

# Remuneration report

## BACKGROUND STATEMENT

For Etion to achieve its vision, it is imperative that the group inculcates a performance-driven culture across its businesses both in the short and long term. Etion's remuneration philosophy is based on the belief that employees are valuable, and valued, and that the Board and management have an obligation to maintain sustainable growth through fair, responsible and balanced remuneration practices. The group therefore offers remuneration that is competitive, flexible and aligned to shareholder objectives.

The HCRC provides governance oversight over remuneration-related matters.

 Refer to page 74 for HCRC report, including duties, key focus areas for the year under review and planned activities for the new year. Membership to the committee is reflected on page 60.

At the AGM of 3 November 2017, 99.19% shareholders endorsed, in a non-binding advisory manner, Etion's remuneration policy as reflected on pages 75 to 78 of the 2017 Integrated Annual Report.

## OVERVIEW OF REMUNERATION FRAMEWORK

### Components of remuneration

The group strives to reward corporate and individual performance, including executive directors and prescribed officers, through an appropriate balance of fixed pay, short-term variable pay components.

### Fixed pay

The group pays a fixed (or base) salary which is informed by reputable benchmarks. It is acknowledged that fixed salaries reflect individuals' competencies and responsibilities and therefore is reviewed annually with individual performance differentiated salary adjustments.

Increases are market related, based on inflation adjustments, employee performance as well as on budgetary guidelines. Outliers below or above market are to be treated on a case-by-case basis.

### Other employee benefits

In addition to salaries, Etion provides a wide range of benefits to its employees. Some of these benefits may vary between the different business units within the group. Benefits include:

- Annual leave
- Retirement fund and risk benefits
- Medical aid
- Educational assistance
- Flexible working hours
- Various allowances, where applicable.

### Short-term variable pay

The purpose of the short-term variable pay (or performance bonus) is to ensure alignment of individual objectives with those of Etion and business units or with functional performance in terms of, including but not limited to, financial targets, employment equity as well as safety performance. The short-term variable pay is expressly aimed at rewarding performance against targets set at group, business unit and individual levels, including targets for strategic projects and compliance issues where relevant. See below for incentives paid to executives.

### Long-term incentives

Etion has experienced significant growth over the past few years and anticipate that this will continue. In order to achieve the future goals it is important that key employees are incentivised to remain in the employment of the group. Currently there is no long-term incentive (LTI) scheme in place. After due consideration the Board has recommended a share based LTI for Etion for approval at the 2018 annual general meeting. The approved scheme is available from Etion registered address, as shared in the contact report section of the report, a summary of it is annexed hereto as Annexure A.

The primary purposes of the scheme are to:

- Retain key employees
- Reward participants for delivering against pre-established performance criteria

- Align participants to shareholder through exposure to the share price
- Attract high performing talent
- Attract key black talent

The salient features of the scheme includes:

- On an annual basis participants will be recommended by the executives, approved by the Human Capital and Remuneration Committee and ratified by the Board. It is envisaged that the initial participants will be the Group CEO, Group Executives and Business Unit Executives with further participants with specific critical skills also to be included. Details around participation are to be developed by the Board.
- Share options will be awarded to the selected participants on an annual basis
- The number of share options will be aligned to the remuneration strategy
- The share options will vest equally three years from granting
- The participants have a further 12 months to exercise their rights.
- The strike price of the share options will be determined by the Board and will be based on a 30 day volume weighted average price
- The benefit to the participant at vesting is the increase in share price between strike price and the price at vesting subject to vesting performance criteria being met
- The benefit will be equity settled by the company by either issuing shares or buying shares in the open market

The number of options awarded to participants will be guided by the group's remuneration strategy, affordability and national benchmark data.

The measurement period and performance vesting criteria is currently under development and will be approved by the Board in the new financial year. In principle vesting criteria will be based upon the financial year performance and long-term in nature. Options will vest subject to the minimum target being met for all measures.

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### EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS' REMUNERATION

Executive directors and prescribed officers receive remuneration appropriate to their scope of responsibility and contribution to operating and financial performance, considering industry norms, external market and country benchmarks.

The remuneration of executive directors and prescribed officers consists of fixed (as discussed above) and variable components that are designed to ensure a substantial portion of the remuneration package is linked to the achievement of the group's strategic objectives, thereby aligning incentives awarded to the creation of sustainable shareholder value.

#### Short-term variable pay

Variable compensation comprises of an annual performance incentive linked to performance of the group and the individual for the financial-year. Managers within Etion are measured on business-specific value drivers aligned to strategic and/or operational priorities.

All bonuses for executive directors and prescribed officers are capped at the following percentages of the guaranteed package:

Role	Maximum percentage
Group chief executive officer	50%
Group chief financial officer	30%
Other executive managers (prescribed officers)	30%

HCRC approval is required for all incentives awarded listed above for the CFO and other executives. The Etion Board approves of CEO's incentive, including any deviation.

#### Executive directors' and prescribed officers' contracts of employment

Executive directors and prescribed officers are not employed on fixed-term contracts but have standard employment contracts with notice periods of up to three months. No termination benefits are payable.

### Non-executive directors' remuneration

Etion compensates and remunerates non-executive directors in a manner which enables it to attract and retain high-calibre and professional directors to ensure that the Board has the necessary skills required to execute on its mandate.

Non-executive directors are remunerated according to their scope of responsibility and contribution to the group's operating and financial performance, considering industry norms as well as the external market and benchmarks. The human capital and remuneration committee reviews the non-executive directors' fees and makes recommendations to the board for consideration and approval.

Fees are annually considered and approved by shareholders at the AGM. Fees for 2018 were approved by 98.57% of shareholders at the AGM held on 3 November 2017. The fees were as follows:

	2018 fees per annum (Rand)
<b>Board</b>	
Chairman	398 682
Member	174 029
<b>Audit and risk committee</b>	
Chairman	50 380
Members	36 641
<b>Social and ethics committee</b>	
Chairman	27 478
Members	17 116
<b>Human capital and remuneration committee</b>	
Chairman	27 478
Members	18 314
<b>Investment committee</b>	
Chairman	50 380
Members	36 641
<b>Nominations committee</b>	
Chairman	-
Members	18 313

The HCRC relied on a salary benchmark and survey from the Deloitte Non-Executive Director's Survey Report 2017, an independent third party, to determine whether the non-executive directors' fees presented to shareholders for approval, were in line with market trends to retain the necessary skill and expertise required.

Non-executive directors only receive a monthly remuneration as opposed to a fee per meeting. This recognises the responsibility of directors for the efficient control of the company and creates the expectation that the non-executive directors will attend every board or committee meeting. A premium is payable to the chairman of the board, as well as to the chairman of the committees. Non-executive directors are not entitled to receive short- or long-term incentives.

Board members are compensated for expenses incurred in pursuance of Etion's business.

### IMPLEMENTATION REPORT

#### Guaranteed pay adjustments

Taking into consideration the prevailing market conditions, affordability and shareholders' expectations, an average increase of 4.5% to guaranteed remuneration packages of employees was made during the financial year. Executives and general management received increases of 4.5%.

#### Executive and non-executive remuneration

The table below summarises the non-executive and executive directors as well as prescribed officer remuneration for the year. It comprises an overview of the pay elements, available to the executive management team for the 12-month period ended 31 March 2018.



Coen Bester

Chairman of the human capital and remuneration committee

	Basic salary	Medical aid	Retirement contribution	Bonus and performance-related payments	Total
<b>Executive</b>					
<b>2018</b>					
T Daka	2 123	175	98	–	2 396
AR van der Watt	1 245	155	394	–	1 794
EC De Kock	434	5	90	–	529
<b>Total paid by Etion</b>	<b>3 802</b>	<b>335</b>	<b>582</b>	<b>–</b>	<b>4 719</b>
<b>2017</b>					
T Daka	1 968	108	82	1 988	4 146
AR van der Watt	630	47	83	703	1 463
<b>Total paid by Etion</b>	<b>2 598</b>	<b>155</b>	<b>165</b>	<b>2 691</b>	<b>5 609</b>

	Fees paid to directors for services	Total
<b>Non executive</b>		
<b>2018</b>		
NS Mjoli-Mncube	383	383
SP Mzimela	221	221
CP Bester	239	239
N Medupe	234	234
Dr SJ Khoza	229	229
<b>Total paid by Etion</b>	<b>1 306</b>	<b>1 306</b>
<b>2017</b>		
NS Mjoli-Mncube	364	364
SP Mzimela	212	212
CP Bester	226	226
N Medupe	239	239
Dr SJ Khoza	294	294
<b>Total paid by Etion</b>	<b>1 335</b>	<b>1 335</b>

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	Basic salary	Medical aid	Retirement contribution	Bonus and performance related payments	Total
<b>Executive directors paid by subsidiaries</b>					
<b>2018</b>					
PC Pelser	1 194	118	351	312	1 975
R Fullard	1 261	–	113	168	1 542
EAF Bielich	947	55	164	151	1 317
DT van Loggerenberg	981	101	292	177	1 551
F de Wet	1 215	42	113	177	1 547
BC Lamprecht	1 298	82	127	196	1 703
ML Kamoetie	688	–	180	–	868
MM Massyn-Loubser	1 178	–	36	–	1 214
<b>Total paid by subsidiaries</b>	<b>8 762</b>	<b>398</b>	<b>1 376</b>	<b>1 181</b>	<b>11 717</b>

	Basic salary	Medical aid	Retirement contribution	Bonus and performance-related payments	Fees for services as directors of subsidiaries	Total
<b>2017</b>						
AR van der Watt	667	82	263	–	24	1 036
PC Pelser	1 269	107	143	519	36	2 074
R Fullard	1 163	–	105	254	18	1 540
EAF Bielich	898	50	124	214	18	1 304
DT van Loggerenberg	987	100	181	254	18	1 540
F de Wet	1 121	38	104	253	18	1 534
BC Lamprecht	1 203	75	113	293	18	1 702
WL Joubert	354	–	–	–	–	354
MM Massyn-Loubser	1 048	–	30	399	–	1 477
<b>Total paid by subsidiaries</b>	<b>8 710</b>	<b>452</b>	<b>1 063</b>	<b>2 186</b>	<b>150</b>	<b>12 561</b>