PEPKOR
Holdings Limited

2021

REMUNERATION REPORT

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Part 1: Background statement

This report is presented in compliance with the Companies Act, No. 71 of 2008, as amended (Companies Act), the JSE Equity and Debt Listings Requirements and the recommendations of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™).*

Pepkor continues to benchmark, monitor and review our remuneration policy to ensure the company fulfils our purpose and strategy and delivers value for all our stakeholders in the short, medium and long term. Based on this evaluation, we believe that no substantive changes need to be made to our remuneration policy in FY22. The company has enhanced the level of disclosure, which we believe is appropriate.

Market conditions

Various levels of sustained lockdown measures implemented by the South African government to curb the spread of the COVID-19 pandemic had a continued effect on the South African economy, resulting in economic contraction and job losses.

Social indicators are likely to remain weak owing to the severity of the pandemic and legacy issues of slow community upliftment and general mismanagement and corruption on a sociopolitical level. The socio-economic impact of civil unrest in July 2021 further exacerbated existing challenges for government and business to stabilise the economy, improve service delivery and grow employment.

Government economic intervention through increased social grants from the South African Social Security Agency and Temporary Employer/Employee Relief Scheme payments was extended to 2022, while the introduction of a basic income grant continues to be considered. Increased government debt levels over the longer term and its ability to support future social welfare and economic growth remains a concern.

The group expects the retail environment to remain constrained. The group's unparalleled position in the discount and value retail market segments continues to be increasingly relevant in addressing consumer needs.

The role of the committee

The mandate and activities of the human resources and remuneration committee (the Remcom or the committee) are reported in this section of the report, illustrating how remuneration is governed at Pepkor.

The Remcom is mandated by the board to ensure that the group remunerates employees fairly, responsibly and transparently, and in a manner that promotes the execution of the strategy. Two of the key strategic objectives are transformation and broad-based black economic empowerment (B-BBEE), which have been contracted for in both the short- and long-term incentives. The Remcom is also responsible for approving the group's general remuneration policy and implementation reports that are presented at each annual general meeting (AGM) for non-binding advisory votes by shareholders. The committee is responsible for making recommendations to the board on Pepkor's framework of executive remuneration, including the remuneration packages of certain senior managers and each of the executive directors; and for ensuring incentives are appropriately structured and awarded, in order to drive the group's performance and assist the group in reaching its short-, medium- and long-term strategic goals. The group remuneration policy and philosophy are designed to achieve these objectives, and its effectiveness is reviewed annually by the committee.

A key aspect of Pepkor's remuneration governance is that every operating business within the group has its own remuneration committee, which is reflective of the decentralised operating structure of Pepkor. The group's chief executive officer (CEO), chief financial officer (CFO) and human resources executive attend the meetings of these committees and report to the Remcom on relevant matters.

Shareholder engagement

The remuneration policy and the implementation report on remuneration policy were presented to shareholders for non-binding advisory votes at the AGM held on 10 March 2021. Of the votes cast, 90.32% were in favour of the remuneration policy and 86.62% were in favour of the implementation report.

Voting results

The percentage of votes at the 2021 AGM in favour of the remuneration-related resolutions declined slightly compared to the votes in favour at the 2020 AGM.

Pepkor 2021 AGM results	Votes FOR	Votes AGAINST	Total shares voted as a % of total issued shares
All shareholders			
Remuneration policy	90.32%	9.68%	96.11%
Remuneration implementation report	86.62%	13.38%	96.11%

Engagement with shareholders

Both Pepkor's remuneration policy and our implementation report will be presented to shareholders for separate non-binding advisory votes at the AGM in 2022. Pepkor engages with a number of shareholders on the topic of remuneration.

Through engagement during the past year with shareholders and proxy voting advisors on the group's remuneration policy and implementation report, the following key matters were raised and duly considered by the company:

Shareholder feedback	Remcom feedback
Enhanced disclosure regarding long-term incentive (LTI) and short-term incentive (STI) targets	Increased transparency has been achieved in the annual remuneration report, balancing stakeholder needs while preserving the successful execution of the group remuneration policy and ensuring appropriate commercial sensitivities. Prospective targets have been disclosed since 2020, and retrospective targets compared to performance for both STI and LTI awards prior to 2020. This practice clearly illustrates that the performance targets set are sufficiently challenging to create value for all stakeholders and these are enforced by the Remcom in terms of its responsibility.
Repositioning of LTI targets owing to the COVID-19 pandemic	Most shareholders were supportive regarding the repositioning of the LTI performance targets (as a result of the impact of the COVID-19 pandemic), which ensured the group's remuneration policy remains relevant in its objective to drive performance. This created value for all stakeholders, while remunerating employees responsibly. It also ensured that the key elements for performance recovery were prioritised. Through the engagement process, the company considered the views and rationale of the stakeholders who did not favour this approach.
Independence of the committee composition	The committee now consists of a majority of 75% independent non-executive directors, following board appointments made during FY21.

In the event that 25% or more of shareholders vote against either the remuneration policy or the implementation report at the AGM, Pepkor will engage with such shareholders through dialogue and request written submissions or otherwise in order to address their concerns.

Current and future focus areas

The committee focused on areas it had previously identified to enhance alignment and ongoing compliance. These included:

- Identifying mutually beneficial opportunities with regard to remuneration and benefits across the group and leveraging the scale of the group
- Driving greater standardisation, for example with regard to STI structures that support policy and targets across the group, such as B-BBEE
- Monitoring the application of equal pay for work of equal value to ensure equity is maintained within Pepkor, and how this speaks to fair and responsible remuneration for executive directors and the executive team compared to employee remuneration

The committee is satisfied that the areas identified have been adequately addressed in the previous financial year, and a continued focus will be maintained on these areas to ensure continuous improvement is achieved across the group in FY22.

Legislation changes

As of 1 March 2021, new labour laws came into effect, amendments were made to the National Minimum Wage Act of 2018, and the national minimum wage rose from R20.76 to R21.69 per hour.

The Protection of Personal Information Act commencement date was 1 July 2020 with a grace period until 30 June 2021. This legislation required updating and securing processes to deal with the personal information of employees.

Pepkor has taken the necessary steps to comply with these regulatory requirements and changes.

Advisory services utilised

The Remcom utilised the services of Willis Towers Watson for the executive and non-executive remuneration benchmarking conducted during the year.

Additionally, Pepkor also subscribes to REMchannel and REMeasure, provided by Old Mutual, which are utilised by the group's operating businesses. The remuneration consultation services of Bowmans were utilised during FY21 to advise the Remcom on key remuneration matters. The Remcom is satisfied that the advice received was independent and objective.

Members of the Remcom

Member	Role	Capacity	Board appointment
SH Müller	Chairman	Independent non-executive director	18 August 2017
LJ du Preez	Member	Non-executive director	24 January 2018
IM Kirk	Member	Independent non-executive director	1 June 2021
LI Mophatlane	Member	Independent non-executive director	1 June 2021

The Remcom comprises 75% independent non-executive directors, meeting the King IV™ recommendation for remuneration committees to have a majority of independent non-executive directors. The board believes the current composition of the committee is appropriate to discharge the committee's roles and responsibilities.

The Remcom is satisfied that the remuneration policy summarised in this report achieved its primary objectives in the 2021 financial year under review and is expected to do so again in the next financial year.

STEVE MÜLLER
Chairman of the human resources and remuneration committee

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Part 2: Overview of remuneration policy and philosophy

The scope and aim of the remuneration policy

The individual remuneration policies that collectively make up the group's remuneration policy have been developed systematically over several years. In some cases, they have been developed by the operating businesses before incorporation into the group. In all cases, policies have been adapted to support the performance-focused culture of the group.

The policies in place apply to each of our operating businesses, which all need to attract, motivate and retain critical, specialist skills. Each operating business also needs to develop an independent recruitment strategy that is robust compared to competitors in its sector, in some instances across several different countries. The group's competitive advantage in these areas flows from an intricate and in-depth knowledge of the retail value chain, including supply chains and the nurturing of key supplier relationships, as well as our goal-orientated marketing strategies and customer communication, offering the right product at the right price and at the convenience of consumers. These relationships and capabilities are all people driven and depend on good systems, practices and policies.

To be successful, each operating business needs its own specialist management team, a support team to deliver on time, and systems that are robust and sustainable.

The remuneration philosophy

The Pepkor remuneration philosophy originates from our purpose to make a positive difference in the lives of our customers. When our customers are positively impacted, our people grow, our operating businesses grow and, ultimately, our group grows. The company remuneration philosophy also seeks to serve shareholder interests by supporting sustainable growth.

We aim to position ourselves in the market to ensure we attract, motivate and retain key and critical talent. We achieve this by applying appropriate remuneration structures across all employee levels, as well as within our various group-level entities, ensuring that the correct balance between guaranteed pay, short- and long-term incentives is achieved.

Our remuneration philosophy will always reflect our group values:

- Support
- Respect
- Enable
- Trust
- Grow

The remuneration framework for all employees

While different policies may develop in each operating business, these policies are required to conform to and fit within a fair and approved remuneration policy framework at all levels and across the whole group, differentiated by grade and level of responsibility.

Positions are graded according to the Paterson grading system, placing employees into groups based on their grade level, with specific remuneration policies applied to each group.

<table>
<tr><th>Responsibility level</th><th>Grade level</th><th>Guaranteed pay</th><th>Short-term incentives</th><th>Long-term incentives</th></tr>
<tr><td>Operational and logistics employees</td><td rowspan="2">D1 and below</td><td rowspan="2">Salaries are reviewed annually based on an assessment of the competence of the employee or via a collective bargaining process.</td><td rowspan="2">A commission or gain-sharing or outcome-based bonus may be awarded as an add-on to guaranteed pay. In some instances, a guaranteed thirteenth cheque also applies.</td><td rowspan="2">Skills development is encouraged and subsidised, facilitating career advancement.

Employment benefits may include retirement, medical, death and disability cover, as well as study funding. In addition, bursaries may also be provided to employees' children.</td></tr>
<tr><td>Administrative employees</td></tr>
<tr><td>Line managers
(Heads of departments)</td><td>D2 to D5</td><td rowspan="3">Guaranteed pay is reviewed annually based on an assessment of the competence of the employee.</td><td>A performance bonus may be earned, based on the performance of the department or operating business.</td><td>The incentives, as outlined above, apply in effect to this group of employees.

Additionally, some employees – who are identified by the CEO and his executive team through succession planning processes as having high potential or are key for retention – may be awarded long-term incentives.</td></tr>
<tr><td>Executive management
(The members of the group and operating business executive committees)</td><td>E and F</td><td>A performance bonus may be earned based on the performance of the operating business. Financial and non-financial criteria are used as measures.</td><td rowspan="2">Employees participate in LTI schemes based on group and operating business performance.</td></tr>
<tr><td>Executive directors
(Shouldering the responsibility for group strategy)</td><td>F</td><td>A performance bonus may be earned as above but calculated based on group performance. Financial and non-financial criteria are used as measures.</td></tr>
</table>

Remuneration governance with regard to executive directors and management

The policy governing terms of employment

Employment contracts are terminable on one month's notice.

Remuneration packages, including the entitlement to long-term incentives, are reviewed annually, aligning commitment with accountability to shareholders.

No fixed-term employment contracts or special severance arrangements have been entered into with any employee on the executive management team or an executive director.

The remuneration package

Remuneration is defined as a package containing three elements:

- The guaranteed pay includes the costs of employee benefits such as travel allowances and retirement and medical fund contributions. Guaranteed pay is reviewed annually.
- An STI scheme is agreed in the form of an annual bonus, or a profit pool-funded bonus.
- A long-term equity-based incentive or cash bonus is awarded.

The market positioning of guaranteed pay

The remuneration packages of the executive management team are benchmarked annually by the Remcom based on a reputable salary survey. The survey providers used for FY21 and FY22 are REMchannel and Willis Towers Watson.

The following approach is observed in this annual review exercise:

- The guaranteed pay of each member of the executive management team is indexed relative to the median of the survey. The group CEO makes recommendations to the Remcom concerning the pay level of each executive based on the index reading, taking into account the competence of the individual and the criticality of their contribution to the group. The level of the index applying to the remuneration of the group CEO is considered by the Remcom.
- An annual increase will be determined by the Remcom based on the expected inflation, salary increase forecasts, internal and external equity and peer benchmarks.
- The succession risks concerning top management positions are also considered by the Remcom.

Peer comparison group (Retail)

The Pepkor group benchmarks against certain peers when we review remuneration and benefits as well as market practices. The following peers were confirmed at the time of benchmarking:

Retail sector
Mr Price Group Limited
The Foschini Group Limited
Truworths International Limited
Woolworths Holdings Limited

Package structures

Guaranteed pay (GP) is contracted on the basis that the executive directors and executive management are required to put more of their remuneration at risk than support staff. They are, however, incentivised via their participation in a STI scheme. The total remuneration of these individuals will reach market level if the targeted score is obtained in terms of the STI scheme. To illustrate the above, the following package structuring policy is in place and will typically apply in FY22 to executive directors, executive management and line managers.

Element of package Percentages are of total cost of employment (TCOE) at target	**Executive directors**	**Executive management at group level**	**Line managers**
GP	67%	67%	83%
STI at target	33%	33%	17%
TCOE	**100%**	**100%**	**100%**
Maximum bonus (% of GP)	100%	100%	40%

The form and scale of the short-term incentives

Each senior executive serving on an executive committee will be entitled to an STI at the end of each financial year, based on targeted pay at risk, as reflected in the table above. Incentives are measured and determined as follows:

- The executive concerned has a performance scorecard reflecting both financial and non-financial performance criteria. The criteria are weighted between 70% and 90% based on financial criteria, and between 10% and 30% based on non-financial criteria.
- The financial criteria for executive management are tied to the financial performance of the operating business, where the target is equal to the approved budget for the operating business or a percentage of operating profit growth for the operating business or earnings growth of the group. The non-financial criteria include objectives based on set targets. The targets will be reset annually and will include organisational sustainability goals. Non-financial performance criteria achievement will be rated by the group CEO at the end of each year.
- In the case of the group CEO and CFO, the financial target is based on the growth in group earnings and the non-financial target is focused on reaching our transformation goals, agreed annually in advance with the committee.
- The bonus will be provided and accounted for in the year to which it relates, and paid out in the following year after it has been approved. In the case of any B-BBEE bonus payable, it will be accounted for and paid following the period to which it relates.

For FY22, the Remcom has approved that earnings* growth between 5% and 50% will result in a short-term incentive of between 10% and 90% of the guaranteed package for executive directors.

Additionally, the short-term incentive scheme for B-BBEE was retained for FY22. Executive directors will be awarded an incentive of 10% of guaranteed pay upon achieving the target of 55 points as approved by the Remcom.

** Earnings are defined as 'headline earnings' from continuing operations as disclosed in the financial results of the group, excluding the effect of the implementation of new International Financial Reporting Standards (IFRS) in the year of implementation, resulting in normalised earnings. Earnings further exclude abnormal one-off items outside management's control.*

The retail trading conditions remain challenging and the Remcom believes structuring the short-term incentives as financial equalling 90% and non-financial equalling 10% is appropriate for FY22. The above could result in a maximum STI of 100% for executive directors.

STI measure	Weighting	Threshold (as a % of GP)	On-target (as a % of GP)	Maximum (as a % of GP)
Earnings* growth	90%	10%	40%	90%
B-BBEE	10%	10%	10%	10%
Total (as a % of GP)	100%	20%	50%	100%

* *Earnings are defined as 'headline earnings' from continuing operations as disclosed in the financial results of the group, excluding the effect of the implementation of new IFRS in the year of implementation, resulting in normalised earnings. Earnings further exclude abnormal one-off items outside management's control.*

Discontinuation of the deferred cash bonus plan completed

As reported over the past two years, the legacy deferred cash bonus plan funded annually by excess profits was discontinued. As a result, accumulated bonuses were paid out to executives together with compensation for the closure of the scheme. Such payments were effective over three years from 2019 to 2021 and, barring the compensation for closure, continued to be self-funded with all amounts already provided and accrued based on prior performance of the group. It therefore does not come at an additional cost to the group. It further supports employee retention. The final payment occurred in June 2021.

The form and scale of long-term incentives

Long-term incentives take the form of full value shares in Pepkor Holdings Limited executive share rights scheme, subject to performance vesting conditions, either based wholly on Pepkor performance or, in the case of executive management, based on Pepkor and applicable business performance. The rights are granted annually with effect from the beginning of the financial year during which the grant was made. Grants are made in March of every year. Each grant issued is subject to a three-year vesting period.

Senior executives and other key employees are awarded share rights in terms of the company's LTI plan based on the following guidelines:

- Each designated employee will receive an allocation amount based on the approved levels determined annually by the Remcom. This allocation value will be used to determine the number of share rights granted to each employee based on the 30-day volume-weighted average price on 30 September. The guaranteed pay will be used to ensure that these allocations do not exceed the maximum allocation percentage allowed as per the rules of the scheme.
- More share rights can be awarded to an employee if this is approved by the Remcom on the recommendation of the group CEO, on the grounds of the criticality of their skills and knowledge, or in relation to the operations or needs of the group. In the case of the group CEO, the committee makes the recommendation.
- In awarding share rights, the performance vesting conditions at both a Pepkor and operating business level are set with a sufficient degree of difficulty, which, together with the requirement of continuous employment, evaluates them as being worth approximately 70% of their face value on the date of the grant, in the judgement of the Remcom.
- An amount of 172 500 000 (one hundred and seventy-two million five hundred thousand) unissued ordinary shares of no par value in the company may be used for the implementation of the Pepkor Holdings Limited executive share rights scheme over the life of the scheme. This represents less than 5% of Pepkor's total issued share capital.

Long-term incentives continue to be reviewed to ensure they sufficiently motivate and retain key talent in line with best market practices. Provisions are made in the rules relating to resignation, dismissal, death, retrenchment, ill health, disability, injury and sale of employer company.

FY21 share grants were allocated based on the following performance criteria:

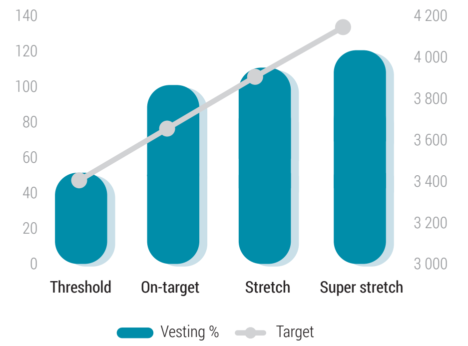
Year 1 (FY21)

Representing one-third | **Key performance indicators and targets** | **Weighting**

Growth

Cumulative earnings total target (Rm) – Based on pro forma

- Threshold 3 400 (50% vesting)
- On-target 3 650 (100% vesting)
- Stretch 3 900 (110% vesting)
- Super stretch 4 150 (120% vesting)



Weighting: 45%

Market share growth

- Threshold 2.0% (50% vesting)
- On-target 3.0% (100% vesting)
- Stretch 3.5% (110% vesting)
- Super stretch 4.0% (120% vesting)

Based on independent external data

Weighting: 10%

Cash generation

Cash conversion

- Threshold 70% (50% vesting)
- On-target 80% (100% vesting)
- Stretch 85% (110% vesting)
- Super stretch 90% (120% vesting)

Weighting: 25%

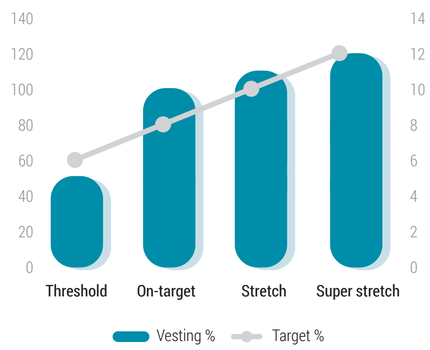
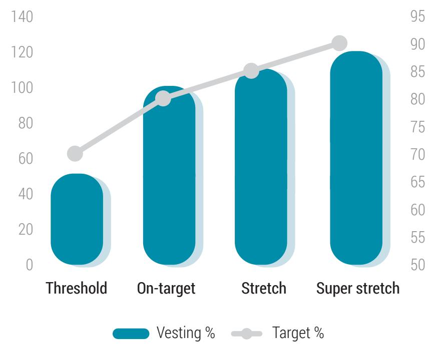
Sustainability

B-BBEE compliance where a target of 55 points will result in a 100% vesting — 10%

FTSE4Good Indicators where a score of 2.9 points will result in 100% vesting based on the FY21 measurement — 5%

Compliance and governance where a score of above 80% on the specific FTSE4Good indicators will result in a 100% vesting — 5%

Years 2 and 3 (FY22 and FY23)

<table>
<tr><th>Representing two-thirds</th><th>Key performance indicators and targets</th><th></th><th>Weighting</th></tr>
<tr><td>Growth</td><td>Earnings* growth – based on statutory
▶ Threshold CPI + GDP (50% vesting)
▶ On-target CPI + GDP + 2% (100% vesting)
▶ Stretch CPI + GDP + 4% (110% vesting)
▶ Super stretch CPI + GDP + 6% (120% vesting)</td><td>
</td><td>55%</td></tr>
<tr><td>Cash generation</td><td>Cash conversion
▶ Threshold 70% (50% vesting)
▶ On-target 80% (100% vesting)
▶ Stretch 85% (110% vesting)
▶ Super stretch 90% (120% vesting)</td><td>
</td><td>25%</td></tr>
<tr><td rowspan="3">Sustainability</td><td colspan="2">B-BBEE compliance where a target of 55 points will result in a 100% vesting</td><td>10%</td></tr>
<tr><td colspan="2">FTSE4Good Indicators where a score of 2.9 points will result in 100% vesting based on the FY22 measurement</td><td>5%</td></tr>
<tr><td colspan="2">Compliance and governance where a score of above 80% on the specific FTSE4Good indicators will result in a 100% vesting</td><td>5%</td></tr>
</table>

** Earnings are defined as 'headline earnings' from continuing operations as disclosed in the financial results of the group, excluding the effect of the implementation of new IFRS in the year of implementation, resulting in normalised earnings. Earnings further exclude abnormal one-off items outside management's control.*

Vesting between threshold and on-target will be calculated on a pro rata linear sliding scale basis and vesting of stretch and super stretch will be cliff vesting. Consumer price index (CPI) and gross domestic product (GDP) will be measured as per the official figures released by the South African Reserve Bank.

In aggregate, performance over the three-year performance period will result in a 40% vesting for threshold performance, 100% for on-target and 116% at the maximum.

Clawback and malus provision

Clawback and malus provisions were first incorporated in the letters of allocation in respect of the March 2018 grants and in all subsequent grants. The scheme rules were amended at the AGM in March 2020, specifically to include clawback and malus provisions.

The Remcom has the discretion to apply malus (the forfeiture or reduction of allocation(s) that are yet to vest) or clawback (the recoupment of the value of allocation(s) that has already vested), in respect of any participant or all participants, on the occurrence of one or more of the following events:

- a material misstatement resulting in an adjustment to the performance criteria in respect of a period for which the performance criteria applicable to an allocation have been assessed and result in an unfair benefit to the participant(s); and/or
- action or conduct of an employee that amounts to fraud or dishonesty or a material breach of their obligations to the company.

Non-executive director (NED) fees for 2021 and proposed fees for 2022

The proposed fees will be presented to shareholders for consideration at the AGM of shareholders to be held in March 2022, and will be effective from April to March. No increase in the fees paid to non-executive directors was proposed at the AGM held in March 2021.

	2021	2022	% change
Board of directors			
Chairman	1 932 000	2 028 600	5.0
Lead independent	840 000	880 000	4.8
Member	661 500	695 000	5.1
Audit and risk committee			
Chairman	496 650	521 500	5.0
Member	276 150	290 000	5.0
Human resources and remuneration committee			
Chairman	276 150	290 000	5.0
Member	138 075	145 000	5.0
Nomination committee			
Member	27 615(1)	70 000	–
Social and ethics committee			
Chairman	226 800	238 000	4.9
Member	121 800	128 000	5.1
Investment committee			
Chairman	–	238 000	–
Member	–	128 000	–
Insurance			
Insurance director	138 075	145 000	5.0
Ad hoc meetings(2)			
Rate per hour*	4 410	4 630	5.0

All fees are annual, except (1), which is per meeting, and (2), which is per hour.

*The proposed hourly rate is for attending ad hoc committee meetings that are approved in advance by the board. The fees paid are for attendance only and exclude travel and preparation time. The payment thereof is proposed by the company secretary and approved by the CEO and chairman of the board before payment.

All fees listed above exclude VAT and VAT will be added where directors are registered for VAT. The cycle for NED fees runs from April to March of each year, after it has been approved at the AGM by shareholders.

Pepkor used the following surveys to benchmark the NED fees:

- Willis Towers Watson – Remuneration & Benefits Survey: Top Executive
- PwC – Non-executive directors: Practices and fees trends report

Based on these benchmarks, the remuneration paid to NEDs is considered to be fair and responsible.

Discretion

The group remuneration framework provides a clear guideline for remuneration practices. Although the basis for short- and long-term awards are rigid, the Remcom still has the discretion regarding who will participate in variable pay remuneration. The Remcom determines the overall quantum of the short-term incentives and has the discretion to exercise reasonability and to make recommendations for any ex gratia payments where extraordinary value has been created by the executive directors and executive team members. If a material deviation from the remuneration policy occurs, this will be disclosed in the annual remuneration report to ensure the correct implementation of the policy. Discretion would include, but is not limited to:

- ensure that Pepkor's group and operating business executives and managers are fairly rewarded for their individual and joint contributions to Pepkor's overall performance and that Pepkor remunerates fairly, responsibly and transparently so as to achieve our strategic objectives and secure positive outcomes in the short, medium and long term; and
- ensure that the remuneration of executives and managers is determined based on the remuneration philosophies applicable with due cognisance of operating business-specific past practices and successes.

Fair and responsible remuneration

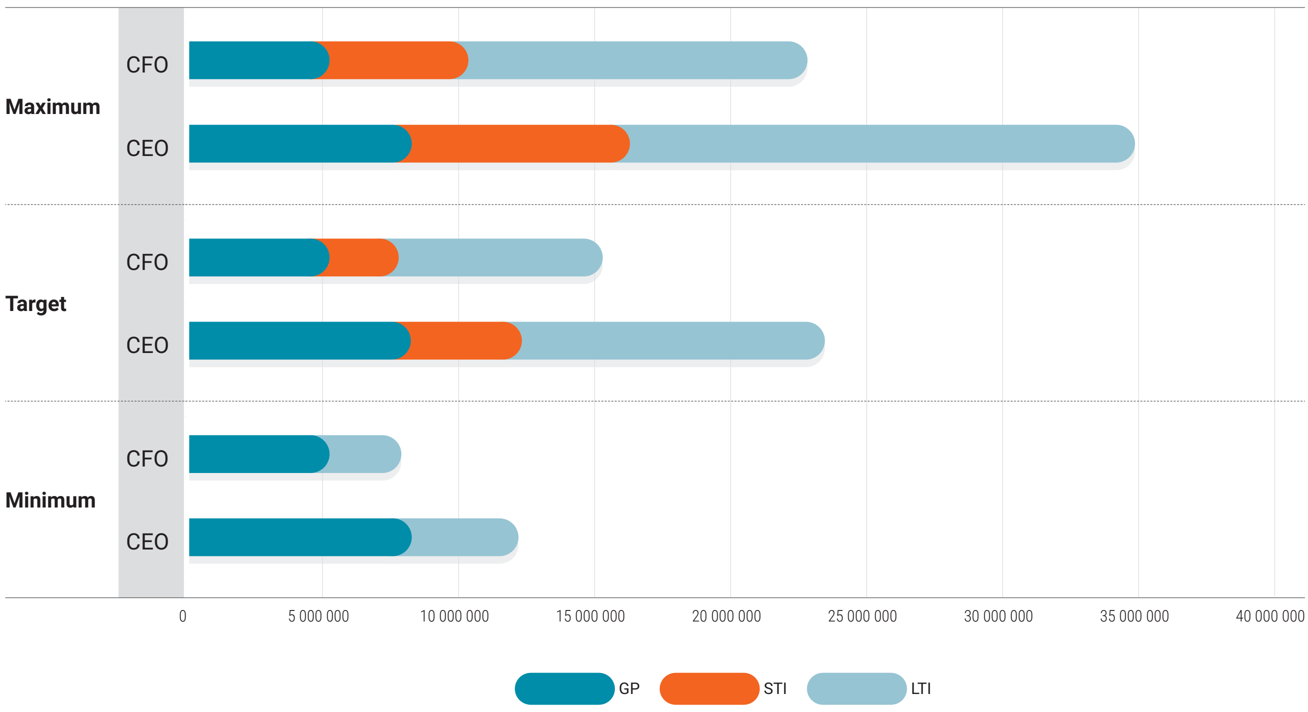
The Remcom views fair and responsible remuneration as being internally equitable and externally competitive. The remuneration policy plays an important role in achieving this objective, as well as in ensuring that Pepkor meets our strategic goals over the short, medium and long term. Key features and functions of the policy include:

- consulting with independent remuneration advisors affiliated with the South African Reward Association;
- applying the principle of equal pay for work of equal value;
- benchmarking the levels of all roles, using a job grading system (REMeasure, Old Mutual);
- using reputable salary survey providers REMchannel (Old Mutual) and Willis Towers Watson (PE Corporate Services); and
- providing the Remcom with suitable and market-related recommendations.

The Remcom understands the importance of ensuring executive directors are remunerated fairly, and in a manner aligned with shareholders' expectations. Within this context, the Remcom will always strive to achieve a balance between the attraction, motivation and retention of key employees.

Pay policy mix

Below is an illustration of the potential consequences on the total remuneration for executive directors, on a total single figure basis, of applying the remuneration policy under the minimum, on-target and maximum performance outcomes. A total single figure of remuneration received and receivable for a reporting period, and all the remuneration elements that it compromises, each disclosed at fair value.



PART 3: IMPLEMENTATION OF REMUNERATION POLICY

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Part 3: Implementation of remuneration policy

This section discloses the details of the group's executive directors' remuneration, as well as share rights awarded to and received by them in terms of the policies set out in the remuneration policy section of the report, which is required to be disclosed in terms of the Companies Act, the JSE Equity and Debt Listings Requirements and King IV™.

Note: The executive directors are the prescribed officers of the group in terms of section 30 of the Companies Act.

Compliance with the remuneration policy

The Remcom is satisfied that the remuneration policy summarised in this report achieved its primary objectives in the 2021 financial year under review and is expected to do so again in the next financial year. Furthermore, it can be confirmed that no deviations from the policy occurred in FY21 and no circumstances warranted the application of any malus or clawback provisions.

Guaranteed pay benchmarking and increases in FY22

Benchmarking in the current year was undertaken based on the Willis Towers Watson Top Executive Salary Survey (July 2021). The survey found that the guaranteed pay of the executive management team across the group was positioned at a comparative ratio of approximately 92% relative to market median and compared to companies of the same size in South Africa. This is close to the expectation of the pay structuring target, explained in the policy section above, as there is a skew towards variable pay in the pay structure of executive management.

Salary increases of 5% were approved to be implemented in FY22 for the guaranteed packages of the CEO and CFO, compared to a general increase approved for other employees (including bargaining unit employees) ranging between 4% and 6%. In FY21 the CEO received a 0% increase and the CFO a 3% increase.

STI outcomes in FY21

The following bonuses were awarded to executive directors in respect of the financial performance of the group for the 2021 financial year:

Executive director	Bonus awarded FY21		Bonus awarded FY20*	
	R'000	**% of GP**	R'000	% of GP
LM Lourens	**7 601**	**96**	1 188	15
RG Hanekom	**4 687**	**96**	712	15

**Bonuses awarded in the previous financial year were impacted by the influence of the COVID-19 pandemic on the performance of the group.*

The Remcom approved the following short-term incentives categories for FY21:

- Financial – earnings growth* (between 10% and 90% of GP)
- Non-financial – B-BBEE targets (between 5% and 10% of GP)

Incentives were awarded in FY21 based on normalised earnings*, before taking into account non-recurring and one-off costs incurred in FY20. The growth in normalised earnings for FY21, based on this definition, was 129.6%, in terms of this category, translating into an STI award equal to 90% of GP.

Additionally, a maximum incentive of 10% of guaranteed pay is allocated for executive directors based on the B-BBEE verification results if the target of 55 points is exceeded. The B-BBEE score for the FY20 measurement period resulted in a 6% payment to the executive directors in FY21.

* *Earnings are defined as 'headline earnings' from continuing operations as disclosed in the financial results of the group, excluding the effect of the implementation of new IFRS in the year of implementation, resulting in normalised earnings. Earnings further exclude abnormal one-off items outside management's control.*

LTI scheme vesting and accruals

FY18 share grants

The performance criteria were measured over a three-year performance period, being FY18 to FY20. The table below sets out targeted performance compared to performance achieved per key performance measure over the first two years. In FY20, only continued employment was used as the requirement. Performance targets pertaining to growth, cash generation, sustainability and retention were achieved, while the return on equity performance target was not. This resulted in vesting of 70% of the total award with the result achieved based on the average annual performance for the agreed period.

FY18 grant	**Award date**	**1 March 2018**	**Vesting date**	**1 March 2021**	
Performance criteria	**Description**	**Weighting**	**Target**	**Result achieved**	**% of award vesting**
Growth	Growth in headline earnings	30.00%	10.00%	11.45%	**30.00%**
Cash generation	Cash conversion	30.00%	80.00%	86.77%	**30.00%**
Returns	Return on equity	30.00%	8.00%	5.46%	**0.00%**
Sustainability	B-BBEE rating	10.00%	40.00 points	40.87 points	**10.00%**
	Compliance		Reporting compliance	Achieved	
	FTSE4Good		2.50 points	2.50 points	
Total		100.00%			**70.00%**

Executive director interests – accruals and company shareholding

The following table sets out grants of share rights made to the executive directors in terms of the Pepkor Share Rights Scheme during FY21, including outstanding and unvested share rights as at the financial year-end. It also includes current shareholding of executive directors as at 30 September 2021.

	Unvested share rights allocated				
Executive director	**At the beginning of the year (FY18, FY19 and FY20 allocations)**	**Allocated during the year (FY21 allocation)**	**Vested and forfeited during the year (FY18 allocation)**	**At the end of the year (FY19, FY20 and FY21 allocations)**	**Actual number of shares held at 30 September 2021**
LM Lourens	2 381 911	1 445 334	(570 244)	3 257 001	286 378
RG Hanekom	1 550 365	966 665	(390 244)	2 126 786	147 512
Total	3 932 276	2 411 999	(960 488)	5 383 787	433 890

LTI scheme grants in FY22

Share rights will be granted to executive directors and executive management in terms of the policy defining allocation amount set out in the remuneration policy section on page 10. The grants will be made following the expiry of the share trading closed period, after the publication of this report and before the 2022 AGM. Performance vesting conditions are in line with the policy as set out in the policy section and will be confirmed by the Remcom. LTI scheme grants will have a three-year vesting period.

Total remuneration in FY21

The following table offers a breakdown of the total single figure remuneration earned by the executive directors during the 2021 financial year, reflected based on the cost to the group in terms of its accounting policies, which observe IFRS rules.

Remuneration of the executive directors	Basic remuneration R'000	Company and pension fund contributions R'000	Annual bonus R'000	Deferred cash long-term* R'000	Retention bonus R'000	Long-term incentive R'000	Total remuneration*** R'000
2021							
LM Lourens	**6 826**	**1 092**	**7 601**	**1 200**	**–**	**5 958**	**22 677**
RG Hanekom	**4 166**	**725**	**4 687**	**1 200**	**–**	**4 077**	**14 855**
Total	**10 992**	**1 817**	**12 288**	**2 400**	**–**	**10 035**	**37 532**
2020							
LM Lourens	**6 237****	**1 087**	**1 188**	**1 200**	**3 901**	**–**	**13 613**
RG Hanekom	**3 689****	**704**	**712**	**1 200**	**3 724**	**–**	**10 029**
Total	**9 926**	**1 791**	**1 900**	**2 400**	**7 625**	**–**	**23 642**

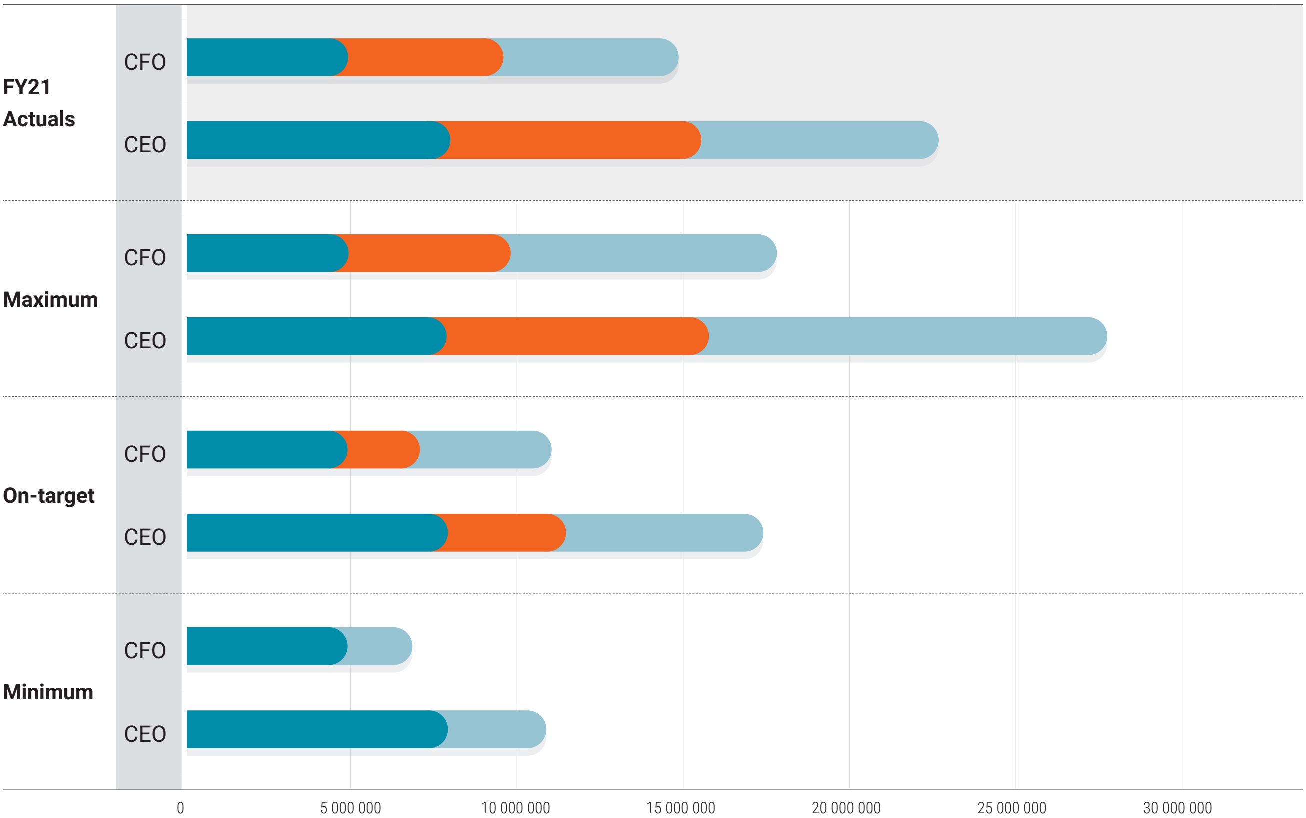
* *Please refer to page 10 for more information on the deferred cash bonus plan.*

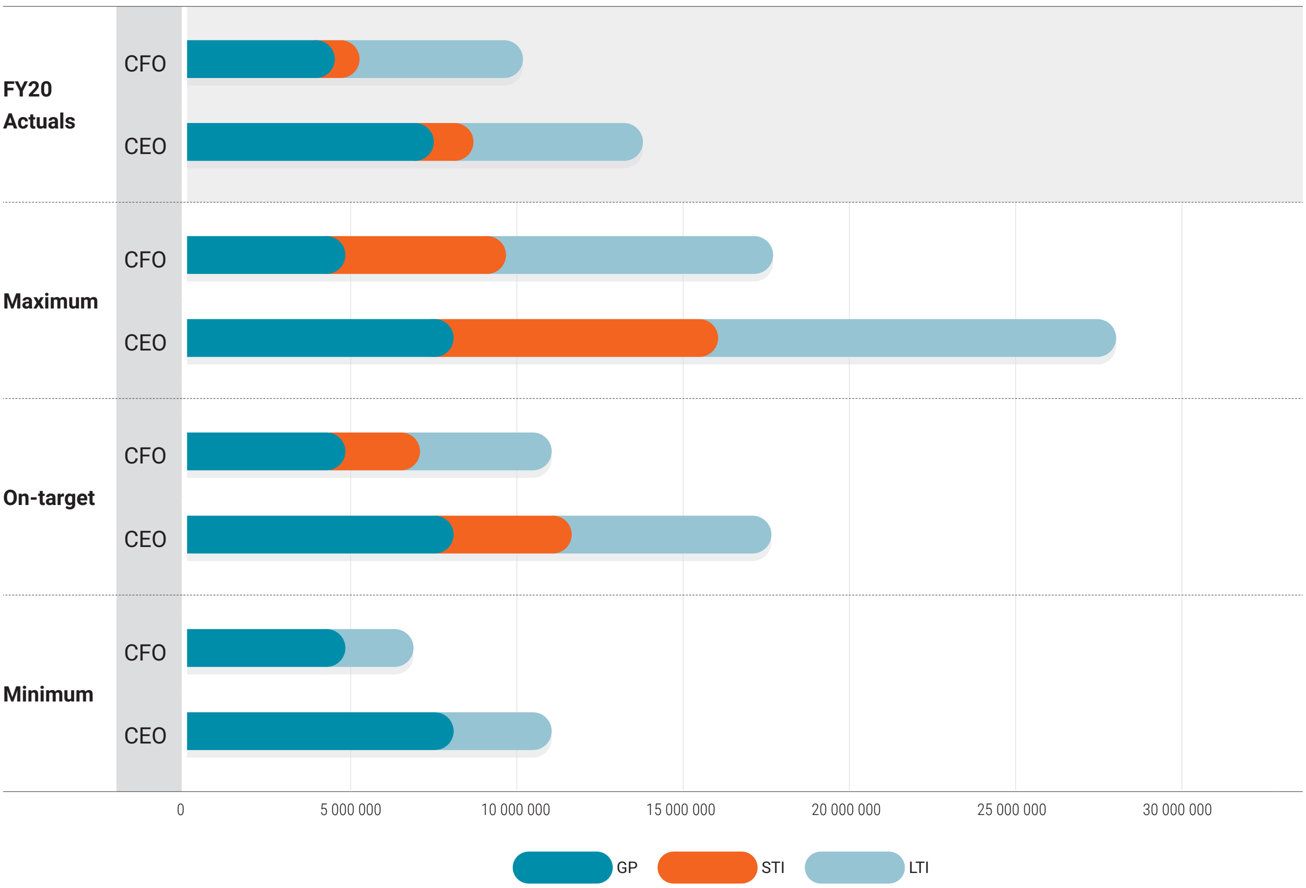
** *Total basic remuneration in FY20 was reduced by R594 000 for LM Lourens and R356 000 for RG Hanekom and relates to salary sacrifices for the period April to June 2020 that were made to the Solidarity Fund.*

*** *In FY21, increased bonuses were awarded, based on group performance. FY21 further includes the first-time vesting of the FY18 grant in terms of the Pepkor executive share rights scheme.*

Actual remuneration outcomes compared to pay policy mix

In the graphs below, the actual remuneration outcomes for FY20 and FY21 have been illustrated versus the pay policy mix for the same periods.





NED fees in 2021

The following is a summary of fees paid to NEDs for their services as directors:

	2021 R'000	2020 R'000
JB Cilliers**	**578**	1 344
TL de Klerk*	**728**	640
P Disberry	**261**	–
LJ du Preez*	**892**	861
MJ Harris	**–**	288
HH Hickey	**323**	–
IM Kirk	**278**	–
WYN Luhabe**	**1 817**	750
ZN Malinga	**353**	–
LI Mophatlane	**267**	–
SH Müller**	**1 289**	1 181
J Naidoo**	**468**	1 819
F Petersen-Cook**	**1 455**	1 242
JD Wiese**	**315**	605
Total	**9 024**	8 730

All fees listed above exclude VAT and VAT will be added where directors are registered for VAT.

** Relates to remuneration received for services provided to Steinhoff. The fees to directors include fees paid as directors of ultimate holding company Steinhoff where directors serve on the board of the company and holding company. The amount payable to Steinhoff for the attendance of Pepkor board meetings, as well as being non-executive Pepkor board members amounts to R1.62 million (2020: R1.50 million). In FY20, the non-executives from Steinhoff made a donation of 30% of fees to the Solidarity Fund and CoCare Initiative that amounted to R132 954 for the period April to June 2020.*

***The non-executive directors (excluding F Petersen-Cook and non-executives from Steinhoff) donated a total of R507 409 (30%) of their salaries to the Solidarity Fund and CoCare Initiative for the period April to June 2020. This was deducted from the quarterly fees that were paid. In the case of F Petersen-Cook, she received her full fees for the period, but donated an amount of R105 730 (30%) to various charities.*

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