SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS

REMUNERATION REPORT 2021

THIS REPORT PROVIDES ADDITIONAL INFORMATION TO THAT PROVIDED IN THE MAIN SECTION OF THE INTEGRATED ANNUAL REPORT.

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PART 1: BACKGROUND STATEMENT

Dear shareholders

On behalf of the board of directors and the nominations and remuneration committee (the committee), I am pleased to present the remuneration report for the 2021 financial year (the report). Our committee's focus remains to ensure that the remuneration structure at Spur Corporation drives value creation for our shareholders, provides a motivating remuneration package for our executives and strives for best-practice corporate governance standards.

I appreciated the opportunity of the continued engagement with many of our shareholders to discuss the implementation of our remuneration policy, following its approval at the annual general meeting (AGM) held in December 2020. Our objective is to increase shareholder alignment, market competitiveness and a performance-driven culture.

The group aims for our remuneration practices to shift the focus from guaranteed pay towards variable pay by adjusting the current pay mix to enhance the variable pay portion of the total reward package. To achieve this, we have made changes to our remuneration structure and adopted new short (STI) and long-term incentive (LTI) schemes, which will be implemented in the 2022 financial year. As committed to shareholders in our last report, we have actively engaged with shareholders during the past year regarding the planned implementation of the new incentive schemes. These engagements addressed specifically the mix of incentive instruments to be used, the key performance metrics used for the incentives as well as the process of setting targets. Further details are provided below.

THE YEAR IN REVIEW

The COVID-19 pandemic has had a profound impact on the South African economy. The initial hard lockdown in the second quarter of 2020 saw the South African economy shrink significantly. While the local real annualised GDP grew 1.2% in the second quarter of 2021, indicating signs of slow recovery, the economy is still worse off than pre-COVID-19 times. While reduced consumer demand has kept inflation relatively low for the financial year, the financial year ended with year-on-year headline inflation at 4.9% for June 2021. Unemployment reached a record high in the second quarter of 2021 at 34.4%. Increased emigration has also exacerbated the critical skills shortage in South Africa.

The restaurant industry in particular has been severely impacted by COVID-19 lockdown trading restrictions, reflected in the group's financial performance which continues to lag pre-COVID-19 periods.

Fortunately, with less onerous lockdown restrictions in the latter part of the financial year, the second half of the 2021 financial year produced improved results over that of the first, indicating a slow, but positive, recovery.

Comparable profit before income tax, excluding once-off and unusual items, as well as the impact of marketing funds, decreased by 18.6% in the 2021 financial year relative to the prior year.

The various lockdown restriction periods had a significant impact on the group's cash reserves and various austerity measures were implemented to reduce costs during the year with some reprieve experienced only in the latter part of the 2021 financial year.

Further details of the group's financial performance are included in the group chief financial officer's (CFO's) report on pages 71 to 76 of the integrated annual report.

These conditions, and the resulting financial pressures on the group, have made it difficult, from an affordability perspective, to fully implement the previously approved remuneration policy. Nevertheless, as franchising is essentially based on the continuous development of intellectual property and our business is therefore highly reliant on key skills, we have sought to continue to remunerate fairly so as to retain and attract key skills. Thus, while increases in guaranteed remuneration have been limited (in some cases to below inflation), the implementation of our new variable pay incentive schemes in the 2022 financial year is expected to compensate employees for this.

In light of these factors, the remuneration outcomes for the year are reflective of our performance and in summary are as follows:

1. No standard annual increases in guaranteed remuneration were granted in July 2020.
2. The standard workweek was reduced to four days across the board from June 2020 to September 2020 with a commensurate 20% reduction in guaranteed remuneration over the same period for all employees with a guaranteed remuneration in excess of R25 000 and R15 000 for the periods of June to August 2020 and September 2020 respectively. Employees impacted were permitted to encash up to four days' leave per month or reduce their provident fund contributions to compensate for the loss of earnings.
3. The group took advantage of the South African Government's Temporary Employer/Employee Relief Scheme (TERS) for the benefit of impacted employees.
4. Non-executive directors' fees were similarly reduced by 20% from June to September 2020.
5. In light of the group's weakened financial performance and net cash outflows as a result of reduced trading levels due to COVID-19 related restrictions, the group's STI scheme and the thirteenth cheque scheme for non-STI participants were suspended for the 2021 financial year.
6. An *ex gratia* bonus of 50% of monthly cost-to-company (CTC) was however approved subsequent to the publication of the 2020 remuneration report and paid in recognition of the efforts of all employees to trade through the COVID-19 lockdown restrictions. Refer to page 20 of this report for further details on the *ex gratia* bonuses awarded to the former group chief executive officer (CEO), CFO and group chief operations officer (COO).
7. As part of the group's COVID-19 austerity measures, the implementation of the remuneration policy adopted by shareholders at the December 2020 AGM was deferred until the 2022 financial year. As a result, no LTI awards were granted during the 2021 financial year.
8. While no forfeitable shares or share appreciation rights, granted in terms of the previous LTI schemes, vested during the year, the holding period of the first tranche of forfeitable shares, granted in April 2016, terminated in April 2021.

Following the improved performance in the second half of the 2021 financial year, and in light of the punitive measures on remuneration that were required to be applied during the year, as well as the expectation of gradually improving trading conditions, the following actions have been approved by the nominations and remuneration committee (Remco) subsequent to year end:

1. The executive directors were granted a 2% increase (prorated for a portion of the year where the employee was appointed during the 2021 financial year) in guaranteed remuneration, with effect from 1 July 2021. 26% of employees received a 2% increase in guaranteed remuneration and 55% of employees received a 4% increase. Where employees were identified as being paid below the market median for remuneration levels, based on available salary benchmarking data prior to job reprofiling and regrading, higher increases in guaranteed remuneration were applied in an attempt to realign identified gaps to median. 19% of employees (49 employees) thus received increases in excess of 6%.
2. As the STI and thirteenth cheque bonus schemes were suspended for the 2021 financial year, the Remco has approved an *ex gratia* bonus pool which may be allocated to eligible employees. Employees' eligibility and individual awards will be determined based on the assessment of personal performance and, on the basis that the group has sufficient free cash flow, to be assessed, awarded and settled to participants in December 2021. These awards will be proposed by the relevant line managers, reviewed and recommended by the group HR executive and the executive directors. The awards will be reviewed and approved by the CEO and the Remco.
3. On 7 October 2021, the first tranche of share appreciation rights (SARs), issued in terms of the new Share Appreciation Right Plan 2020 (SAR 2020), were awarded to eligible and participating employees. The first tranche of bonus awards will be awarded during the 2023 financial year (based on an earned STI for the 2022 financial year).
4. The group refined its new STI scheme rules which have been implemented for the 2022 financial year.

SHAREHOLDER ENGAGEMENT AND VOTING

While we were pleased that the group's remuneration policy, as tabled at the December 2020 AGM, was approved by shareholders, we failed to gain the requisite shareholder support for our remuneration implementation report. This was not entirely unexpected as we had yet to finalise the alignment of the implementation plan for the new remuneration policy.

During 2021, the committee met with shareholders to discuss remaining shareholder concerns and solicit input from shareholders on the finer implementation points of the remuneration policy and new incentive schemes including the mix of incentive instruments to be used, the key performance metrics used for the incentives as well as the process of setting targets.

A summary of the main areas of focus discussed during our shareholder engagements over the past year, which required further attention, together with our responses are summarised below:

Total reward and pay mix

During 2020, the committee commissioned PricewaterhouseCoopers Inc. (PwC) to conduct an independent total reward benchmarking exercise which highlighted an overemphasis on fixed pay. In this context, and based on the feedback received from shareholders, our focus has been to rebalance our total remuneration offering by increasing the performance orientation of our remuneration structures, with a special focus on variable remuneration. The main consideration in introducing these changes has been to provide a performance linkage in every pay component while ensuring that total remuneration levels remain market competitive.

We reviewed the compensation packages for the CEO and CFO positions to more closely represent competitive market practice and have aligned these to our new remuneration policy with a market-related total guaranteed pay (TGP) and variable pay focus.

KPI's with detailed performance targets have been finalised with the appointment of the new CEO and CFO.

SHAREHOLDER COMMENT	OUR FEEDBACK AND RESPONSE
Pay mix is still heavily weighted in favour of guaranteed remuneration rather than variable remuneration, with a particular focus required on the CEO pay mix.	With the appointment of our new executives, their CTC have been set at market-related levels. Variable pay has been calibrated with reference to the CTC. Due to affordability considerations, lower variable pay has been set for the 2022 financial year. The board acknowledges that the pay mix may need to be augmented in future to achieve an ideal pay mix. This is dependent on affordability parameters. The board will seek to adjust the pay mix in favour of variable remuneration over time.

The STI scheme

The STI scheme has been amended to include an on-target bonus percentage expressed as a percentage of annual TGP, aligned to market norms. The on-target bonus percentage will be applied to the sum of business and personal scores. To ensure affordability, gatekeeper amounts will be used.

SHAREHOLDER COMMENT	OUR FEEDBACK AND RESPONSE
Personal performance indicators must not be considered in the determination of any STI award.	The board notes that, in respect of executive directors, only 20% of the STI award is subject to personal performance while 80% is awarded on achieving financial performance metrics. Personal performance is measured with reference to bespoke detailed balanced scorecards per participant which are each specifically aligned to the board-approved group strategy and business plan and the Remco therefore considers the use of personal performance as a key component of the STI to ensure strategy alignment and execution. Details of the components included in the personal scorecards are disclosed in part 2 of this report.

LTI scheme

Two new equity-settled LTIs have been implemented: a new Share Appreciation Right Plan 2020 (SAR 2020) and a Restricted Share Plan 2020 (RSP 2020). Various awards can be made under the LTIs, as detailed on page 10. All awards to executive management are subject to forward-looking performance conditions. To ensure further shareholder alignment and to encourage shareholding by executives beyond vesting (RSP 2020) and exercise (SAR 2020), post vesting/exercise holding periods can be implemented, at the discretion of the committee.

SHAREHOLDER COMMENT	OUR FEEDBACK AND RESPONSE
In respect of the LTI awards, the use of performance shares is preferred relative to SARs.	The primary instrument used for the first tranche of LTIs is a SAR. A SAR's value is inherent to the increase of the company's share price appreciation over the performance period and the increase in value is directly aligned with the value realised by shareholders over the same period. The share price incorporates market (and shareholder) sentiment and is underpinned by the group's profitability. Should the group fail to perform in line with shareholder expectations or take decisions and/or allocate capital which fails to meet with shareholder approval, this will impact on the share price and therefore directly on the value of the SARs that vest. The board will continue to assess the appropriate mix of instruments to be used for the LTI awards in future years. The RSP 2020 makes provision for the use of performance shares which may be used as an alternative to (or in addition to) SARs in future years.

Malus and clawback

The STI and LTI will be subject to malus and clawback provisions.

SHAREHOLDER COMMENT	OUR FEEDBACK AND RESPONSE
Details of Malus and Clawback Policy to be included in the remuneration report.	Refer page 17 of this report. The Malus and Clawback Policy is in place with trigger events defined. The policy is applicable to both STI and LTI awards.

Mandatory shareholding requirements (MSR) and environmental, social and governance (ESG) requirements

MSR and ESG metrics are becoming more prevalent as performance requirements for variable remuneration for executives.

SHAREHOLDER COMMENT	OUR FEEDBACK AND RESPONSE
MSR should be imposed for executives.	The board will implement MSR in due course, following engagement with the impacted executives.
Inclusion of ESG metrics in determination of awards where these are tangibly defined and measured.	The board has committed to augment existing incentives to accommodate ESG measures in due course.

REMUNERATION POLICY CHANGES AND KEY AREAS OF FOCUS FOR THE YEAR

No significant changes to the remuneration policy as tabled, and approved by shareholders, at the December 2020 AGM have been made or are proposed. Some amendments to the pay mix model are proposed, where variable pay as a percentage of total remuneration and, consequently, the value of on-target STI and LTI as a percentage of guaranteed remuneration have been moderated downwards relative to the previously approved policy. This follows concerns regarding the affordability of the incentive schemes (in particular the cash-settled STI) in the short to medium term as a result of the impact of COVID-19 on the group's business.

As referred to above, the board intends to re-assess the variable pay components of remuneration over time in order to achieve market benchmarks (as specified in the remuneration policy), as soon as affordability permits.

A further minor change relates to the weightings of personal and business performance for STI participants other than executive directors: a greater weighting has been applied to personal performance as a result of the implementation of a new performance navigation process which has culminated in a detailed bespoke scorecard aligned to the group strategy and business plans for each participant.

The focus for the second half of the financial year has been on the finalisation of the detailed STI scheme rules and targets applicable for the 2022 financial year, as well as settling the specific terms and targets of the LTI awards granted on 7 October 2021 in accordance with the LTIs approved by shareholders at the December 2020 AGM.

In addition, extensive financial modelling exercises were conducted (with the assistance of PwC) to assess the financial impact of the proposed pay mix and incentive schemes, in order to ensure that the new incentive schemes do not result in adverse financial consequences for the group. This resulted in the implementation of clear affordability gatekeepers and free cash flow settlement conditions for the STI.

A Malus and Clawback Policy applicable to all incentive schemes was also implemented.

In finalising these matters, various engagements were held with key stakeholders in an effort to address the concerns of the respective parties.

The details of the new STI and LTIs implemented from the 2022 financial year are detailed on pages 8 to 14 of this report.

EXTERNAL ADVISERS

As previously advised, PwC was engaged to advise the board on remuneration matters, in particular the benchmarking of executive remuneration and the design of new variable pay schemes in the prior year.

This relationship with PwC continued in the current financial year and included, as mentioned earlier, assistance with, and guidance on, appropriate performance conditions and the target setting process. In addition, PwC developed extensive financial models to assess the financial impact of the proposed schemes including affordability gatekeepers and free cash flow settlement conditions for the STI. PwC also assisted in developing the Malus and Clawback Policy and assisted the board in its engagements with key stakeholders.

This culminated in the finalisation and implementation of the new variable pay schemes.

The committee is satisfied with the independence and objectivity of PwC.

FUTURE FOCUS AREAS

The level of unprecedented uncertainty arising from COVID-19 will require the committee to regularly assess the appropriateness of the variable pay schemes implemented for the 2022 financial year to avoid undesired outcomes. While we believe that the affordability gatekeepers and cash settlement conditions will guard against adverse financial consequences for the group, the unique environment will require diligent and continuous monitoring and focus.

In response to engagements with stakeholders, the committee will:

- continue to assess the appropriateness of the instruments used in the LTI and make appropriate changes as the environment evolves;
- engage with executives with a view to agree and formalise MSRs for executives; and
- investigate and begin the process of defining and including ESG metrics in the performance scorecards of executives.

On behalf of the company, the Remco and the board, I thank you for your supportive feedback regarding our remuneration framework.

Shirley Zinn
28 October 2021

PART 2: REMUNERATION POLICY

REMUNERATION GOVERNANCE

The Remco is mandated by the board to oversee the establishment and implementation of a group-wide remuneration policy. This policy is founded on the principles of fair, responsible and transparent remuneration practices, and seeks to:

– attract and retain talented, high performing individuals, and to motivate all employees to contribute continuously to the success of the group;
– promote the strategic objectives in the short, medium and long term;
– promote positive outcomes; and
– promote an ethical culture and responsible corporate citizenship.

The roles and responsibilities of the Remco are available in the online governance review at www.spurcorporation.com/investors/results-centre.

OVERVIEW OF REMUNERATION POLICY

The remuneration policy is available at www.spurcorporation.com/investors/results-centre.

The purpose of the remuneration 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.

By implementing the remuneration policy, in conjunction with other HR-related policies, the group aims to maintain a positive, quality, motivated workforce which operates responsibly within an ethical culture. This should lead to long-term shareholder value creation.

The remuneration policy is based fundamentally on the following principles:

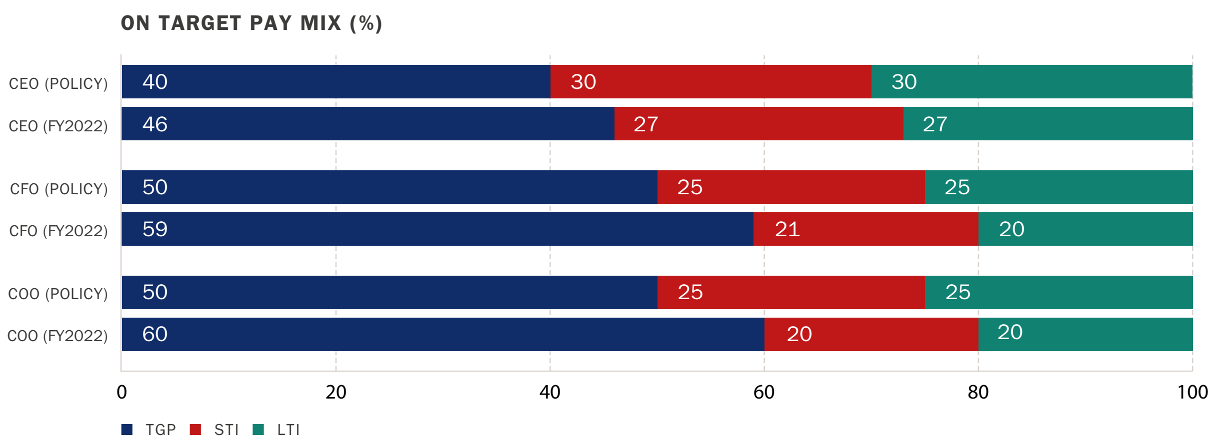
– Adherence to principles of good corporate governance and regulatory frameworks.
– Alignment to the overall business strategy, objectives and values of the group.
– "Horizontal fairness" is applied. Employees performing similar job requirements at the same or similar level of performance in the organisation receive the same or similar levels of remuneration. The following standardised considerations are taken into account:
  - seniority or length of service;
  - qualifications, ability, competence, potential;
  - shortage of relevant skill in a particular job classification; and
  - work performance.
– "Vertical fairness" is applied. Differences in total remuneration between different job levels can be explained and justified on a consistent basis.
– Ensuring that executive management's remuneration is fair and responsible within the context of overall, organisation-wide employee remuneration.
– Remuneration for executive and senior management is to be balanced between guaranteed remuneration, and STI and LTI schemes which are aligned to positive strategic outcomes and shareholder interests.
– The group targets remuneration at the median of benchmarked remuneration levels.
– Over the medium term, the group intends to assess positive outcomes across the various contexts in which the group operates, namely, people (social), planet (environmental) and profit (economic).
– The group's performance management system aims to, *inter alia*, identify and reward individual performance.

ELEMENTS OF REMUNERATION AND PAY MIX

Remuneration consists of the following elements:

1. Total guaranteed pay (TGP)
2. Short-term bonus: Thirteenth cheque and STI
3. LTI, including:
   - historically used LTIs, namely an equity-settled FSP retention scheme and an equity-settled SAR incentive scheme (collectively the 2016 LTIs); and
   - newly approved and implemented LTIs, namely the SAR 2020 and RSP 2020 schemes.

The standard on-target pay mix for executive directors is specified in the remuneration policy. As mentioned in part 1 of this report, due to affordability concerns, the group has implemented variable remuneration schemes for the 2022 financial year which result in on-target variable remuneration being less than the standard policy as per the graphic below:



It is our intention to move towards the adoption of the policy on-target pay mix as affordability permits.

1. Total guaranteed pay (TGP)

TGP comprises basic cost-to-company (CTC) and, in certain instances where employees regularly and routinely are required to travel for business purposes, a travel allowance or company car.

The CTC amount comprises a cash salary, medical aid contribution and provident fund contribution where the cash salary is determined as the CTC amount less the employee's cost of medical aid and contribution to the provident fund. Employees are required to be covered by medical aid and be a member of the group's provident fund. Contributions to the provident fund include group life and disability cover.

The following principles apply to CTC and increases thereon:

- CTC is largely based on competitive benchmarking undertaken from time to time. On an *ad hoc* basis, remuneration information on market-related remuneration packages is specifically requested from reputable service providers to conduct a comparison.
- Consideration is given to "horizontal fairness" and "vertical fairness".
- CTC is fixed for a period of 12 months and is subject to an annual review with effect from 1 July each year.
- Increases are based on inflation, individual key performance indicators, benchmarking exercises, core skills, changes in responsibilities and group financial performance measures. Increases (excluding those of executive directors) are proposed by the relevant line managers, reviewed and recommended by the CFO and COO, and reviewed and approved by the CEO.
- Executive directors' increases in CTC are recommended by the CEO, reviewed and endorsed by the Remco, and approved by the board. The board approves the CEO's remuneration, subject to the recommendation of the Remco.

Travel allowances are typically increased by inflation annually.

Company cars, and the type of vehicle, are granted at the discretion of the company.

2. Short-term bonus: Thirteenth cheque and STI

Employees participate in either the STI scheme or a thirteenth cheque, depending on their position and seniority. Subject to the Remco's discretion, participants in the STI are *bona fide* full-time eligible employees of Spur who are employed at Paterson Grade D Upper and above 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 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 form part of the STI scheme.

2.1 STI

The purpose of the STI is to align the interests of eligible employees with those of shareholders in the short term and is therefore based on profits. The new STI structure, effective from 1 July 2021, is disclosed below. As indicated earlier in this report, no STI awards were made in the 2021 financial year as part of the group's COVID-19 austerity measures, although an *ex gratia* payment (unrelated to financial performance) was made to all employees in December 2020 (approved subsequent to the publication of the 2020 remuneration report) as detailed in part 3 of this report on page 23.

The salient features of the STI applicable to the 2022 financial year are summarised in the table below:

Element	Description
Bonus formula	Annual TGP x on-target percentage x [(bonus weighting x business score) + (personal weighting x personal score)]
On-target percentages	The following on-target percentages apply:

	As a % of TGP for F2022 (reduced levels)	As a % of TGP per standard policy
CEO	58%	70%
CFO	35%	60%
COO	33%	60%
Paterson Grade E	25%	60%
Paterson Grade D Upper and below	17%	50%

Element	Description		
Weightings for CEO, CFO and COO	Personal performance: 20%	Business (Group) performance: 80%	
Weightings for other group executives	Personal performance: 50%	Business (Group) performance: 50%	
Weightings for divisional executives	Personal performance: 50%	Business (Group) performance: 15%	Business (Divisional) performance: 35%
Performance targets and related scores	– 'Meets expectations': 100% vests – 'Exceeds expectations': 150% vests – Below 'Meets expectations': 0% vests	Average of budgeted adjusted headline earnings and adjusted headline earnings per share: – Target: 100% vests – Threshold (97.5% of budget): 50% vests – Stretch (115% of budget): 150% vests – Below threshold: 0% vests	Budgeted operating profit[1]: – Target: 100% vests – Threshold (between 95.9% and 97.3% of budget depending on division): 50% vests – Stretch (between 103.3% and 119.5% of budget depending on division): 150% vests – Below threshold: 0% vests

Group performance condition (details of the target-setting process are set out below)

Adjusted headline earnings is calculated as headline earnings (as reported in accordance with JSE Listings Requirements)

- excluding: impact of all incentive schemes
- excluding: marketing fund surpluses/deficits
- excluding: foreign exchange gains/losses
- excluding: profit contribution of any acquisition as well as costs associated with any acquisition
- excluding: profit relating to any business disposals as well as any costs associated with any such disposal
- including: any impairment (and impairment reversals) not already included in headline earnings
- and any adjustment, at the discretion of the Remco, required to avoid an unjustified windfall for the participants

Adjusted headline earnings per share is calculated as:

- adjusted headline earnings (per above)
- divided by the weighted average number of shares in issue used for the determination of headline earnings per share
- adjusted to exclude the impact of any incentive schemes

Element	Description		
	CEO	**CFO**	**COO**
Personal performance conditions – key elements of personal scorecards	Corporate strategy and financial performance	Corporate strategy and financial performance	Turnover and profit
	Network development and franchisee relationships	Financial governance and reporting	Restaurant growth and development including new formats and channels
	Transformation	Transformation	Transformation
	Employee experience	Organisational governance and risk management	Ensure best in class dining experience
	Supply chain	Stakeholder relationships	Product development and innovation
		IT and legal	Franchisee profitability and operational excellence
	Leadership behaviours	Leadership behaviours	Leadership behaviours
Gatekeeper amount	The aggregate value of all thirteenth cheques and STI payments (including the value of any bonus matching FSP awards) may not exceed 15% of earnings before interest, tax and the cost of all incentive schemes		
Free cash flow condition	The aggregate value of all thirteenth cheque and STI payments (including the value of any bonus matching FSP awards) may not exceed 20% of cash generated from operations. In addition, the payment of any STI is subject to a liquidity and solvency test as contemplated by section 4 of the Companies Act		
Malus and clawback	Unpaid STI can be cancelled and paid STI can be recovered should a trigger event arise; clawback will apply for a period of 3 years		

[1] Operating profit of the division (before the cost of incentive schemes).

Target-setting process for 2022 STI

Due to the commercially sensitive nature of disclosing budgets and to avoid disclosing forecasts, an overview of the target-setting process and the rationale followed when calibrating targets are provided.

The on-target percentages (applied to TGP to determine the on-target bonus amount per participant as per the table above) applicable to the 2022 financial year differ slightly from the stated remuneration policy, due to affordability constraints anticipated in the 2022 financial year.

The group has historically set financial performance targets with reference to growth in profits on prior year relative to CPI. COVID-19 has had a significant impact on the group's financial performance for the 2021 financial year, such that it does not serve as a reasonable base from which to set a reasonable target. In addition, COVID-19 has introduced an unprecedented level of uncertainty when considering projections – both company specific, and in terms of local and global macroeconomic factors – complicating the process of setting appropriate earnings performance targets in the short term.

The newly appointed executive leadership team implemented a new business planning process during the year which culminated in a group strategy, detailed business plans for each division, a resulting zero-based budget for each division and a detailed, objective and specific scorecard for each individual with key deliverables and performance metrics aligned with the business plans. Key strategic projects and initiatives have been incorporated in the various plans, scorecards and budgets. The process involved robust engagement between the executive leadership and business units, and vigorous interrogation, before the strategy, plans and budgets were presented and approved by the board. In testing the reasonability of the approved budgets, the board considered the budgets relative to the 2019 financial year (as the last full pre-COVID-19 'normal' year of trading) actual financial performance. On this basis, the board has concluded that the budgets set are realistically achievable, while incorporating an element of stretch from the perspective of increasing revenue and reducing costs in a COVID-19 environment. The board has therefore supported the use of the budgets as targets for the purposes of the 2022 financial year's STI.

In setting the threshold targets, a 300 basis point margin below target is in line with market practice and has been adopted for the 2022 financial year's STI. In setting stretch targets, the market practice is to apply a 300 basis point margin above target, subject to a funding limitation whereby no more than 30% of the incremental profit above target should be available to fund bonuses. This logic has been applied in setting the stretch targets above. The stretch targets generally exceed the 300 basis point margin as a greater incremental profit above target is required to fund the STI payments per the stated pay mix.

Personal performance is measured with reference to the aforementioned bespoke detailed balanced scorecards per participant which are each specifically aligned to the board-approved group strategy and business plan and the Remco therefore considers the use of personal performance as a vital component of the STI to ensure strategy alignment and execution. The key elements of each of the executive directors' scorecards are listed in the table above.

2.2 Thirteenth cheques

Thirteenth cheques are determined based on the financial performance of the group and each individuals' annual performance results. Depending on the financial performance of the group, a full or partial thirteenth cheque is declared. Each individual's participation is limited to a maximum of one month's CTC.

Thirteenth cheques are proposed by the relevant line managers, based on individual performance, reviewed and recommended by the CFO and COO, and reviewed and approved by the CEO.

3. LTI:

At the AGM of 23 December 2020, the new SAR 2020 and RSP 2020 (collectively the New LTIs) were approved by shareholders. The New LTIs contemplate three instruments, namely share appreciation rights (SARs), conditional shares and forfeitable shares. The instruments can be awarded in various ways, namely as appreciation awards, performance awards, retention awards or bonus awards (matching or deferral).

The table below summarises the LTI instruments available to the company, as per the LTIs approved at the 2020 AGM:

Plan	Restricted Share Plan (RSP 2020)			Share Appreciation Right Plan (SAR 2020)
Award type	**Performance awards**	**Retention awards**	**Bonus award: deferral**	**Appreciation awards**
Instrument and application	Conditional rights to shares will be used. Shares are delivered on the vesting date, based on the satisfaction of prospective performance conditions.	Forfeitable shares – these are full-value shares settled on award with voting and dividend rights.		SARs – rights over the appreciation in the share price are awarded. Rights vest and can be exercised after a predetermined vesting period and may be subject to performance vesting conditions.
Eligibility	Middle management and above	Middle management and above, but executive management to be excluded from retention awards	Middle management and above	Middle management and above
Quantum and mix between instruments	A combination of business performance-based awards (either SARs or performance awards or a combination of both) and bonus awards are likely to be issued in most cases. Retention awards are likely to be awarded only in specific cases to retain key individuals or skills (other than executive management).			

Plan	Restricted Share Plan (RSP 2020)			Share Appreciation Right Plan (SAR 2020)
Award type	**Performance awards**	**Retention awards**	**Bonus award: deferral**	**Appreciation awards**
Vesting period	3 years	3 years	3 years	3 years with a 2-year exercise period
Performance period	3 years	Not applicable	1 year (as entry requirement)	3 years
Performance conditions	All awards will be subject to performance conditions; a combination of appropriate performance conditions aligned with our strategy will be used. For participants other than executive management, the performance conditions may include a measure of personal performance. For executive management, a minimum personal performance measurement may be required to qualify for vesting.	None.	Performance will be used as an entry mechanism via the outcome of the annual STI and no prospective performance conditions will therefore apply.	The vesting of all SARs awarded to executive management will be subject to performance vesting conditions; for other participants, SARs may be made subject to performance conditions. For participants other than executive management, the performance conditions may include a measure of personal performance. For executive management, a minimum personal performance measurement may be required to qualify for vesting.
Performance vesting	For awards subject to performance conditions, vesting levels will be calibrated as follows: – Performance below threshold will result in 0% vesting. – Performance between threshold and stretch vesting will result in vesting outcomes ranging from 30% to 100%.			
Holding period	Vested shares could be made subject to a two-year holding period post vesting; during the holding period, participants will not be allowed to trade the shares but will not lose the shares should they leave employment.			Exercised SARs could be made subject to a two-year holding period post exercise; during the holding period, participants will not be allowed to trade the shares but will not lose the shares should they leave employment.

Plan	Restricted Share Plan (RSP 2020)			Share Appreciation Right Plan (SAR 2020)
Award type	**Performance awards**	**Retention awards**	**Bonus award: deferral**	**Appreciation awards**
Malus and clawback	Unvested awards are subject to malus. Clawback applies for a three-year period post vesting and participants will be required to repay the pre-tax cash value of the shares should clawback be triggered.			Unexercised SARs are subject to malus while clawback will apply for a three year period following exercise. If a trigger event is imposed during the holding period, such shares will be forfeited. If a trigger event arises after the end of the holding period, clawback will still be applied, and participants will be required to repay the pre-tax cash value of the shares should clawback be triggered.
LTIs dilution limit	An aggregate limit of 5% of the issued share capital will be used for the existing LTIs (namely the 2016 LTIs) and the New LTIs (SAR 2020 and RSP 2020).			
Individual limit	No participant may acquire more than 0.5% of the issued share capital under the New LTIs.			

3.1 LTIs implemented from the 2022 financial year

It is not the intention to use all instruments for all eligible employees and our policy for the 2022 financial year is to use a combination of SARs and bonus awards, as explained below.

The combined value of LTI awards per participant, assuming on-target conditions, has been set at a value equivalent to that participant's on-target STI.

The value of bonus matching forfeitable shares to be awarded is determined as a percentage, based on the participant's role grade, of the STI payable which, for each participant (regardless of role grade), equates to approximately one month's TGP assuming on-target conditions. The remaining value of allocated LTIs is awarded as SARs.

The first tranche of SARs issued in terms of the SAR 2020 scheme were granted on 7 October 2021. The first tranche of bonus awards to be issued in terms of the RSP 2020 scheme will be made during the 2023 financial year, following the finalisation of the financial results for the 2022 financial year, but will be determined with reference to the STI relating to the 2022 financial year.

Details of the policy that applies for the 2022 financial year are included in the table below:

Element	SARs		Bonus awards	
Award value	Annual CTC x participation percentage		STI x participation percentage	
Participation percentages	The following on-target percentages apply:	As a % of TGP	The following on-target percentages apply:	As a % of the F2022 STI
	CEO	49%	CEO	15%
	CFO	26%	CFO	25%
	COO	25%	COO	25%
	Paterson Grade E	17%	Patterson Grade E	33%
	Paterson Grade D Upper and below	8%	Paterson Grade D Upper and below	50%
Vesting formula	No. of SARs x [(financial weighting x financial score) + (personal weighting x personal score)]		No. of bonus awards	
Performance period	1 July 2021 to 30 June 2024 (relative to base year of 1 July 2020 to 30 June 2021 for financial performance)		1 July 2021 to 30 June 2022 (based on STI performance outcomes)	
Weightings for CEO, CFO and COO	Personal performance: 0% (although a minimum average personal performance rating of 'meets expectations' must be achieved for the vesting period)	Group business performance: 100%	n/a	
Weightings for other participants	Personal performance: 50%	Group business performance: 50%	n/a	
Performance targets and related scores (further details on the target-setting process are detailed below)	– 'Meets expectations': 67% vests – 'Exceeds expectations': 100% vests – Below 'Meets expectations': 0% vests	Average of adjusted headline earnings and adjusted headline earnings per share[4]: – Target = growth[3] on F2021 of GDP[1]+CPI[2]+1%: 67% vests – Threshold = growth[3] on F2021 of GDP[1]+CPI[2]: 30% vests – Stretch = growth[3] on F2021 of GDP[1]+CPI[2]+2%: 100% vests – Below threshold: 0% vests	n/a	

[1] Annual percentage growth in South Africa's real Gross Domestic Product (as published by StatsSA) for each of the financial years forming part of the Performance Period relative to the immediately preceding financial year in each case.

[2] The South African Headline Consumer Price Index annual inflation rate (as published by StatsSA) as at the end of each of the financial years forming part of the Performance Period relative to the end of the immediately preceding financial year in each case.

[3] Nominal annual compounded annually (NACA).

[4] As defined on page 8.

Element	SARs	Bonus awards
Award date	7 October 2021	Anticipated to be post the 2022 financial year-end closed period
Vesting date	7 October 2024	3 years from award date
Exercise period	2 years from vesting date (i.e. until 6 October 2026)	n/a
Award price	R19.14 (10 day volume-weighted average price as at grant date)	n/a
Service condition	Remain employed for duration of vesting period	Remain employed for duration of vesting period
Holding period	CEO, CFO and COO: 2 years from date of exercise Other participants: None	n/a
Malus and clawback	Malus and clawback apply as per the remuneration policy	Malus and clawback apply as per the remuneration policy

Target-setting process and further rationale for 2022 LTI awards

The primary instrument used for the first tranche of LTIs is a SAR. A SAR's value is inherent to the increase of the company's share price appreciation over the Performance Period and the increase in value is directly aligned with the value realised by shareholders over the same period. The share price incorporates market (and shareholder) sentiment and is underpinned by the group's profitability. Should the group fail to perform in line with shareholder expectations or take decisions and/or allocate capital which fails to meet with shareholder approval, this will impact on the share price and therefore directly on the value of the SARs that vest.

The inclusion of group business performance vesting criteria is accordingly introduced largely to avoid a gratuitous or unjustified windfall gain for participants, as opposed to being a key determinant of the value of the awards that ultimately vest.

In this regard, the board has determined that growing profits in line with the nominal growth in the economy is a reasonable threshold target and that growth in profits at two percent above the nominal growth in the economy (also taking into account the continuing impact of COVID-19 on the global economy) is a reasonable target to allow for maximum vesting.

The board has determined that a measure of return on equity or return on assets is also not required as a performance measure, as capital structure and capital allocations (shareholder sentiment on both historic and future capital allocations) have a material impact on the value of the SAR already.

The allocations of SARs to executive directors on 7 October 2021 are as follows:

	No. of awards granted	Grant date strike price	Fair value at grant date (R) each	Fair value at grant date (R)
Val Nichas – CEO	**521 229**	**19.14**	**8.48**	**4 420 022**
Cristina Teixeira – CFO	**229 954**	**19.14**	**8.48**	**1 950 010**
Kevin Robertson – COO	**175 133**	**19.14**	**8.48**	**1 485 128**

3.2 Existing LTIs

Existing awards made under the 2016 LTIs will run their course. The outcomes against historic targets set will be reported in the implementation section of the remuneration report as and when the existing LTIs vest.

Termination benefits and executive directors' service contracts

No employment agreements provide for any termination benefits, other than those required by law. Termination benefits are not paid, except in circumstances where it is in the company's interests to do so. The company does not pay sign-on or attraction awards. The termination provisions in our new STI and LTIs are aligned with best practice and the requirements of King IV™ and are summarised below:

	STI	LTIs
Fault terminations (resignation, dismissal)	Unpaid STIs are forfeited	Unvested LTIs are forfeited
No fault terminations (retirement, voluntary retirement, redundancy, death, disability, sale of a company)	Unpaid STIs are forfeited, but the committee has the discretion to deviate from the application of the conditions subject to compelling reasons existing for such a deviation and subject to the reasons being documented; in the event that discretion is exercised, the STI will be prorated based on the number of months that the employee has been in employment relative to the number of months in the bonus period	Awards are prorated for time and performance
Change of control	Unpaid STIs are forfeited, but the committee has discretion provided that full accelerated vesting of the STI will not occur	No automatic vesting occurs, and awards are prorated for time and performance

Executive directors have varying notice periods in terms of their employment contracts, ranging between a one-month to a six-month period. Val Nichas has a six-month notice period, Cristina Teixeira a three-month notice period and Kevin Robertson a one-month notice period.

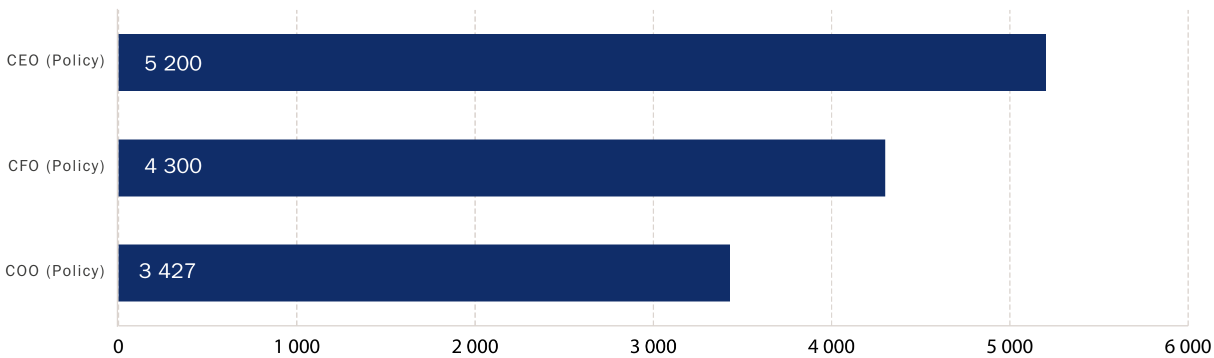
The executive directors are restrained, by agreement, from any involvement in businesses associated with competing brands for the duration of their employment and for a period of two years following their termination of employment.

Pay for performance illustration on executive remuneration

While our policy makes provision for a targeted pay mix, which has been rebalanced to give greater weighting to variable pay, as referenced above, due to affordability constraints, the actual pay mix for the 2022 financial year differs slightly to that per the policy.

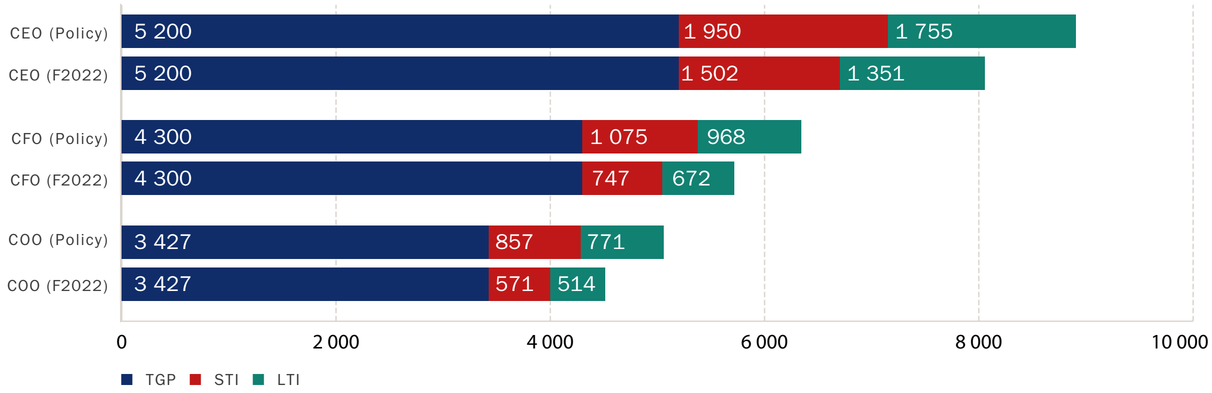
The hypothetical pay outcomes at various performance scenarios, on the remuneration of the CEO, CFO and COO are as follows:

BELOW-THRESHOLD PAY OUTCOMES (R'000)*

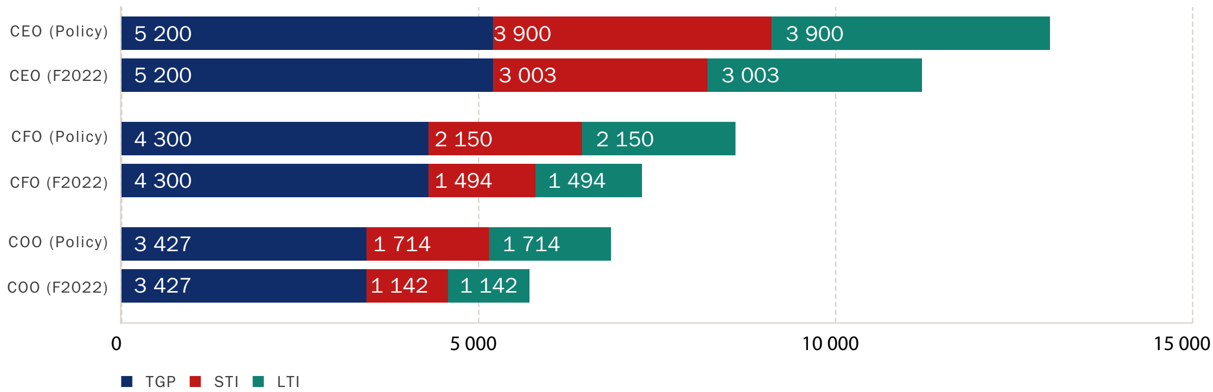


* Below-threshold performance will not result in the payment of any variable pay.

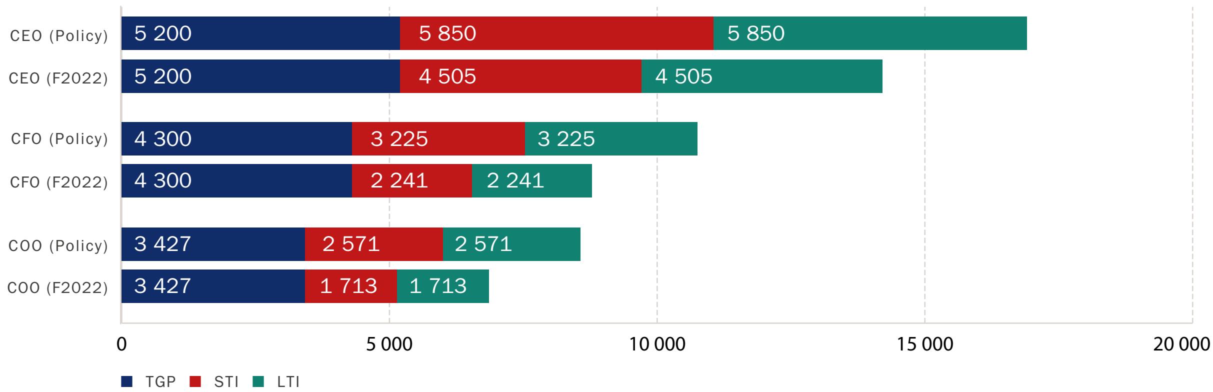
THRESHOLD PAY OUTCOMES (R'000)



ON TARGET PAY OUTCOMES (R'000)



STRETCH PAY OUTCOMES (R'000)



Fair and responsible remuneration of executives relative to overall employee remuneration

The policy requires that a benchmarking analysis of all employees is to be conducted every two to three years. During the year, 80% of role profiles were assessed. Job grading for 68 management roles (Paterson Grades D to F) were completed. We will continue the process for all roles within the group in the coming year. Remuneration surveys for benchmarking are in place. These will be refreshed post the completion of the job profiling and grading.
The committee and management will consider strategies to address any findings from this exercise. Salary reviews took place with effect from 1 July 2021. Refer to page 19 of part 3 of this report.

Malus and clawback

In line with market practice, the board and committee has adopted a Malus and Clawback Policy which prescribes that all variable pay (effective from 1 July 2021) is subject to malus and clawback should a trigger event occur. The trigger events include, but are not limited to:

- Material misstatement of financial statements
  - An adverse material misstatement of the financial results resulting in an adjustment to the audited consolidated accounts of the company;
- Actions, omissions and conduct of participants
  - Actions, events or conduct (including omissions) which, in the reasonable opinion of the board, amount to grounds for termination of employment for (gross) misconduct or negligence, dishonesty or fraud. This includes conduct that led to, or is likely to lead to, significant reputational or financial harm to the company, censure of the company by a regulatory authority, material failure to oversee or supervise other employees, or breach of any material obligations owed to the company, including the company's code of conduct, ethics, or risk policies;
- Assessment of performance and calculation of incentive remuneration
  - The discovery that the assessment of any performance metric or criteria in respect of the determination of any variable pay or the vesting thereof was based on error, or inaccurate or misleading information; and/or
  - The discovery that any information used in the decision to grant any variable pay or determine the quantum thereof was erroneous, inaccurate or misleading or any information emerges that was not considered at the time any variable pay award was made which, in the discretion of the board (acting reasonably), would have resulted in an inappropriate benefit or would have materially affected the decision to allocate, make or grant the variable pay, whether at all or at the level at which such variable pay was made.

Malus and clawback will be applied in the following manner should a trigger event arise:

- Malus (pre-payment/pre-vesting)
  - Unpaid STI and unvested or unexercised LTIs will be subject to malus provisions. This means the incentives may be reduced or forfeited if a trigger event arises.
- Clawback (post-payment/post-vesting)
  - Variable pay will also be subjected to clawback if a trigger event arises. This means the pre-tax value of the annual incentive received will be repaid and LTIs which are subjected to the holding period will be forfeited. If LTIs are not subjected to a holding period (or where the holding period has expired), the pre-tax value of the LTI on vesting will be repaid.

Basis for setting fees of non-executive directors

The board 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. Fees are compared to the data contained in the *Non-executive directors: Practices and fees trends report* issued by PwC from time to time. At the AGM on 23 December 2020, shareholders approved the remuneration of directors for services as directors with effect from 1 July 2020. At the forthcoming AGM on 10 December 2021, shareholders will be asked to approve directors' fees effective from 1 July 2021:

	Proposed fee per annum 2022*	Fee per annum 2021*
Chairman of the board (inclusive of all committee memberships and scheduled meeting attendances)	**R1 200 000**	R1 200 000
Member of board	**R450 000**	R450 000
Chair/member of audit committee	**R84 000/R42 000**	R84 000/R42 000
Chair/member of nominations and remuneration committee	**R84 000/R42 000**	R84 000/R42 000
Chair/member of social, ethics and environmental sustainability committee	**R84 000/R42 000**	R84 000/R42 000
Chair/member of risk committee	**R84 000/R42 000**	R84 000/R42 000

The above fees comprise an annual retainer of 25% of the fees listed, with the remaining 75% being attendance fees at three scheduled board meetings and two scheduled committee meetings per annum.

In addition to the above proposed fees for scheduled ordinary meetings, it is proposed that directors be paid a fee of R3 500* per hour (2021: R3 500 per hour) or part thereof for any special assignments or any meetings outside of the scheduled ordinary meetings (unless such a meeting exceeds three hours in duration, in which case a fee of R25 000* per meeting (2021: R25 000) is proposed).

In proposing the fees for the financial year ending 30 June 2022, the board has considered market information relating to JSE small and medium cap companies in the consumer services sector, as detailed in the *Non-executive directors: Practices and fees trends report* issued by PwC in January 2021. Fees proposed approximate the upper quartile for small capitalisation companies.

The board is of the opinion that the proposed fees take into account the qualifications, experience and opportunity cost of the targeted profile of non-executive directors for the company, and are appropriate to retain existing, and attract potential new, non-executive directors.

No non-executive directors participate in any incentive schemes and their remuneration is not linked to the performance of the group or its share performance. Details of fees paid to non-executives are included in note 43 of the consolidated financial statements for the year ended 30 June 2021 available online at www.spurcorporation.com/investors/results-centre.

* Amounts are stated exclusive of VAT, where applicable.

PART 3: IMPLEMENTATION OF REMUNERATION POLICY

EXECUTIVE REMUNERATION

Annual increase in CTC

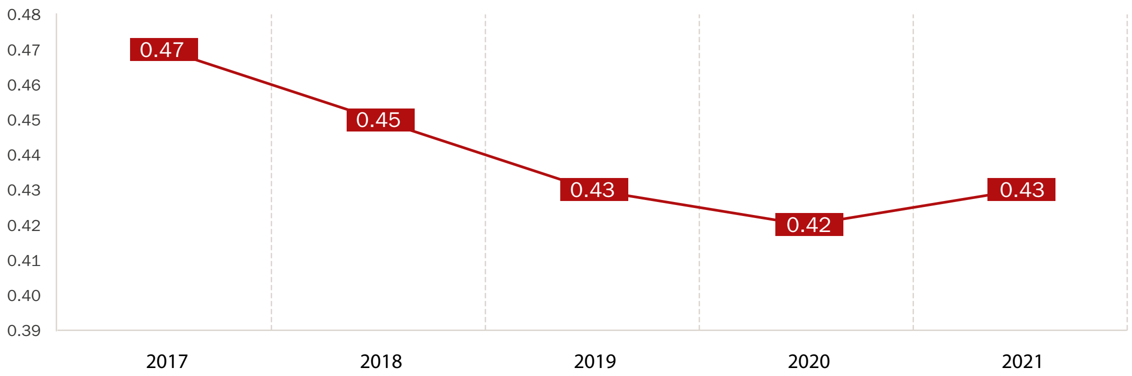
Due to the financial impact of the COVID-19 pandemic on our business, executive directors forfeited a salary increase at 1 July 2020. In addition, executive directors took a 20% reduction in salary for the period 1 June 2020 to 30 September 2020, in line with all employees earning above R25 000 per month and R15 000 per month for the periods June to August 2020 and September 2020 respectively. As part of the group's austerity measures in response to COVID-19, no increases in guaranteed remuneration were granted for any employees for the 2021 financial year except where individuals were promoted and an increase in CTC was required to align to a revised job grading. The COO received a 16.5% increase with his promotion in October 2021

Following the improved performance in the second half of the 2021 financial year, and in light of the punitive measures on remuneration that were required to be applied during the year, as well as the expectation of gradually improving trading conditions, the executive directors and the executive committee were granted a 2% increase (prorated for a portion of the year where the employee was appointed during the 2021 financial year) in guaranteed remuneration, with effect from 1 July 2021.

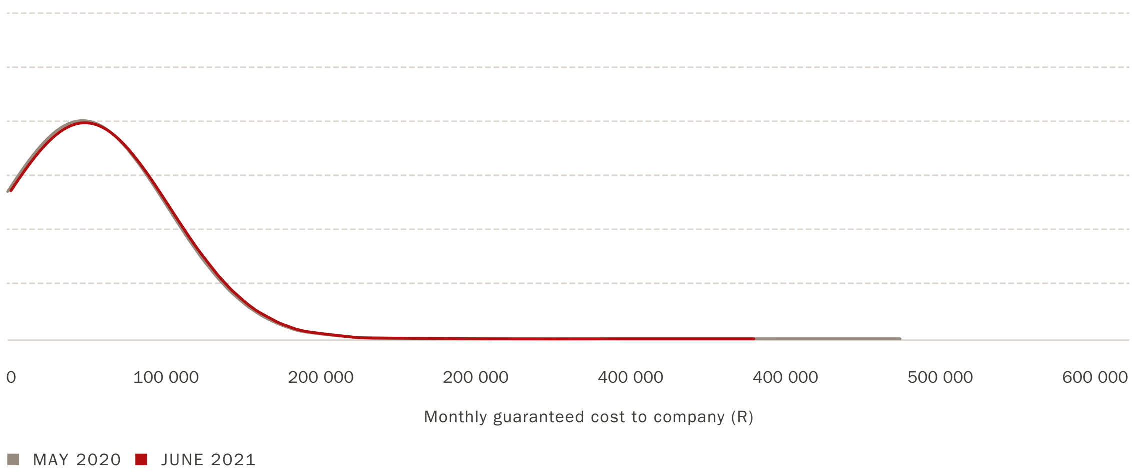
With effect from 1 July 2021, 26% of employees received a 2% increase in guaranteed remuneration and 55% of employees receiving a 4% increase. Where employees were identified as being paid below the market median for remuneration levels, higher increases in guaranteed remuneration were applied in an attempt to realign identified gaps to median. 19% of employees (49 employees) thus received increases in excess of 6%.

Although no standard annual increases in guaranteed remuneration were awarded for the 2021 financial year, certain increases were implemented as a result of promotions. These promotions were predominantly at relatively senior levels. This has contributed to a marginal increase in the Gini Coefficient of the company's workforce from 0.42 in the prior year to 0.43 in 2021, indicating a slight increase in income inequality within the group's corporate workforce. As no standard increases in guaranteed remuneration were awarded in the 2021 financial year, the distribution of employees' remuneration in 2021 is virtually identical to that of the prior year, as illustrated in the graphic below.

GINI COEFFICIENT*



DISTRIBUTION OF COMPANY WORKFORCE MONTHLY GUARANTEED COST TO COMPANY*



* For 2020, May 2020 remuneration was used due to the temporary 20% reduction in guaranteed remuneration implemented in June 2020 as part of the group's austerity measures in response to COVID-19.

Total remuneration of executive directors

R'000	CTC[1]	STI[2]	LTI[3]	*Ex gratia* bonus[4]	Other	Total cash or equivalents received[5]	LTI awards[6]	Prior year STI excluded[7]	Current year STI[8]	Total remune-ration[9]	LTI IFRS 2 charge[10]
2021											
Executive directors											
Val Nichas[11]	2 600	–	–	–	–	**2 600**	–	–	–	**2 600**	–
Cristina Teixeira[12]	1 792	–	–	–	–	**1 792**	–	–	–	**1 792**	–
Kevin Robertson[13]	2 480	–	–	130	–	**2 610**	–	–	–	**2 610**	(36)
Sacha du Plessis[13, 14]	1 895	–	–	105	–	**2 000**	–	–	–	**2 000**	(17)
Pierre van Tonder[15]	2 784	–	–	220	8 579[16]	**11 583**	–	–	–	**11 583**	(202)
Mark Farrelly[17]	1 466	–	–	–	355[18]	**1 821**	–	–	–	**1 821**	–
Phillip Matthee[19]	1 736	–	–	135	50[20]	**1 921**	–	–	–	**1 921**	(99)
Graeme Kiewitz[13, 21]	577	–	–	81	87[22]	**745**	–	–	–	**745**	(5)
Prescribed officer											
Kevin Robertson[23]	577	–	–	–	–	**577**	–	–	–	**577**	(12)
2020											
Executive directors											
Pierre van Tonder	6 096	502	233	–	–	**6 831**	5 482	(502)	–	**11 811**	(18)
Mark Farrelly	3 920	323	155	–	60[20]	**4 458**	2 820	(323)	–	**6 955**	4
Phillip Matthee	3 190	263	78	–	–	**3 531**	2 295	(263)	–	**5 563**	(15)
Prescribed officer											
Kevin Robertson	2 836	214	155	–	–	**3 205**	1 058	(214)	–	**4 049**	(9)

1 CTC is shown as a single amount and includes any company/employee contributions to the provident fund and medical aid, as well as any travel allowance where applicable. Any change to provident fund and medical aid contributions will result in a corresponding opposite change to cash remuneration such that the CTC remains unchanged. In response to the impact of COVID-19 on the group's cash reserves, the group reduced its workweek to four days and reduced salaries of all employees (including executive directors) commensurately by 20% from 1 June 2020 until 30 September 2020.
2 STI awards paid in the current year, but in respect of performance relating to the prior year.
3 Cash or cash equivalent of LTI awards vested during the year, measured at share price on vesting date.
4 An ex gratia bonus payment of 50% of monthly CTC was paid to all employees (including executive directors) in December 2020, in recognition of the efforts of all employees to trade through COVID-19 lockdown.
5 Represents the total value of cash or cash equivalents received during the year.
6 LTI awards granted during the year, valued at grant date fair value; no awards were granted in the current year; the awards in the prior year are subject to a three-year vesting period and vesting is subject to both market and non-market performance measures.
7 Relates to prior year and therefore excluded from determination of total remuneration relating to current year.
8 No STIs were payable in either of the 2020 and 2021 financial years. The STI was suspended for the 2021 financial year as part of the group's COVID-19 austerity measures. Due to the group's performance in the 2020 financial year, no STI was payable.
9 Total remuneration in respect of current financial year.
10 Share-based payment expense determined in accordance with IFRS 2 and relates to all LTI awards that vested during the year, as well as those that remain unvested as at the end of the financial year. Disclosed for completeness, but not included in total remuneration as the fair value of awards granted in any year is included in total remuneration in the year of granting.
11 Appointed with effect from 1 January 2021.
12 Appointed with effect from 1 February 2021.
13 Appointed with effect from 15 October 2020 (remuneration includes full month of October 2020).
14 Resigned with effect from 15 September 2021
15 Retired with effect from 31 December 2020.
16 Comprises leave pay encashed[24] of R77 000 and a retirement benefit of R8.502 million which represents the present value on the date of retirement of the gross value of payments of R9.3m, which is to be settled in instalments from July 2021.
17 Resigned with effect from 31 August 2020.
18 Comprises R179 000 in leave pay encashed and R176 000 in leave pay on termination of employment.
19 Resigned with effect from 31 January 2021.
20 Leave pay encashed[24].
21 Resigned with effect from 18 January 2021 (deceased).
22 Leave pay on termination of employment.
23 Prior to being appointed an executive director (refer footnote 13).
24 The group's HR policies do not typically permit employees to encash leave. However, following the 20% reduction in salaries from 1 June 2020 to 30 September 2020 as part of the group's COVID-19 austerity measures, employees (including executive directors) were permitted to sell up to four days of leave per month back to the company in exchange for cash during this period.

Details of the LTI awards granted in previous years that have not yet vested are detailed in the tables below.

For further details on directors' remuneration, refer note 43 of the consolidated financial statements for the year ended 30 June 2021 available online at www.spurcorporation.com/investors/results-centre.

Termination benefits to executive directors

The group concluded a mutual separation agreement with former CEO, Pierre van Tonder, in terms of which Mr Van Tonder retired as the CEO and executive director of the company with effect from 31 December 2020 after 38 years of service of which 24 were as CEO. Mr Van Tonder's employment agreement provided for a six-month notice period and 24-month restraint of trade. Mr Van Tonder tragically passed away on 9 May 2021. The group paid his salary of R516 615 (TGP) per month for the notice period months up to his date of death (January 2021 to 9 May 2021) amounting in aggregate to R2.186 million, as well as his leave pay up to date of death of R822 609.

A lump sum of R9.3 million (the equivalent of 18 months' TGP) was to be payable to Mr Van Tonder from 31 July 2021 in 18 equal monthly instalments. The group is seeking legal counsel in this regard.

Mr Van Tonder has a loan payable to the group (refer note 16.9 of the consolidated financial statements for the year ended 30 June 2021 for further details), the outstanding balance of which was to be deducted from the aforementioned lump sum payable in instalments from July 2021.

Mr Van Tonder's estate may be entitled to retain the FSP shares and SARs allocated to him as at the date the mutual separation agreement was concluded.

Former group COO, Mark Farrelly, resigned with effect from 31 August 2020. In terms of his employment agreement, Mr Farrelly had a three-month notice period and a 24-month restraint of trade. Mr Farrelly was accordingly paid his monthly salary of R332 208 (TGP) for each month from September 2020 to November 2020, amounting to R1.0 million in aggregate. Mr Farrelly forfeited any FSP shares and SARs allocated to him with effect from 31 August 2020.

LTI

LTI awards during the year

As part of the group's COVID-19 austerity measures, the implementation of the remuneration policy adopted by shareholders at the December 2020 AGM was deferred until the 2022 financial year. As a result, no LTI awards were granted during the 2021 financial year.

LTI awards not yet vested at reporting date

	Number of shares/ awards granted	Grant date strike price	Fair value at grant date (R) each	Fair value at grant date (R)	Grant date	Vesting date	Free to trade date	Fair value at reporting date (R) each	Fair value at reporting date (R)	Fair value at reporting date expected to vest (R)[1]
Pierre van Tonder[2]										
3rd tranche equity-settled SAR	963 582	23.13	4.91	4 731 188	26/11/2018	25/11/2021	24/11/2023	0.51	491 427	–
4th tranche equity-settled SAR	919 781	27.01	5.96	5 481 895	26/11/2019	25/11/2022	22/11/2024	1.16	1 066 946	–
Phillip Matthee[2]										
3rd tranche equity-settled SAR	403 439	23.13	4.91	1 980 885	26/11/2018	25/11/2021	24/11/2023	0.51	205 754	–
4th tranche equity-settled SAR	385 100	27.01	5.96	2 295 196	26/11/2019	25/11/2022	22/11/2024	1.16	446 716	–
Kevin Robertson[3]										
3rd tranche equity-settled SAR	329 126	23.13	4.91	1 616 009	26/11/2018	25/11/2021	24/11/2023	0.51	167 854	–
4th tranche equity-settled SAR	177 535	27.01	5.96	1 058 109	26/11/2019	25/11/2022	22/11/2024	1.16	205 941	–
4th tranche equity-settled FSP	5 000	N/A	18.29	91 450	26/11/2019	25/11/2022	22/11/2024	16.88	84 400	84 400
Sacha du Plessis[4]										
3rd tranche equity-settled SAR	160 969	23.13	4.91	790 358	26/11/2018	25/11/2021	24/11/2023	0.51	82 094	–
3rd tranche equity-settled FSP	4 000	N/A	15.35	61 400	26/11/2018	25/11/2021	24/11/2023	17.63	70 520	70 520
4th tranche equity-settled SAR	165 219	27.01	5.96	984 705	26/11/2019	25/11/2022	22/11/2024	1.16	191 654	–
4th tranche equity-settled FSP	5 000	N/A	18.29	91 450	26/11/2019	25/11/2022	22/11/2024	16.88	84 400	84 400
Graeme Kiewitz[2]										
4th tranche equity-settled SAR	102 147	27.01	5.96	608 796	26/11/2019	25/11/2022	22/11/2024	1.16	118 491	–
4th tranche equity-settled FSP	5 000	N/A	18.29	91 450	26/11/2019	25/11/2022	22/11/2024	16.88	84 400	50 640

[1] Calculated based on weighted probability of non-market performance conditions being met, as at 30 June 2021.
[2] Past directors.
[3] Appointed as director with effect from 15 October 2020; a prescribed officer prior to this date.
[4] Appointed as director with effect from 15 October 2020. Following Mr Du Plessis' resignation in September 2021, his LTI awards all lapsed on the date of resignation (subsequent to the end of the financial year).

Performance hurdles in respect of LTI awards not yet vested:

Vesting criteria	Tranche 3 SAR (November 2018)	Tranche 4 SAR (November 2019)	Tranche 3 FSP (November 2018)	Tranche 4 FSP (November 2019)
Service condition	Remain employed for duration of vesting period			
Return on equity	12.75% – 17.25%+: 0% to 100% vesting	14.45% – 19.55%+: 0% to 100% vesting	n/a	n/a
Growth in adjusted HEPS*	<CPI: 0% vesting CPI – CPI+2%: 33% to 50% vesting CPI+2% – CPI+6%: 50% to 100% vesting		n/a	n/a
Personal performance	<75%: 0% vesting 75% – 85%: 50% to 80% vesting 85% – 90%+: 80% to 100% vesting		n/a	n/a

* *Growth in adjusted HEPS (which excludes foreign exchange, profit/loss attributable to marketing funds and cost of incentive schemes, but includes all impairments and reversals of impairments) is calculated as a nominal annual compounded annually increase over the vesting period.*

LTI awards vested during the year

No LTI awards vested during the year.

STI

As indicated in the remuneration table on page 20, an *ex gratia* bonus of 50% of monthly CTC was paid to all employees in December 2020 (approved subsequent to the publication of the 2020 remuneration report), in recognition of the efforts of all employees to trade through the COVID-19 lockdown restrictions.

As previously advised, in light of the group's weakened financial performance and net cash outflows as a result of reduced trading levels due to COVID-19 related restrictions, the group's STI scheme and the thirteenth cheque scheme for non-STI participants were suspended for the 2021 financial year.

As the STI and thirteenth cheque bonus schemes were suspended for the 2021 financial year, the Remco has approved an *ex gratia* bonus pool which may be allocated to eligible employees. Employees' eligibility and individual awards will be determined based on the assessment of personal performance and, on the basis that the group has sufficient free cash flow, to be assessed, awarded and settled to participants in December 2021. These awards will be proposed by the relevant line managers, reviewed and recommended by the group HR executive and the executive directors. The awards will be reviewed and approved by the CEO and the Remco.

The group finalised its new STI scheme rules which have been implemented for the 2022 financial year. Details are included in part 2 of this report on page 7.

STATEMENT OF COMPLIANCE

The committee is satisfied that the policy has been complied with in all material respects with the exception of:

- The policy provides that the group will target the market median for benchmarked remuneration levels. Following various job grading and market benchmarking exercises concluded during the prior and current years, certain discrepancies have been identified, in particular that a significant number of employees are being paid below the targeted benchmark while a small number are being paid above. Remedying this departure has cost implications for the group and the group has commenced addressing the above discrepancies as indicated in this report.

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