendation of the remuneration committee.

## ANNUAL INCENTIVES

Employees participate in either a short-term incentive scheme or a thirteenth cheque, depending on their position and seniority.

Participants of the short-term incentive scheme are *bona fide* full-time eligible employees of the group who are middle management and higher, and who have been determined to have sufficient discretionary managerial or executive (depending on the status of the eligible employee) decision-making authority, influence and ability in order to be able to have a meaningful impact on the financial performance of the group. The thirteenth cheque scheme is available to all other employees that do not participate in the short-term incentive scheme. For the avoidance of any doubt, non-executive directors are not eligible employees.

## 1. Short-term incentive

The purpose of the short-term profit share bonus scheme is to align the interests of eligible employees with those of shareholders in the short term i.e. based on profits.

Maximum bonus payments are determined based on employment level as follows:

- Executive management – 4 times monthly basic cost-to-company
- Senior management – 3 times monthly basic cost-to-company
- Middle management – 2 times monthly basic cost-to-company
- Subject to a minimum of 1 times monthly basic cost-to-company, adjusted for personal performance, in the event that the group's minimum financial performance targets are achieved (CPI).

The maximum bonus is allocated to the following components:

- Personal performance (20%)
- Divisional performance (65%)
- Group performance (15%)

Performance criteria are determined at the discretion of the remuneration committee, taking into consideration the principles of this policy, the cost of the incentive to the company and input from various stakeholders, provided that in the case of financial performance measures, these shall be determined, *inter alia*, with reference to short-term growth in profit relative to CPI, and provided further that the minimum qualifying criteria shall be at least growth in profit of CPI. In addition, for executive management, financial performance measures shall include a measure of effective employment of capital (e.g. return on equity).

Short-term incentives shall be calculated in accordance with the rules of the scheme, under the supervision of the group chief financial officer, subject to review and confirmation by the remuneration committee.

The details of the short-term incentive shall be documented in a set of rules, which shall be approved by the remuneration committee in advance.

## 2. Thirteenth cheque

Thirteenth cheques are firstly dependent on whether the group achieves the requisite financial performance parameters set by the board. If the group's financial performance parameters are achieved, the thirteenth cheques are then based on each individuals' annual performance and KPI results. Depending on the extent to which financial performance parameters are met, a full or partial thirteenth cheque may be declared. Each individual's participation is limited to a maximum of one month's cost-to-company (excluding travel allowance), but may be reduced depending on individual performance during the year under review.

Thirteenth cheques are proposed by the relevant line managers, reviewed and recommended by the group HR executive, group chief financial officer, group chief operating officer and reviewed and approved by the group chief executive officer.

## LONG-TERM INCENTIVES

The allocation of long-term incentives shall be determined with reference to the participant's basic cost-to-company, assuming on-target performance conditions, where such on-target performance conditions are determined at the discretion of the remuneration committee, taking into consideration the principles of this policy, the cost of the incentive to the company and input from various stakeholders, provided that in the case of financial performance measures, these shall be determined, *inter alia*, with reference to a measure of effective employment of capital and profit growth relative to CPI (where the minimum qualifying criteria shall be at least growth in profit of CPI). In addition, each participant's personal performance shall be taken into account in the granting of retention awards and the vesting of incentive awards.

Under on-target performance conditions, the aggregate future value of all long-term incentives granted in any year shall not exceed:

- Group chief executive officer – 5 times monthly basic cost-to-company
- Group chief operating and financial officers – 4 times monthly basic cost-to-company
- Exco team – 3 times monthly basic cost-to-company
- Other senior management – 2 times monthly basic cost-to-company.

## 1. Equity-settled forfeitable share plan

At the AGM of 4 December 2015, shareholders approved the Spur Group forfeitable share plan, in terms of which a maximum 3 254 428 shares may be awarded to employees and directors.

The forfeitable share plan is a discretionary plan offered by the group for the benefit of the group and used as a mechanism for the retention of certain of the group's key employees. This plan increases the commitment and interest of employees in the group's long-term business goals and performance through share ownership. It is an incentive for employees to remain with the group in the long-term and execute and enhance the group's future performance and growth strategies. Due to this plan currently mainly revolving around retaining key staff, it has no vesting criteria other than the requirement to remain employed by the group for a period of three years from the grant date. Personal performance criteria are to be applied prior to granting of any awards.

The vesting of awards will be subject to malice and/or clawback provisions.

The annual allocation of the forfeitable share plan shares and the participants of the scheme are recommended by executive management in accordance with the above criteria, but subject to the approval of the remuneration committee and the board. For the avoidance of any doubt, executive and non-executive directors cannot be eligible employees or participants under this plan.

In terms of the rules of the forfeitable share plan, the maximum allocation at any time per participant cannot exceed 162 721 shares, although it is not envisaged that any participant shall be allocated more than 50 000 shares at any point in time in aggregate. Employees are not entitled to any benefits associated with the shares for the duration of the initial three-year vesting period. Thereafter, participants are restricted from trading in the shares that vest for a further two-year period, but, during this period, they are entitled to all the other benefits of ownership of the share.

Full details of the scheme are contained in the rules of the Spur Group Forfeitable Share Plan.

## 2. Equity-settled share appreciation rights scheme

At the AGM of 4 December 2015, shareholders approved the Spur Group Share Appreciation Rights Scheme, in terms of which rights equating to a maximum of 7 593 665 shares may be awarded to employees and directors.

This scheme is a discretionary plan offered by the group for the benefit of the group and certain of its key employees. The scheme increases the commitment and interest of employees in the group's long-term business goals and performance through share ownership. It is an incentive for the employees to execute and enhance the group's future performance and growth strategies.

The Spur Group Share Appreciation Rights Scheme is an incentive scheme for executive directors and senior managers who are able to influence the share price, which is linked to the performance of the group and the share price. The participants of the scheme are recommended by executive management in accordance with the above criteria, but subject to the approval of the remuneration committee and the board. For the avoidance of any doubt, non-executive directors cannot be participants under this plan.

Vesting criteria include a three-year employment period from grant date, minimum return on equity to be maintained for three years, and specified growth targets in adjusted headline earnings per share relative to inflation over three years. The annual allocation of the rights is recommended by executive management but subject to the approval of the remuneration committee and the board. The performance hurdles for each tranche of rights awarded is determined by the remuneration committee and the board, based on recommendations by executive management, but financial performance hurdles relating to growth in profit shall, at a minimum, refer to at least CPI. In terms of the rules of the Spur Group Share Appreciation Rights Scheme, the maximum allocation at any time per participant cannot exceed the equivalent of 379 682 shares.

In the event that any shares vest after the initial three-year vesting period, participants are restricted from trading in the vested shares for a further two-year period, but, during this period, they are entitled to all the other benefits of ownership of the share.

Personal performance criteria are to be applied on the vesting of such awards. The vesting of awards will be subject to malice and/or clawback provisions.

Full details of the scheme are contained in the rules of the Spur Group Share Appreciation Rights Scheme.

## EXECUTIVE DIRECTORS' SERVICE CONTRACTS

Executive directors have varying notice periods in terms of their employment contracts, ranging between a one-month to a six-month period.

The executive directors are restrained, by agreement, from any involvement in businesses associated with competing brands for the duration of their employment and for a period of two years following their termination of employment.

No contracts provide for termination settlements, other than those required in terms of law.

## TERMINATION BENEFITS

Termination benefits are not paid, except in circumstances where it is in the company's interests to do so.

## NON-EXECUTIVE DIRECTORS

The board as a whole determines fees to non-executive directors for membership on the board and board committees. The board is of the opinion that such fees are market-related and commensurate with the time and effort required by the directors to undertake their duties. Amongst other considerations, fees are compared to the data contained in the annual remuneration report issued by PwC.

No non-executive directors may participate in any incentive schemes and their remuneration may not be linked to the performance of the group or its share performance.

## REVIEW OF THE POLICY

This policy will be reviewed whenever necessary, but at least annually.

All proposed changes to the policy must be fully motivated for consideration by the policy holder, custodian of the policy and finally, for the consideration and approval of the board.

It is preferred, but not necessarily always required, that stress testing be performed on the potential effects and/or unintended consequences of policy changes.

## ACTIONS CONTRADICTIONARY TO THE POLICY

Disciplinary action may be taken against any employee who contravenes this policy.



---

**SPURCORPORATION.COM**

 [www.linkedin.com/company/spur-group](https://www.linkedin.com/company/spur-group)