REUNERT

REUNERT LIMITED

REMUNERATION REPORT 2019

REMUNERATION REPORT

The remuneration report outlines how Reunert has compensated its executive directors, top management, non-executive directors and, at a high level, other employees in compliance with principle 14 of King IV.

The report comprises three sections:

Section one: Remuneration background statement

Section two: Overview of the Remuneration Policy and structures

Section three: 2019 Remuneration Policy implementation report

SECTION ONE: REMUNERATION BACKGROUND STATEMENT

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REMUNERATION COMMITTEE

The Remuneration Committee (the committee) is mandated to ensure that the Group's Remuneration Policy and practices are fair and reasonable, comply with regulations and governance requirements and align with good business practice.

This mandate includes matters contemplated in the JSE Listings Requirements, the provisions of principle 14 of King IV, and related practices that the committee deems appropriate to adopt. The committee's roles and responsibilities are set out in its Terms of Reference, which are reviewed by the committee and approved by the Board annually, and are available at www.reunert.co.za/corporate-governance.php.

REMUNERATION COMMITTEE

Main areas of responsibility

> Oversees the Remuneration Policy, the implementation thereof, and reporting thereon

> Oversees executive and top management salaries and the Group's short and long-term incentives

Members and meeting attendance

S Martin (Chair)	3/3
JP Hulley	3/3
SD Jagoe	3/3
TS Munday	3/3
Adv NDB Orleyn	3/3
	100%

Permanent invitees

> Group CEO

> Group Human Resources (HR) and Transformation Executive Director

2019 focus areas

> Review of remuneration philosophy and policy in order to address fair and ethical remuneration

> Implementation of the 2019 remuneration policy

> Review of the short-term incentive (STI), which included changing the structure of the scheme

> Setting operating profit targets, financial efficiency targets, and strategic key performance indicators (KPIs) for the STI

> Design a new long-term incentive (LTI) plan for proposal to shareholders at the 2020 Annual General Meeting (AGM)

2020 focus areas

> Review of remuneration philosophy and policy in order to ensure fair and ethical remuneration

> Implementation of the 2020 remuneration policy

> Implementation of revised STI structure

> Setting operating profit targets, financial efficiency targets, and strategic KPIs for the STI

> Implementation of the new LTI

> Review of performance measures for LTI

> Review of weightings of performance conditions for LTI

Composition as at 30 September 2019

All five members are non-executive directors, of whom four are independent

Tenure

One member	1 – 5 years
One member	5 – 9 years
Three members	> 9 years

Expertise

HR, remuneration, commercial, compliance, governance, risk management, legal, corporate affairs, business, finance, engineering, manufacturing and management qualifications and experience

Composition post-year-end

Alex Darko joined the committee with effect from 1 October 2019. At the 2020 AGM, Trevor Munday will step down.

REMUNERATION CONSIDERATION AND DECISIONS

In accordance with its Terms of Reference, the committee made the following key decisions:

Reviewed	> The Remuneration Policy > The structure of the STI > The structure of the current LTI > 2019 Conditional Share Plan (CSP) proposed allocations for executive directors, top management, and selected key employees, subject to shareholder approval
Approved	> Annual increases for the 2020 financial year (1 October 2019 to 30 September 2020), aligned with inflation of 4,5% for executive directors and a range from 4,5% to 5% for top management and salaried employees > Promotional adjustments and relocation allowances for top management > 2019 STI payouts for executive directors and top management > The revised structure of the STI to include a third criterion, being a financial efficiency KPI > The early termination of the current CSP, subject to shareholder approval of the new LTI > The adoption, subject to shareholder approval at the 2020 AGM, of the new LTI (refer to page 112)
Reviewed, and recommended to the Shareholders	> The fees for non-executive directors for 2020

FACTORS THAT INFLUENCED CHANGES TO THE REMUNERATION POLICY FOR 2020

The committee reviewed the 2019 Remuneration Policy against shareholder feedback, internal requirements, and market practice.

As part of the continuous process to ensure that the Remuneration Policy reflects best practice and drives strategy implementation and performance, the following changes will be implemented for the 2020 financial year:

Remuneration element	Change	Reason for change
LTI	As communicated in the 2018 Remuneration Report, a new LTI will be presented for shareholder approval at the 2020 AGM. Details of the proposed new 2019 LTI can be found on page 112.	> The current 2012 CSP has an eight-year term which ends in the 2020 financial year > Engagement with shareholders indicated several areas where an improvement to the current CSP was required. The 2012 CSP will therefore be terminated early, subject to the approval of the new LTI at the 2020 AGM
STI	The STI has been augmented with the inclusion of a financial efficiency KPI, free cash flow.	> To improve management of the balance sheet and cash management > To improve alignment between management's actions and shareholder value
Deferred Bonus Plan (DBP)	The DBP was not offered.	The retention element through the CSP has improved and thus, the DBP was not required. We do not currently envisage using the DBP in the upcoming year, although this will continue to be monitored by the committee.

SECTION ONE: REMUNERATION BACKGROUND STATEMENT continued

The committee is confident that the Remuneration Policy supports Reunert's strategic objectives, is market-related, reflects best practice, and supports the generation of long-term value for shareholders. The Remuneration Policy undergoes a robust review each year.

The committee will consider amending aspects of the Remuneration Policy where:

> It needs to adapt to accommodate changing business realities
> To maximise stakeholder value and/or
> Shareholders have raised concerns about one or more of its elements

VOTING ON REMUNERATION

The Remuneration Policy and implementation report were presented for shareholder voting at the AGM held on 11 February 2019. The voting results significantly improved since the 2018 AGM. The table below shows the voting results:

	2019		2018	
%	**For**	**Against**	For	Against
Remuneration Policy	**80,57**	**19,43**	57,91	42,09
Implementation report	**82,73**	**17,27**	65,87	34,13

We will engage shareholders to address their concerns, if the Remuneration Policy or the implementation report receives a vote against of 25% or more. This engagement may be done in person or in writing and will be implemented at a time after the release of the voting results.

SHAREHOLDER ENGAGEMENT

During 2019, discussions were held with Reunert's largest institutional shareholders on the proposed new LTI. The discussions with shareholders have resulted in the committee deciding to terminate the 2012 CSP one year early. An extensive process was followed to develop the proposed new LTI:

> The services of PwC (independent remuneration consultants) were commissioned to:
  o Review the 2012 CSP
  o Provide advice on best-in-class LTI structures and market trends
  o Recommend a new LTI to drive the achievement of the Reunert strategy and operational performance to create alignment with the interests of shareholders
> The salient features of the proposed new LTI were sent to Reunert's largest institutional shareholders, representing (in aggregate) more than 50% of Reunert's issued share capital. The distribution of the salient features was followed up with one-on-one engagement sessions to obtain input from shareholders on the proposed new LTI
> Shareholder input was consolidated and reviewed by the committee
> The proposed new LTI (the 2019 CSP) to be presented to shareholders at the 2020 AGM, incorporates feedback received from shareholders through the engagement process discussed above

ANNUAL GENERAL MEETING

As required by the Companies Act and paragraph 3.84 (k) of the JSE Listings Requirements, the following resolutions will be tabled for shareholder voting at the AGM, details of which can be found in the meeting notice:

1. Advisory vote on the Remuneration Policy, starting on page 106 (that is, all information contained under section two of this report)
2. Advisory vote on the implementation report, starting on page 116 (that is, all information contained under section three of this report)
3. Binding vote on non-executive directors' fees

CLOSING REMARKS

The committee has carefully considered the changes to the Remuneration Policy and its implementation during the 2019 financial year and is confident that this policy has achieved the desired objectives. The committee is confident that the Remuneration Policy and its implementation remain aligned with the strategy of the business and continues to assist in the achievement of this strategy.

Sarita Martin
Remuneration Committee Chairman

SECTION TWO: OVERVIEW OF THE REMUNERATION POLICY AND STRUCTURES

OVERVIEW OF REMUNERATION POLICY

The Remuneration Policy comprises guaranteed pay (GP) and a mix of variable pay (STI and LTI). The STI rewards business units for achieving their financial and strategic objectives, and the LTI drives long-term Group performance. The policy links remuneration incentives to transformation objectives by applying a modifier if transformation objectives are not met. The details of the Remuneration Policy structures are on pages 108 to 109.

REMUNERATION POLICY SUMMARY

The Remuneration Policy's principles guide the Group's remuneration practices. The Remuneration Policy is set to:

> Attract, retain, motivate, and reward performance
> Promote positive outcomes and the achievement of operational and strategic objectives
> Be flexible enough to adjust to changing economic conditions and to the Group's needs
> Foster individual performance and teamwork
> Promote an ethical culture and responsible corporate citizenship

Fair and responsible remuneration

External (independent) and internal benchmarking indicate that employees are remunerated fairly and in accordance with job functions. This was supported by an internal parity assessment of senior management across the Group and across functions, to identify anomalies considering tenure, experience and the size of the business unit. In general, internal parity was found to be appropriate, while the limited anomalies identified are in the process of being addressed.

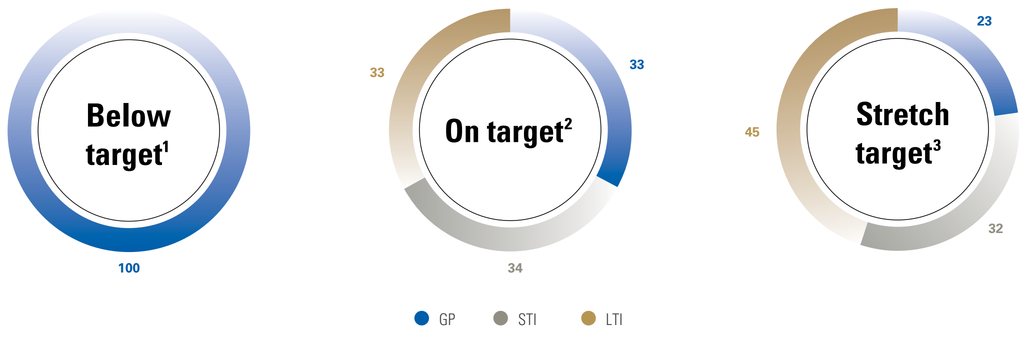
The Group has adopted a policy that no employee will earn less than 25% above the national minimum wage framework in South Africa.

EXECUTIVE DIRECTOR REMUNERATION

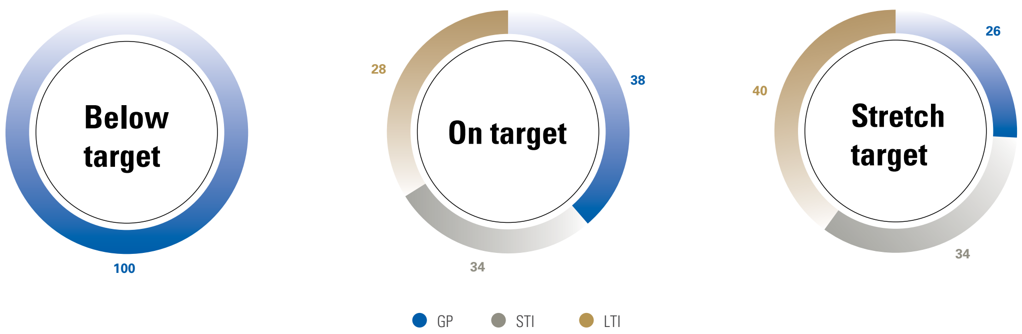
Targeted pay mix for executive directors

This targeted pay mix aims to drive sustainable value creation over the longer term.

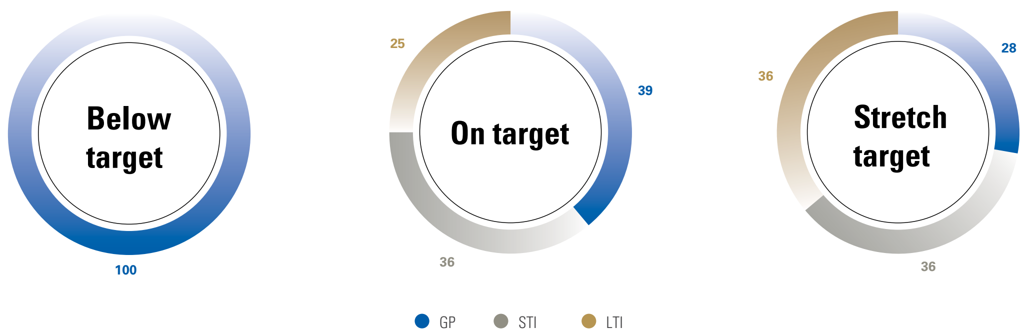
Group CEO (%)



Group CFO (%)



Other executives (%)



[1] *The below target level assumes that neither the STI nor the LTI performance conditions are achieved.*

[2] *The on target level assumes that budgeted targets have been achieved, with a 50% vesting of annual LTI allocations and on target STI performance.*

[3] *The stretch target level assumes that the maximum targets have been achieved, with 100% vesting of annual LTI allocations and maximum STI achievement.*

Service contracts

All executive directors are compensated according to the Group's Remuneration Policy. Executive directors' employment contracts are in accordance with the Group's standard terms and conditions of employment and include a six-month notice period.

Executive directors do not receive extended employment contracts or special termination benefits. If operational requirements necessitate that an executive director's employment be terminated, payment will be in accordance with Group retrenchment practices and South African labour legislation. No severance payments were made to executive directors in 2019. Executive directors do not receive additional remuneration for their attendance at Board or committee meetings.

SECTION TWO: OVERVIEW OF THE REMUNERATION POLICY AND STRUCTURES continued

REMUNERATION STRUCTURES

Remuneration structures are designed to balance GP and variable pay to assist Reunert in reaching its strategic and operational objectives. Remuneration comprises three core elements as presented in the table below.

	GP	STI
Purpose	Attraction and retention	To drive financial performance
Participation	All employees	Executive directors, top management, and selected key management
Performance period	Monthly	One year
Implementation	1 July – bargaining unit employees 1 October – non-bargaining unit employees	Annually in November, with review and approval by the committee
Key elements	GP consists of base salary and Company contributions toward retirement funding and health benefits. It is a fixed cost for the Company and is targeted to be up to the median of relevant market benchmark. The following factors are considered during salary reviews: > Appropriate market benchmarks > Internal parity > Prevailing economic conditions > Average consumer price index (CPI) > Group business unit financial performance > Employee performance	> The maximum incentives as a percentage of GP for executive directors and top management are as follows: o Group CEO: 140% o Group CFO and executive directors: 130% o Segment heads and managing directors of large business units: 120% o Other executives, i.e. business unit managing directors and business unit executives: 100% > Senior managers and below are paid incentives at lower percentages of GP > Incentives are self-funded (profit target only achieved after providing for the incentive) > Incentives are not guaranteed. Incentive payment depends on performance against predetermined financial targets and strategic objectives and measures > Employment equity targets and external employment equity appointments are modifiers. If the employment equity modifiers' targets are not met, the incentive payout is modified downward

LTI

	2019 CSP (to be approved)		Existing CSP (will not be used if 2019 CSP approved)		DBP
	Performance awards	Retention awards	Performance units	Retention units	No awards were made in 2018 or 2019 in terms of the DBP
	To drive long-term performance and create alignment between management and shareholder objectives	Retention of critical skills for business continuity	To drive long-term performance and create alignment between management and shareholder objectives	Retention of critical skills for business continuity	To retain employees and create alignment between management and shareholder objectives
	Executive directors, top management, and high-performing candidates in critical roles	Technical specialists with scarce and critical skills, high-potential employment equity candidates, and successors for scarce and critical roles	Executive directors, top management, and selected employees that are able to directly impact financial performance through the development and implementation of strategy	Technical specialists, high-potential employment equity candidates, and identified successors	Executive directors and top management who qualify for STIs when the DBP is used
	Four years	50% (four years) and 50% (five years)	Four years	50% (four years) and 50% (five years)	Three or four years
		Annually in November, with review and approval by the Remuneration Committee			
	> Allocations are based on defined criteria (participants' level of seniority, ability of the position to influence strategy and operational performance, individual performance and business performance) > Allocations may not exceed two times annual GP > Details of the CSP are on page 112	> Remaining in the employment of the Group is the only criterion (employees must be in a position that qualifies for participation as indicated above) > Allocations may not exceed 20% of annual GP	> Allocations are based on defined criteria (seniority of position, size of business unit, and contribution to Group performance > Allocations may not exceed two times annual GP	> Remaining in the employment of the Group is the only criterion (employees must be in a position that qualifies for participation as indicated above) > Allocations may not exceed 20% of annual GP	> Participants choose to receive a portion of the STI in the form of restricted Reunert shares > At the end of the stipulated vesting period, participants will be entitled to receive a cash award. Dividends are paid on the restricted shares during this period > The committee annually determines: o Who may participate o The percentage of the STI that may be received in deferred restricted shares o The period for which the restricted shares must be retained by participants o The quantum of the deferred bonus for which participants will qualify at the end of this period. This percentage may not exceed 100%

SECTION TWO: OVERVIEW OF THE REMUNERATION POLICY AND STRUCTURES continued

	GP	STI
Method of settlement	Cash	Cash
Performance measures	Not applicable	> The STI comprises: o Financial KPIs o Financial efficiency KPIs and o Strategic KPIs Details on the STI is provided in section two on page 112
Malus and clawback	Not applicable	Yes

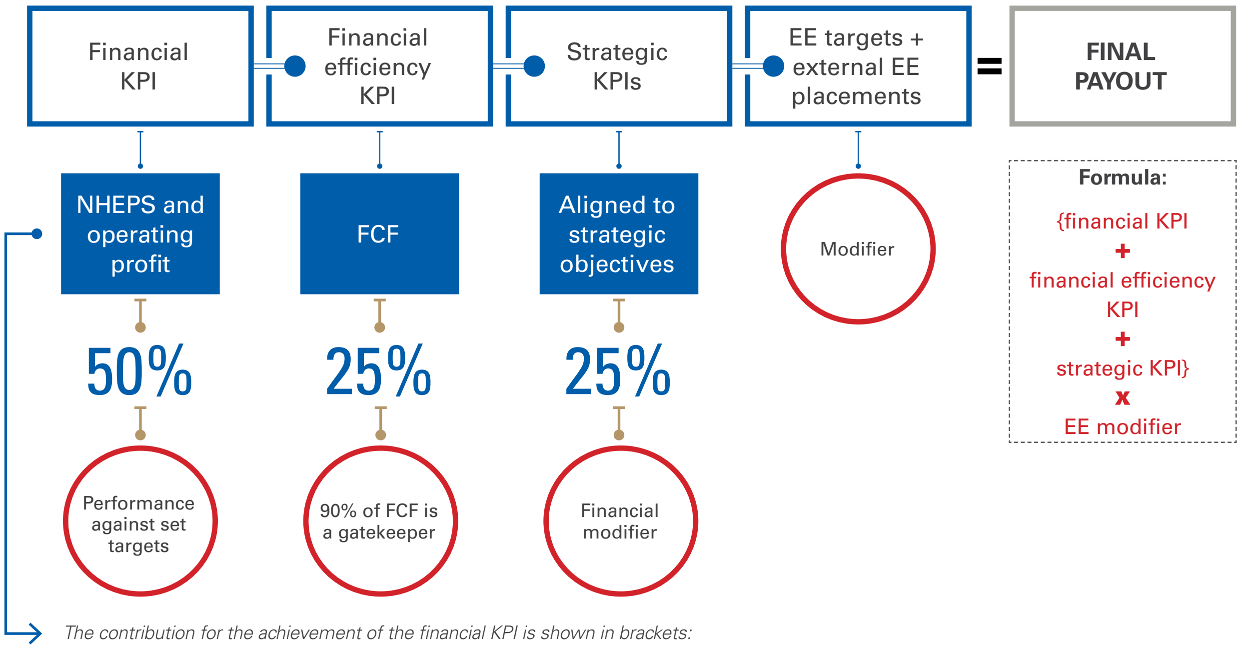
	LTI				
	2019 CSP (to be approved)		Existing CSP (will not be used if 2019 CSP approved)		DBP
	Performance awards	Retention awards	Performance units	Retention units	No awards were made in 2018 or 2019 in terms of the DBP
	Reunert shares (on-market purchase)	Reunert shares (on-market purchase)	Reunert shares (on-market purchase)	Reunert shares (on-market purchase)	Cash
	> NHEPS (50% weighting) > TSR (25% weighting) > Group ROCE (25% weighting) Further information on allocations and performance conditions is on page 112.	Remaining in the employment of the Group	> NHEPS (50% weighting) > Relative TSR (50% weighting)	Remaining in the employment of the Group	Participation in the DBP is determined by the achievement of set performance criteria
	Yes	Yes	Yes	Yes	Yes

SECTION TWO: OVERVIEW OF THE REMUNERATION POLICY AND STRUCTURES continued

STI

The STI payment is assessed against performance on predetermined financial targets, and strategic objectives and measures. The STI comprises:

> Financial KPIs, carry a weighting of 50%
  o Normalised headline earnings per share (NHEPS) for executive directors
  o Operating profit for top management
> Financial efficiency KPI, carry a weighting of 25%
  o Free cash flow targets (FCF). From the 2020 financial year, FCF is included to improve balance sheet and cash management
> Strategic KPIs carry a weighting of 25%
  o Strategic KPIs are linked to the group and business unit's strategic objectives. Each KPI has a direct performance measure
  o Strategic KPIs are linked to the achievement of the operating profit target. Strategic KPI incentives are reduced if the operating profit target is not achieved. There are no incentives for strategic KPIs where the business unit achieves below 75% of operating profit target
> Employment equity (EE) targets and external employment equity appointments are modifiers. If the EE modifiers' targets are not met, the incentive payout may be modified downward, subject to a review of the underlying rationale for the target not being met. Linear vesting is applicable in the STI



The contribution for the achievement of the financial KPI is shown in brackets:
> *Executive directors: Group (55%) + segments (45%)*
> *Segment heads: Group (20%) + segment (80%)*
> *Business units: BU (100%)*

LTI plans

Allocations under the current 2012 CSP is intended to be terminated early, at the end of the 2019 financial year, if shareholders at the 2020 AGM approve the new LTI (2019 CSP).

Feedback on existing CSP

Reunert received feedback from its shareholders pertaining to the performance conditions utilised for the current CSP, and has taken this feedback into consideration in determining performance conditions for the 2019 CSP.

The committee has undertaken an exercise in conjunction with external consultants to determine appropriate performance conditions. The existing CSP rules were reviewed to ascertain whether they are aligned with up-to-date good governance principles relating to LTI plans. Accordingly, it was determined that it would be appropriate for updated CSP rules to be drafted, which contain, inter alia, updated termination of employment, malus and clawback, and change of control provisions which are aligned to best market practice within South Africa and approved by shareholders.

Details of the 2019 CSP

The 2019 CSP will be presented to shareholders for their vote at the 2020 AGM as per resolution number 18 contained in the Notice of AGM.

The salient features of the 2019 CSP are as follows:

> Awards will be in two forms:
  o Annual performance awards will be made to executive directors, top management, and high-performing candidates in critical roles. Performance awards will have performance conditions attached thereto, and will vest over a four-year period to the extent that the relevant performance conditions have been met

- o Retention awards will be limited in respect of the number of participants who receive these awards and the quantum thereof. They will only be made in specific instances where the committee recognises technical specialists, successors for scarce and critical roles, and high-potential EE candidates with the required skills and abilities to grow the Group's business, while also recognising that the participants who receive these awards will have limited direct influence on the Group's financial results. Retention awards will be awarded only to address genuine retention risks. Retention awards will be subject to a four and five-year vesting period with a 50% vesting in years four and five

> Awards will be conditional rights to shares, meaning that settlement of Reunert shares only occurs after the meeting of performance conditions. No voting dividend, or equivalent rights exist until shares have been settled at the end of the relevant period

> Termination of employment provisions which are aligned to best practice, provide for:

- o Full forfeiture terminations (resignation, dismissal, abscondment, mutual separation, and early retirement) result in full forfeiture of awards
- o Partial forfeiture terminations
  - ◦ Death
  - ◦ Ill health, injury, or permanent disability
  - ◦ Separation for exceptional circumstances, not classified as mutual separation or
  - ◦ An employer company ceasing to be a member of the Group (which will result in pro-rata vesting of the awards where an adjustment is made for meeting applicable performance conditions, and time served of the relevant employment period)
- o Discretionary vesting termination (retrenchment) – the committee will have discretion on how the awards will be treated on a case by case basis. However, they will not have the discretion to allow for accelerated vesting (only pro-rated early vesting)
- o In the event of retirement, the retired employee will have the same rights and obligations in the CSP as if he had continued to be a participant

> Change of control provisions which are aligned to best practice, which provide for proportional vesting of awards

> Malus and clawback provisions which provide for ex-ante risk adjustment of awards (malus) or the recoupment of the cash value of the settled awards (clawback) in the event of 'trigger events'. These would be events such as:

- o Misstatement of financial results
- o Gross misconduct, incompetence or fraud
- o Dishonesty
- o Gross negligence or a material breach of obligations
- o Causing ill repute
- o Material failure of risk management

> Appropriate dilution limits of 9,248 million shares (which equates to 5% of issued share capital overall) and 924 750 shares (which equates to 0,5% of issued share capital) for any single participant

> Performance conditions and targets – for the performance awards to be made in terms of the 2019 CSP (subject to shareholder approval at the 2020 AGM), the following performance conditions and targets will be used:

Performance condition	Weighting	Performance level	Performance measure	Vesting %
NHEPS	50%	Threshold	NHEPS < CPI	0
		Target	NHEPS = CPI + GDP + 1,5%	40
		Stretch	NHEPS = CPI + GDP + 3%	100
ROCE	25%	Threshold	ROCE < 16,0%	0
		Target	ROCE = 16,5%	40
		Stretch	ROCE = 19,5%	100
*Relative TSR	25%	Threshold	Ranking position at median and below	0
		Target	Ranking position 6 of 13 TSR constituents	25
		Stretch	Ranking position 3 of 13 TSR constituents	100
		Super stretch	Ranking position 1 of 13 TSR constituents	120

* *The comparator group that will be used comprises the following companies:*

Peer group

No.	*Relative TSR peer group*	*No.*	*Relative TSR peer group*
1	*African Oxygen Limited (Afrox)*	*7*	*Hudaco Industries Limited*
2	*Allied Electronics Corporation Limited (Altron)*	*8*	*Kap Industrial Holdings Limited*
3	*ARB Holdings Limited*	*9*	*Mustek Limited*
4	*Barloworld Limited*	*10*	*Super Group Limited*
5	*Bidvest Group (Bidvest) Limited*	*11*	*Adapt It Holdings Limited*
6	*Alviva Holdings Limited*	*12*	*Enx Group Limited*

SECTION TWO: OVERVIEW OF THE REMUNERATION POLICY AND STRUCTURES continued

KEY OBJECTIVES FOR 2020

STI

NHEPS

The NHEPS targets shown below are the targets for the Group CEO, Group CFO, and the Group HR and Transformation Executive Director. The percentages shown are calculated using the 2020 budget numbers, in accordance with the Reunert strategy. The maximum payout for achieving the NHEPS target is 70% of GP, which can only be earned at level 4 (stretch target). The on target payout for the Group CEO, Group CFO, and Group HR and Transformation Executive Director is 35%, 26% and 26% of GP, respectively.

NHEPS targets

Level 1	Level 2	Level 3	Level 4
96% to budget	**99% to budget**	**101% to budget**	**103% to budget**

FCF targets

The FCF targets have been set using approved budgets. These targets may be adjusted by the Remuneration Committee during the financial year, if required, to accommodate any material changes to operational performance (caused by external factors) and business requirements. FCF achievement will be communicated in the 2020 Remuneration Policy implementation report.

The maximum payout for achieving the FCF targets is 35% of GP for the Group CEO and 32,5% of GP for the Group CFO and the Group HR and Transformation Executive Director.

Strategic KPIs

The strategic KPIs are shown in the table below. The maximum payout for achieving strategic KPIs is 35% of GP for the Group CEO and 32,5% of GP for the Group CFO and the Group Human Resources and Transformation Executive Director.

Group CEO (total weighting: 35%)

	Strategic KPIs		
Strategic pillar			
Objectives	Drive people transformation within the Group	Promote an ethical, high-performance culture within the Group through values-driven leadership	Drive the execution of the Group strategy through the diversification of revenues
Weighting	10,5%	7%	17,5%

Group CFO (total weighting: 32,5%)

	Strategic KPIs		
Strategic pillar			
Objectives	Drive people transformation within the Group	Promote an ethical, high-performance culture within the Group through values-driven leadership	Drive the execution of the Group strategy through the diversification of revenues
Weighting	9,75%	6,5%	16,25%

Group HR and Transformation Executive Director (total weighting: 32,5%)

	Strategic KPIs		
Strategic pillar			
Objectives	Drive people transformation within the Group	Promote an ethical, high-performance culture within the Group through values-driven leadership	To enhance a high-performance culture and sustainable organisation
Weighting	13%	9,75%	9,75%

The actual performance targets/measures have not been provided as they are considered commercially sensitive information.

LTI objectives are presented on page 113.

REMUNERATION POLICIES AFFECTING NON-EXECUTIVE DIRECTORS

Contracts	Non-executive directors do not have service contracts with the Group Reunert's Memorandum of Incorporation governs non-executive directors' terms of office, and requires that a third of the board must retire by rotation every year, and may make themselves available for re-election by shareholders
Fees	Non-executive directors receive a standard fee for their services on the Board and Board committees. The committee reviews the fees annually and every second year conducts an external benchmarking exercise Fees are submitted to shareholders for approval annually at Reunert's AGM, and changes are effective from 1 March each year If shareholders do not approve the proposed fees, the last approved fees will apply
Benefits	Non-executive directors are not eligible for any Group incentives, such as participation in long-term share-based incentive schemes Reunert covers travel costs and expenses incurred in the normal course of business, for example attending Board and Board committee meetings

SECTION THREE: 2019 REMUNERATION POLICY IMPLEMENTATION REPORT

The committee monitored the Remuneration Policy's implementation throughout the year. We believe that the 2019 Remuneration Policy, as set out in the 2018 Integrated Report, was complied with and met its objectives.

This section specifically deals with the remuneration for the Group CEO, Group CFO, other executive directors, and non-executive directors. Where appropriate, details are included for top management and other employees.

2019 ANNUAL INCREASES

The Group's total payroll cost is R2 166 million (2018: R2 160 million), which represents 20% of total revenue (2018: 21%).

The average increase for salaried employees for the period 1 October 2018 to 30 September 2019 was 5%. All executive directors received an annual increase of 5%. Bargaining unit wage increases, effective on 1 July 2019, was on average 6,5%, aligned with the three-year agreement (refer to page 64).

2019 INCENTIVE REWARDS

2019 STI awards

Executive directors, segment heads, and business unit managing directors and executives qualified for incentive (bonus) payments by meeting financial targets and/or strategic KPIs.

The committee approved the STI awards shown in the table below following a detailed assessment of the relevant financial targets and strategic KPIs. The committee is satisfied that the STI awards reflect the Group's performance for the 2019 financial year.

STIs earned[1]	2019 Rm	2018 Rm
Electrical Engineering	**0**	2,22
ICT[2]	**8,76**	16,02
Applied Electronics	**20,88**	11,43
Executive directors at Head Office[3]	**6,90**	4,40
Total STIs earned	**36,54**	34,07

[1] *Segment and business unit profitability was negatively impacted by retrenchment processes in the year. The committee assessed that the actions were required to entrench the future sustainability of the companies concerned. The committee decided to reverse the retrenchment costs for remuneration purposes. The quantum of the incentive was 9% of the retrenchment costs.*

[2] *This includes the executive director, Segment Head: ICT.*

[3] *The financial performance of the Group was reviewed by the committee. Taking into consideration the overall performance of the Group, and in particular, the positive performance of the ICT and Applied Electronics segments, the committee awarded a discretionary incentive of 20% of GP for financial performance to the executive directors.*

The 2019 STIs will be settled in cash only.

The table below details the awards for strategic KPIs:

Group CEO (total weighting: 40%)

	Strategic KPIs		
	Transformation	People	Diversification
Objectives	Drive people transformation within the Group	Promote an ethical culture within the Group through values-driven leadership	Drive the execution of the Group strategy through the diversification of revenues
Weighting	10%	12,5%	17,5%
Achieved	10%	12,5%	11,7%

Group CFO (total weighting: 30%)

	Strategic KPIs: Transformation	Strategic KPIs: People	Strategic KPIs: Efficiency
Objectives	Drive people transformation within the Group	Promote an ethical culture within the Group through values-driven leadership	Maximise the Group's FCF generation
Weighting	7,5%	7,5%	15,0%
Achieved	7,5%	7,5%	15%

Group HR and Transformation Executive Director (total weighting: 30%)

	Strategic KPIs: Transformation	Strategic KPIs: People	Strategic KPIs: Transformation and people
Objectives	Drive people transformation within the Group	Promote an ethical culture within the Group through values-driven leadership	Enhance a high-performance culture and a sustainable Group
Weighting	10%	10%	10%
Achieved	10%	10%	7,5%

Executive director, Segment Head: ICT (total weighting: 30%)[4]

	Strategic KPIs: Diversification	Strategic KPIs: Efficiency	Strategic KPIs: Diversification
Objectives	Achieve segment broadband connectivity strategy	Implement key systems to accelerate the ICT strategy	Increase segment growth through diversification
Weighting	10%	5%	15%
Achieved	0%	5%	0%

[4] *Mark Taylor resigned from the Board effective 1 October 2019.*

The actual performance measures have not been provided in the table above as they are considered commercially sensitive information.

2019 DBP

The committee annually reviews participation in the DBP. The review entails an analysis of remuneration (GP, STI and LTI) over a cycle. Following the analysis, the DBP was not offered in 2019 because the retention element that was embedded in the CSP is considered sufficient.

2019 CSP

The committee has reviewed the proposed 2019 CSP allocations. The 2019 CSP allocations will be approved by the committee after the 2020 AGM.

2018 CSP

The Group created provisions up to FY2018 to ensure the NSN tax liability was fully provided.

In 2018, this matter was resolved in the Group's favour and the full provision of R42 million was released.

The committee analysed the impact of this release for remuneration purposes, and determined this once-off release inflated the base for the 2018 CSP, and resolved to reverse it from the base number for the calculation of the 2018 CSP.

REMUNERATION AND INTERESTS

The tables below reflect executive directors' remuneration for the past two years.

R'000	Salary	Bonus and performance-related payments	Travel allowances	Retirement contributions	Medical contributions	Total	Fair value of CSP at grant date[1]
2019							
AE Dickson	**5 490**	**3 205**	**172**	**218**	**73**	**9 158**	**4 994**
M Moodley	**2 544**	**1 346**	**–**	**232**	**57**	**4 179**	**1 591**
MAR Taylor	**3 770**	**1 432**	**–**	**223**	**71**	**5 496**	**2 232**
NA Thomson	**4 350**	**2 346**	**–**	**220**	**122**	**7 038**	**2 873**
	16 154	**8 329**	**172**	**893**	**323**	**25 871**	**11 690**
2018							
AE Dickson	5 185	2 159	132	251	64	7 791	3 897
M Moodley	2 412	1 012	–	233	53	3 710	1 321
MAR Taylor	3 620	2 380	–	193	58	6 251	1 853
NA Thomson	4 139	1 229	–	218	112	5 698	2 386
	15 356	6 780	132	895	287	23 450	9 457

[1] *Conditional Share Plan (CSP). This has been determined using the fair value per unit and the expected vesting probability (40,84%) of the non-market conditions and the fair value of the market conditions (TSR) at grant date. For further details relating to the valuation methodologies and assumptions used, refer to note 19 of the Annual Financial Statements for 2019.*

Payments to non-executive directors

Amounts paid to non-executive directors as fees for the year are reflected below. Travel and accommodation expenses of R174 290,37 were reimbursed to non-executive directors and are not included in the fees shown below.

R'000	2019	2018
TS Munday	1 476	1 519
T Abdool-Samad	654	715
SD Jagoe	412	440
P Mahanyele	–	26
S Martin	690	658
MT Matshoba-Ramuedzisi	486	221
TJ Motsohi	–	137
Adv NDB Orleyn	615	634
SG Pretorius	658	692
R van Rooyen	745	735
JP Hulley	436	98
	6 172	5 875

Refer to the Notice of AGM for the proposed 2020 fees.

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