PEPKOR
Holdings Limited

RESILIENCE & REINVENTION

Remuneration Report 2023

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The Pepkor Holdings Limited 2023 integrated reporting suite covers the financial year ended 30 September 2023.

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™).*

The Pepkor remuneration journey

Since Pepkor's listing on the Johannesburg Stock Exchange in 2017, it has focused its efforts on refining and optimising the group's remuneration policy on an ongoing basis. This is done in order to support the group's ability to create sustainable value for all stakeholders. The alignment of the interests of management and shareholders has also been strengthened.

The group has substantially enhanced its transparency regarding remuneration matters through improved levels of disclosure. This was confirmed at the 2023 Pepkor annual general meeting (AGM) where more than 75% of the group's shareholders supported both the Pepkor remuneration policy and the implementation thereof.

Pepkor has continued to benchmark, monitor and review its remuneration policy to ensure that it fulfils its purpose and strategy in the short, medium and long term. Based on this evaluation, we believe that no substantive changes to our remuneration policy are required in the financial year 2023 (FY23). Pepkor's remuneration policy and levels of disclosure in this year's implementation report is therefore consistent with that of the prior year.

Market conditions

The operating environment remains constrained with higher interest rates and increased levels of inflation. Consumer affordability therefore remains under pressure as the cost of living continues to rise. Pepkor's strategy is to provide customers with access to affordable products so that their basic needs are met. This enables Pepkor to be best positioned against this persistently tough consumer and macroeconomic environment. In recent years, competition in the discount and value sectors of the market has intensified. While this benefits consumers, retailers need to ensure that their customer value propositions remain relevant to serving customer needs.

The role of the human resources and remuneration 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, which illustrates 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 company strategy. Environmental, social and governance (ESG) aspects have been included as part of the group's remuneration policy since 2017.

The Remcom is responsible for the group's remuneration policy and implementation report, which are presented at each AGM for separate non-binding advisory votes by shareholders, as required in terms of the Companies Act. In terms of this, shareholders are required to consider the group's remuneration policy and, separate to this, consider the implementation report. The committee is responsible for making recommendations to the board on Pepkor's framework of executive remuneration, including the remuneration packages of the executive management team and each of the executive directors. The Remcom also ensures that incentives are appropriately structured and awarded, in order to drive the group's performance and assist it to achieve 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.

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. These committees operate within the remuneration policy of the group and, to ensure appropriate governance, the group's chief operating officer (COO), chief financial officer (CFO) and group human resources executive attend the meetings of these committees and report relevant matters to the group Remcom.

Shareholder engagement

Pepkor's remuneration policy and the financial year 2022 (FY22) implementation report were presented to shareholders for non-binding advisory votes at the AGM held on 2 March 2023. Of the votes cast, 87.87% were in favour of the remuneration policy and 91.97% were in favour of the implementation report.

If the voting of the group's largest shareholder (44%) is excluded, 76.5% of shareholders voted in favour of the remuneration policy, with 84.5% voting in favour of the FY22 implementation report. This exceeds the minimum level of support required and is reflective of the encouraging progress made over the last six years in the development of the remuneration policy and the level of transparency and disclosure.

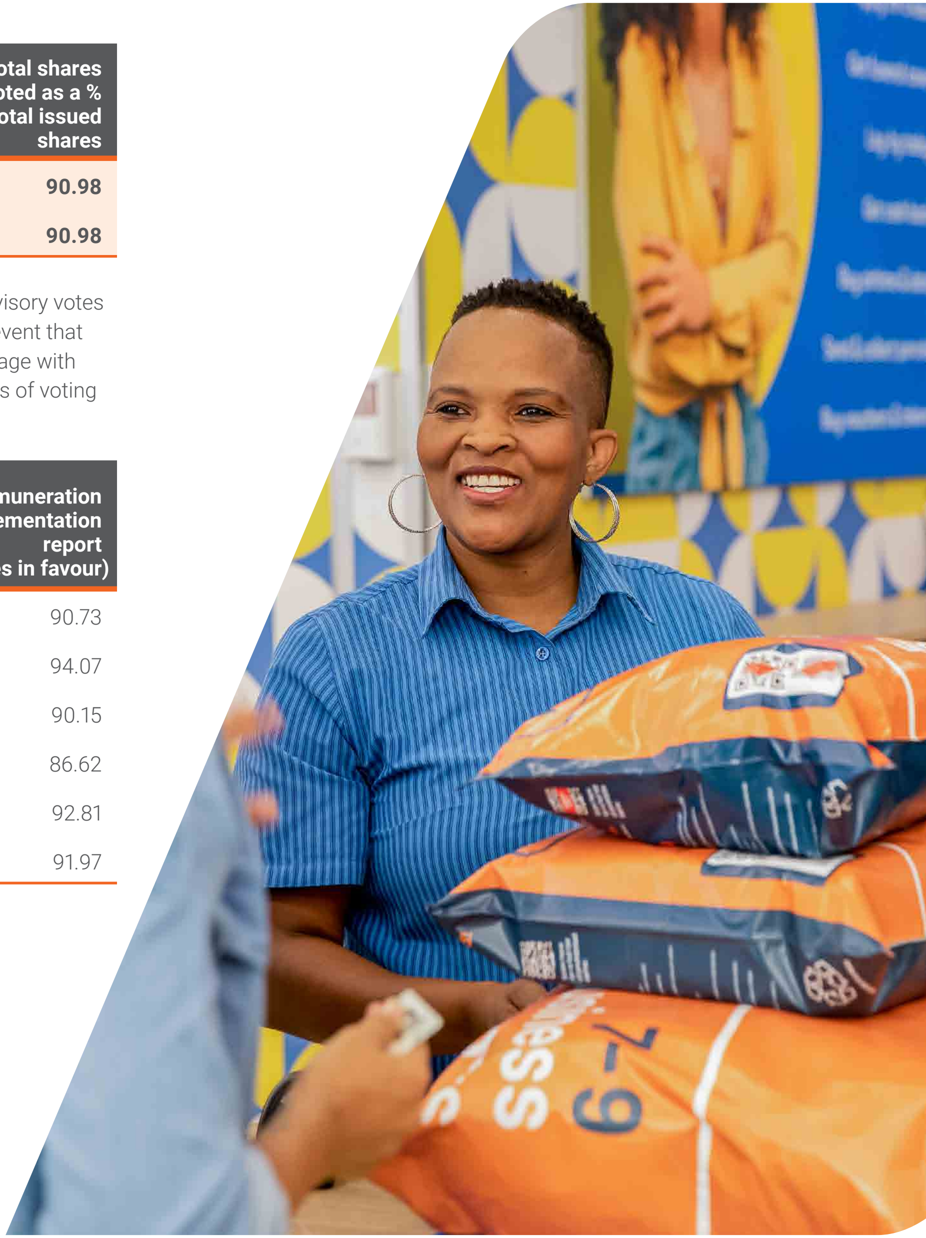
Voting results

The percentage of votes at the 2023 AGM for and against the FY22 remuneration policy and remuneration implementation report:

Pepkor 2023 AGM results	Votes for %	Votes against %	Total shares voted as a % of total issued shares
Remuneration policy	**87.87**	12.13	**90.98**
Remuneration implementation report	**91.97**	8.03	**90.98**

Both Pepkor's remuneration policy and FY23 implementation report will be presented to shareholders for separate non-binding advisory votes at the AGM in 2024. We trust that shareholders will again vote in favour of the remuneration policy and its implementation. 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 and request written submissions or otherwise in order to address their concerns. Below are the historical results of voting for the remuneration policy and implementation reports since listing.

Financial year	Remuneration policy (% of votes in favour)	Remuneration implementation report (% of votes in favour)
2017	**91.81**	90.73
2018	**98.16**	94.07
2019	**92.61**	90.15
2020	**90.32**	86.62
2021	**91.35**	92.81
2022	**87.87**	91.97



Engagement with shareholders

Pepkor has regular engagement with shareholders and proxy voting advisors regarding remuneration. Through engagement during the past year, the following key matters were raised and duly considered:

Shareholder feedback	Remcom feedback
Positive feedback on the progress made on the group's remuneration policy and enhanced levels of disclosure	The Remcom is appreciative of this positive feedback, which recognises the efforts of both management and the Remcom in this regard.
Recommendations on key performance indicators such as return-based metrics, cash generation and the diversity of metrics	The Remcom reviews and benchmarks key performance indicators regularly and will take this into consideration.
Recommendations on longer vesting periods for long-term incentives to support retention	Retention of employees has not been a challenge in the past. The Remcom believes the current three-year vesting period is appropriate to ensure retention.
Recommendations on increasing the minimum shareholding requirements (MSR) for top management	The Remcom has reviewed the MSR and expanded it to include the COO. The MSR percentage for the chief executive officer (CEO) was adjusted from 100% to 150% from the 2024 financial year (FY24).
Feedback received around the quantum of non-executive director (NED) fees versus peers	The Remcom reviews the NED fees annually based on data received from surveys by PwC and Willis Towers Watson. The Remcom is of the view that the fees are appropriate given the size and complexity of the group.

Current and future focus areas

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

1. Identifying mutually beneficial opportunities regarding remuneration and benefits across the group and leveraging the scale of the group
2. Driving greater standardisation, for example regarding to short-term incentive (STI) structures that support divisional and overall group remuneration policy and targets across the group, such as broad-based black economic empowerment (B-BBEE)
3. Reviewing and benchmarking of the long-term incentive (LTI) criteria and structures to ensure that senior employees are remunerated effectively and create value for all stakeholders
4. Focusing on fair and responsible remuneration for all employees within the context of the decentralised operating structure of Pepkor. This includes reviewing pay structures to ensure that it is equitable and reflects the principles of equal pay for work of equal value

The committee is satisfied that the areas identified have been adequately addressed in FY23 and a continued focus will be maintained on these areas to ensure continuous improvement is achieved across the group in FY24.

Legislation changes

As of 1 March 2023, new labour legislation came into effect. Amendments were made to the National Minimum Wage Act, No. 9 of 2018, with the national minimum wage increasing from R23.19 to R25.42 per hour. Pepkor has taken the necessary steps to ensure compliance with these regulatory changes.

The committee has considered the proposed amendments to the Companies Act, which, inter alia, introduce disclosures regarding pay ratios. The proposed amendments are being considered in order to ensure that Pepkor will be in a position to comply with the legislation once the amendments are promulgated.

Advisory services utilised

The Remcom utilised the services of Willis Towers Watson and REMchannel for the executive and non-executive remuneration benchmarking conducted during the year. Pepkor also subscribes to REMeasure (provided by Old Mutual), which is used by the group's operating businesses. The consultation services of Bowmans and Werksmans were utilised during FY23 to advise on key remuneration matters. The Remcom is satisfied that the advice received was independent and objective.

Review of employment terms and conditions

The Remcom has reviewed the employment terms and conditions of the COO as follows:

The COO's contract was updated to a fixed-term employment contract that will be in place until December 2026. The terms and conditions of his employment contract were amended effective 1 October 2023 to include a salary payable in ZAR linked to an agreed GBP/ZAR exchange rate. The COO will continue to participate in the approved STI scheme as in the previous year. In addition, the COO will receive a separate equity-based incentive arrangement and retention bonus, which aims to ensure that he remains in the employment of the group until December 2026.

Members of the Remcom during FY23

Member	Role	Capacity	Board appointment
SH Müller	Chair	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

During FY23, the Remcom comprised 75% independent non-executive directors, meeting the King IV™ recommendation for remuneration committees to have a majority of independent non-executive directors.

On 15 November 2023, Ms Rosemary Nunu Ntshingila was appointed to the board and as a member of the Remcom, further increasing the number of independent directors serving on the committee to 80%. 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 FY23 under review and is expected to do so again in the next financial year.

Steve Müller
Chair of the human resources and remuneration committee

Part 2: Overview of remuneration policy and philosophy

The scope and aim of the remuneration policy

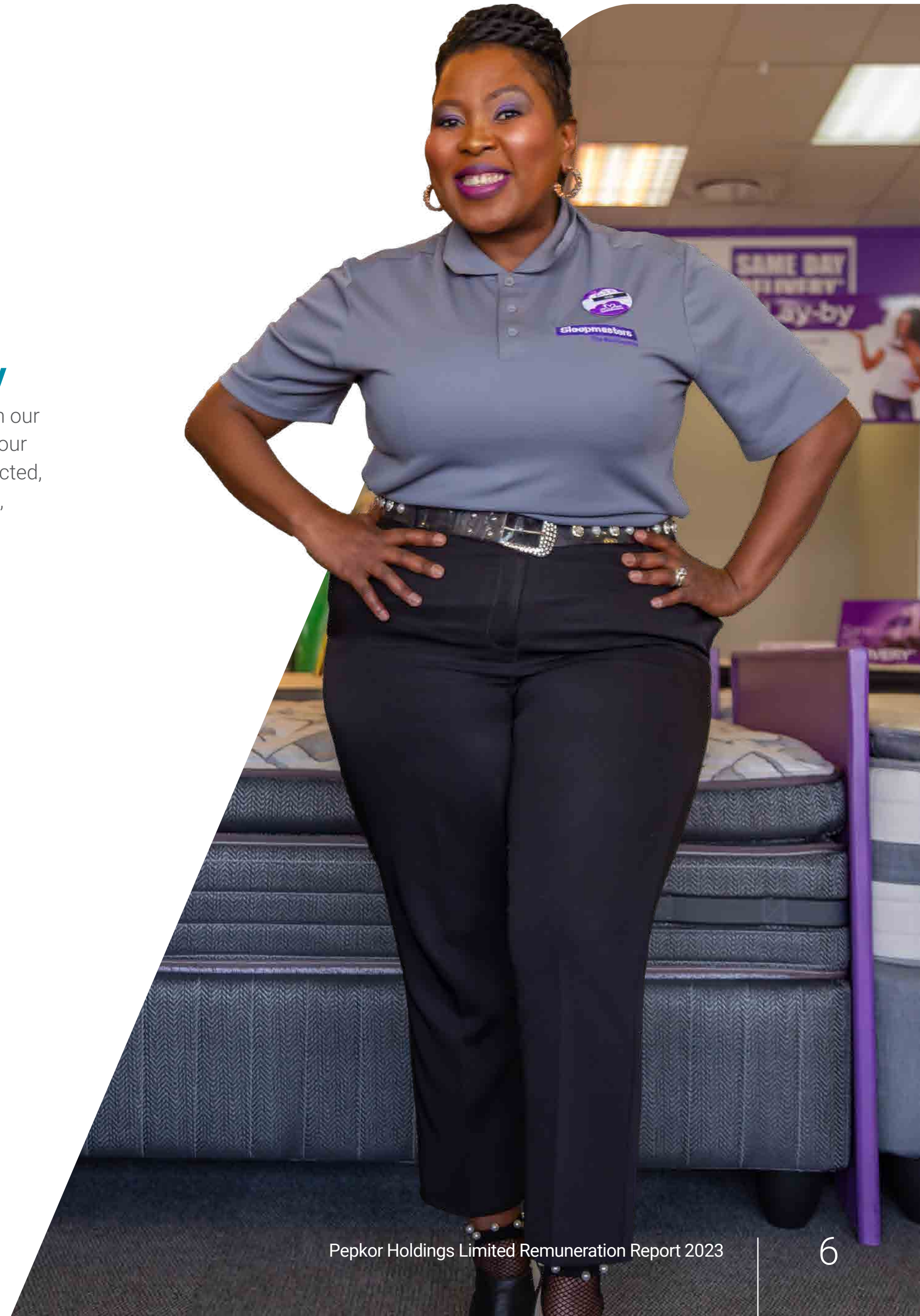
The various divisional remuneration policies that collectively make up the group's remuneration policy have been developed systematically over several years. In some cases, they have been developed by the operating businesses before incorporation into the group. In all cases, policies have been adapted to support the performance-focused culture of the group. We continue to make progress to ensure greater alignment on remuneration, policies and practices across the group.

The policies in place apply to each of our operating businesses, which all need to attract, motivate and retain critical and specialist skills. Each operating business is also required to develop a robust recruitment strategy. The group's competitive advantage in these areas flows from an intricate and in-depth knowledge of the retail, financial services, telecommunications and informal fintech market value chains. This includes supply chains and the nurturing of key supplier relationships, goal-orientated marketing strategies and development of customer value propositions, offering the right product at the right price and at the convenience of our customers. 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, and short- and long-term incentives is achieved.



The remuneration framework

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.

Responsibility level	Grade level	Guaranteed pay	Short-term incentives	Long-term incentives
Operational and logistics employees	**D1 and below**	Salaries are reviewed annually based on an assessment of the competence of the employee or via a collective bargaining process.	A commission or gain-sharing or outcomes-based bonus may be awarded as an add-on to guaranteed pay. In some instances, a guaranteed thirteenth cheque applies.	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.
Administrative employees				
Line managers (Heads of departments)	**D2 to D5**	Guaranteed pay is reviewed annually based on an assessment of the competence of the employee.	A performance bonus may be earned, based on the performance of the department or operating business.	The incentives, as outlined above, apply 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 LTIs.
Executive management (The members of the group and operating business executive committees)	**E and F**		A performance bonus may be earned based on the performance of the operating business. Financial and non-financial criteria are used as measures.	Employees participate in LTI schemes based on group and operating business performance.
Executive directors (Shouldering the responsibility for group strategy)	**F**		A performance bonus may be earned as above but calculated based on group performance. Financial and non-financial criteria are used as measures.	

Remuneration governance

The policy governing terms of employment

Employment contracts are terminable on six months' notice for executive directors and between one and three months' notice for the executive management team.

Remuneration packages, including the entitlement to LTIs, are reviewed annually, aligning interests with shareholders.

A fixed-term employment contract has been put in place for the COO up until December 2026. No other fixed-term employment contracts have been entered into with any other employees on the executive management team, or executive directors. As confirmed in the background statement, the COO will receive incentives which aim to ensure that he remains in the employment of the group until December 2026.

The remuneration package

Remuneration is defined as a package containing three elements:

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

The market positioning of guaranteed pay

The guaranteed packages of the executive management team and executive directors are reviewed annually. A detailed external benchmarking exercise is done every two years by the Remcom, based on reputable salary surveys. The survey providers used for FY23 were REMchannel and Willis Towers Watson.

The following approach is observed in the annual review exercise:

- The guaranteed pay of each member of the executive management team and executive directors are reviewed relative to market comparatives. The 50th percentile of market comparative is used as the target.
- The group CEO makes recommendations to the Remcom concerning the pay level of each executive based on the market comparatives and taking into account the competence and performance 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 proposed by the chair of the board and 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 considered by the Remcom.

Peer comparison group (Retail)

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

Retail sector	
Clothing, footwear and homeware	**Other retailers**
Mr Price Group Limited	Shoprite Holdings Limited
The Foschini Group Limited	Clicks Group Limited
Truworths International Limited	Pick n Pay Holdings Limited
Woolworths Holdings Limited	The Spar Group 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 other employees. They are, however, incentivised via their participation in an 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 FY24 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 STIs

Each executive serving on an executive committee will qualify for 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 are reset annually. Non-financial performance criteria achievement will be rated by the group CEO and approved by the Remcom at the end of each year.
- In the case of the executive directors and COO, the financial target is based on the growth in group earnings and the non-financial target is focused on reaching our B-BBEE 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 financial year after it has been approved. In the case of the component pertaining to B-BBEE, this will be accounted for and paid following the period to which it relates.

For FY24, the Remcom has approved that earnings* growth between 10% and 30% will result in an STI of between 30% and 90% of the guaranteed package for the executive directors and COO.

Additionally, the STI component for B-BBEE was retained for FY24. Executive directors and the COO will be awarded an incentive of 10% of guaranteed pay upon achievement of an improved level 6 B-BBEE contributor status (not discounted) for FY24 as approved by the Remcom. For FY24, a threshold has been introduced where earnings* growth of at least consumer price index (CPI) plus gross domestic product (GDP) needs to be achieved before payment of this element becomes due, thereby ensuring that all STIs are self-funded by profits generated during the relevant financial year.

The Remcom believes structuring the STIs as financial criteria equalling 90% and non-financial criteria equalling 10% is appropriate for FY24. The above could result in a maximum STI of 100% for executive directors and executive management.

STI measure	Weighting %	Threshold (as a % of GP)	On-target (as a % of GP)	Maximum (as a % of GP)
Earnings* growth	90	30	40	90
B-BBEE	10	10	10	10
Total (as a % of GP)	100	40	50	100

* Earnings are defined as 'profit' for the year from continuing operations as disclosed in the financial results of the group, excluding the effect for 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 form and scale of LTIs

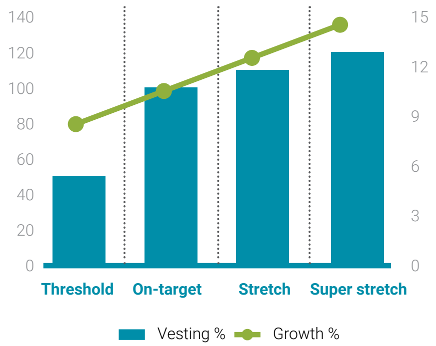
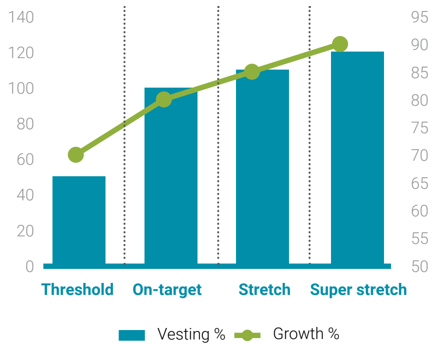
The Pepkor Holdings Limited executive share rights scheme takes the form of full value shares, subject to performance vesting conditions, either based wholly on Pepkor's performance or, in the case of executive management, based on Pepkor and/or applicable business performance criteria. The rights are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

Participants 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 (VWAP) on 30 September of each year. 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 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 CEO, the committee would make the recommendation.
- In awarding share rights, the performance vesting conditions are sufficiently challenging, 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 Remcom's judgement.
- 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.

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

FY23 share grants were allocated based on the following performance criteria:

	Key performance indicators and targets		Weighting
Growth	**Statutory headline earnings* per share** ❯ 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)		**70%**
Cash generation	**Cash conversion^** ❯ Threshold: 70% (50% vesting) ❯ On-target: 80% (100% vesting) ❯ Stretch: 85% (110% vesting) ❯ Super stretch: 90% (120% vesting)		**15%**
Sustainability	***B-BBEE compliance*** – Level 7 (not discounted) will result in a 100% vesting		**10%**
	FTSE/JSE Responsible Investment Index – inclusion in the index will result in 100% vesting		**5%**

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

^ Cash generated by operations and divided by earnings before interest, taxation, depreciation and amortisation (EBITDA).

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. CPI and GDP will be measured as per the official figures released by Stats SA.

In aggregate, performance over the three-year performance period will result in a 42.5% vesting for threshold performance, 100% for on target and 117% 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 have been incorporated 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 already vested), in respect of any participant or all participants, on the occurrence of one or more of the following events:

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

NED fees

The proposed 2024 fees will be presented to shareholders for consideration at the AGM to be held in March 2024 and, if approved, will be effective from 1 April 2024 to 31 March 2025.

	2023	2024	% change
Board of directors			
Chair	**2 150 300**	2 268 600	5.5
Lead independent*	**932 800**	984 100	5.5
Member	**736 700**	777 200	5.5
Audit and risk committee			
Chair	**552 800**	583 200	5.5
Member	**307 400**	324 300	5.5
Human resources and remuneration committee			
Chair	**307 400**	324 300	5.5
Member	**153 700**	162 200	5.5
Nomination committee			
Member	**74 200**	78 300	5.5
Social and ethics committee			
Chair	**252 300**	266 200	5.5
Member	**135 700**	143 200	5.5
Investment committee			
Chair	**252 300**	266 200	5.5
Member	**135 700**	143 200	5.5
Insurance			
Insurance director	**153 700**	162 200	5.5

* Currently, no lead independent has been appointed and the listed fee is only an indication should one be appointed in the future.

All fees listed above exclude 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:

- PwC – Non-executive directors: Practices and fees trends report
- Willis Towers Watson – The JSE Companies Non-Executive Directors Remuneration Survey

Based on these benchmarks, the remuneration paid to NEDs is considered to be fair and responsible, and the increase is in line with inflation.

Application of 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 has the discretion regarding who will participate in variable pay remuneration. The Remcom determines the overall quantum of the STIs 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 management. If a material deviation from the remuneration policy occurs, this will be disclosed in the annual remuneration report. Discretion would include, but is not limited to:

- ensure that Pepkor's employees 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 executive directors, 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

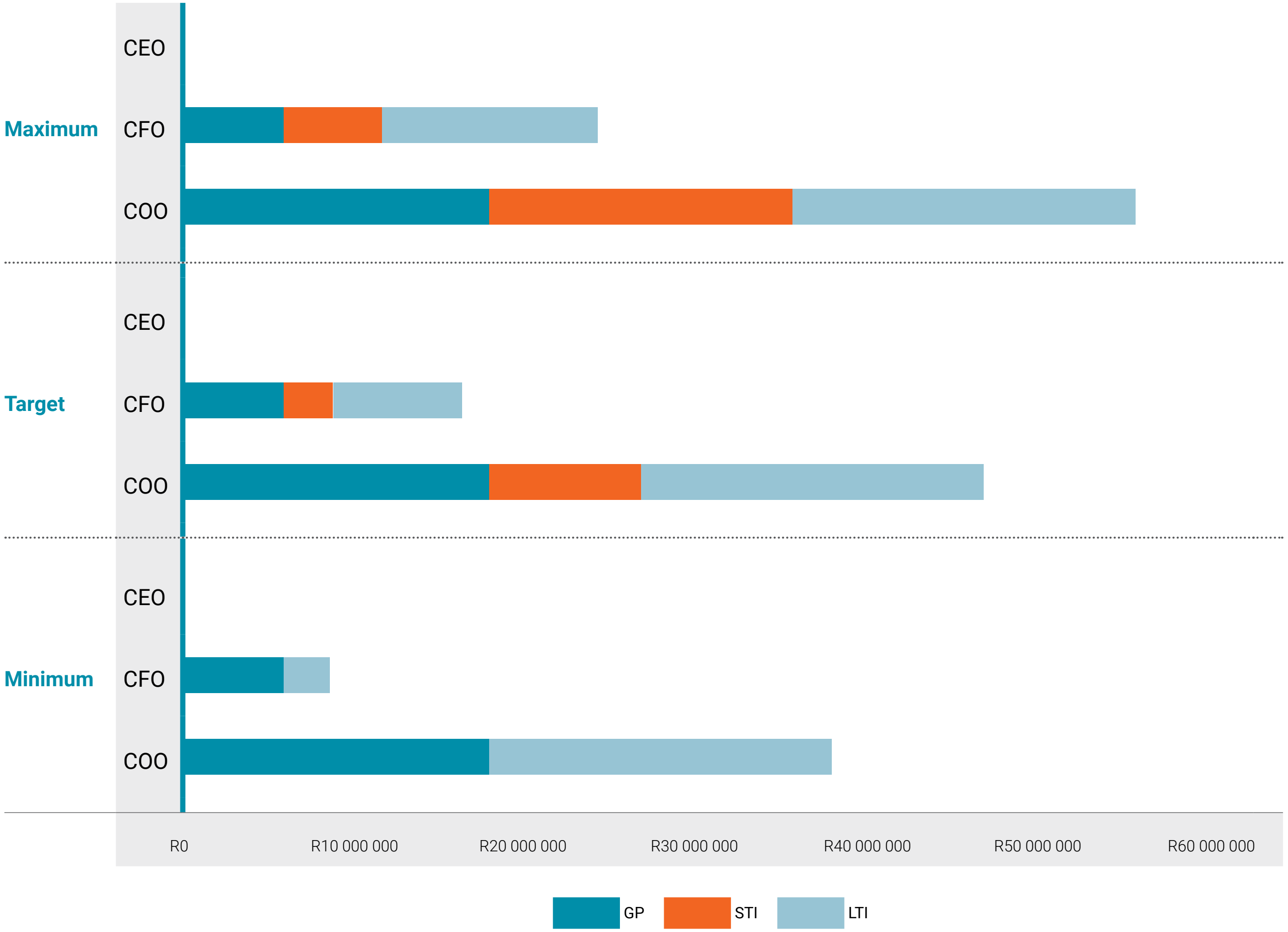
The Remcom views fair and responsible remuneration as being internally equitable and externally competitive. The remuneration policy plays an important role in achieving this objective, as well as in ensuring that Pepkor meets its strategic goals over the short, medium and long term. Key features and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

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

The Remcom understands the importance of ensuring executive directors and executive management 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 a theoretical illustration of the potential consequences on the total remuneration for the current executive directors and COO, on a total single-figure basis, of applying the remuneration policy under the minimum, on-target and maximum performance outcomes. The total single-figure remuneration includes all remuneration elements receivable for a defined reporting period, each disclosed at fair value.



Minimum shareholding requirements

In line with good market practice, the Remcom introduced MSR for the CEO and CFO as from FY23. The aim is to ensure that the interests of executive directors, the COO and shareholders are aligned. From FY24 the MSR will be expanded to include the COO.

The stipulated conditions for MSR are as follows:

- Shareholding must be accumulated over a period of five years from the introduction of the MSR policy on 1 October 2022 or five years from the appointment of an employee into the CEO, COO or CFO role.
- The Remcom will regularly review the progress towards these requirements to ensure compliance with the policy.
- All shares held on 30 September every year will be used to report in the annual remuneration report and reflective as a percentage of annual guaranteed package.

The minimum shareholding requirement as a percentage of annual guaranteed package is as follows:

CEO: 150%

CFO: 100%

COO: 100%

In part 3, the current shareholding of the executive directors and COO has been included under the section Executive director and COO interests on page 16.

Part 3: Implementation of remuneration policy

This section discloses the details of the group's executive directors and COO's remuneration 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™. The section also discloses the details regarding NED fees.

The executive directors and COO are the prescribed officers of the group in terms 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 FY23 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 FY23 and no circumstances warranted the application of any malus or clawback provisions.

Guaranteed pay benchmarking and increases for FY24

Benchmarking in the current year was undertaken based on salary information from REMchannel and Willis Towers Watson. The survey found that the guaranteed pay of the executive management team across the group was positioned at a comparative ratio of 101% relative to market 50th percentile. This was compared to companies and roles of a similar size in South Africa. This is close to the expectation of the pay structuring target, explained in the policy section of this document, as there is a skew towards variable pay in the pay structure of executive management.

A salary increase of 5.5% was approved to be implemented in FY24 for the guaranteed package of the CFO, compared to a general increase approved for other employees (including bargaining unit employees) generally ranging between 5% and 7%.

STI outcomes in FY23

The following bonuses were awarded to the executive directors and COO in respect of the financial performance of the group for FY22 and FY23:

	Bonus awarded FY23		Bonus awarded FY22	
Executive director and COO	**R'000**	**% of GP**	**R'000**	**% of GP**
LM Lourens	**–**	**–**	4 450	54
PJ Erasmus*	**–**	**–**	–	–
RG Hanekom	**514**	**10**	2 749	54
SNN Cardinaal*	**–**	**–**	–	–

* Appointed 1 October 2022

The Remcom approved the following STI categories for FY23:

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

In FY23, no incentives were awarded on the financial component of STIs. The growth in normalised earnings* for FY23, based on this definition, was -9.2% in terms of this category.

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 FY22 measurement period resulted in a 10% payment to the executive directors in FY23.

* Earnings are defined as 'profit' for the year from continuing operations as disclosed in the financial results of the group, excluding the effect for 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

FY20 share grants

The performance criteria were measured over a three-year performance period, being FY20 to FY22. In years 1 and 2 (FY20 – FY21), a performance score of 109.00% was achieved, which contributed two-thirds to the total vesting. In year 3 (FY22), a performance score of 100.63% was achieved, which contributed one-third to the total vesting.

This resulted in a final vesting percentage of 106.2% of the total award. The following tables set out targeted performance compared to performance achieved per key performance criteria over the three years.

Years 1 and 2 (FY20 – FY21)

Performance criteria	Description	Weighting %	Target	Result achieved	% of award vesting
Growth	Earnings	25.00	5 600	6 748	30.00
	Peer comparison: Like for like	6.67	2nd best	Best	7.33
	Peer comparison: EBITDA margin	6.67	2nd best	Best	7.33
	Peer comparison: Cost of doing business %	6.67	2nd best	Best	7.33
	Market share growth (RLC)^	10.00	6.09%	10.22%	12.00
Cash generation	Cash conversion	25.00	80.00%	110.80%	30.00
Sustainability	B-BBEE rating Year 1	5.00	55.00 points	51.01 points	3.00
	B-BBEE rating Year 2	5.00	55.00 points	59.00 points	5.00
	Compliance and governance Years 1 and 2	5.00	80%	80%	5.00
	FTSE/JSE Responsible Investment Index Year 1	2.50	2.90 points	2.20 points	0.00
	FTSE/JSE Responsible Investment Index Year 2	2.50	Improvement	> 15%	2.00
Total		100.00			109.00

^ RLC – Retailers' Liaison Committee

Year 3 (FY22)

Performance criteria	Description	Weighting %	Target	Result achieved	% of award vesting
Growth	Headline earnings per share	55.00	10.53%	15.70%	66.00
Cash generation	Cash conversion	25.00	80.00%	72.50%	15.63
Sustainability	B-BBEE rating	10.00	55.00 points	67.91 points	10.00
	Compliance and governance	5.00	80%	90%	5.00
	FTSE/JSE Responsible Investment Index	5.00	Improvement	> 15%	4.00
Total		100.00			100.63

Executive director and COO interests

The following table sets out grants of share rights made to the executive directors and COO in terms of the Pepkor Holdings Limited executive share rights scheme during FY23, including outstanding and unvested share rights as at the financial year-end. It also includes current shareholding of the executive directors and COO as at 30 September 2023.

Executive director and COO	At the beginning of the year (FY20, FY21 and FY22 allocations)	Additional rights due to exceeding on-target conditions	Allocated during the year (FY23 allocation)	Vested and/or forfeited during the year (FY20 allocation)	At the end of the year (FY21, FY22 and FY23 allocations)	Actual number of shares held at 30 September 2023	Total value of shareholding at 30 September 2023 (VWAP R16.36)	Value as a % of FY23 annual GP
PJ Erasmus	–	–	–	–	–	**–**	**–**	**N/A**
RG Hanekom	2 123 849	38 649	514 717	(662 014)	2 015 201	**778 327**	**12 733 430**	**234**
SNN Cardinaal	–	–	766 090	–	766 090	**–**	**–**	**–**
Total	2 123 849	38 649	1 280 807	(662 014)	2 781 291	**778 327**	**12 733 430**	

LTI scheme grants in FY24

Share rights will be granted in terms of the remuneration policy and allocation levels. 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 performance period.

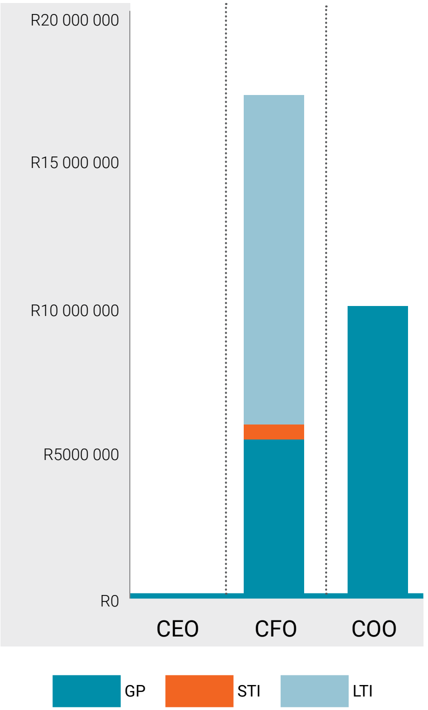
Total remuneration in FY23

The following table offers a breakdown of the total single-figure remuneration earned by the executive directors and COO during FY23, 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 contributions and benefits R'000	Short-term incentive R'000	Long-term incentive R'000	Total remuneration R'000
FY22					
LM Lourens	7 168	1 146	4 450	15 939	**28 703**
RG Hanekom	4 218	917	2 749	10 723	**18 607**
Total	11 386	2 063	7 199	26 662	**47 310**
FY23					
PJ Erasmus	–	–	–	–	**–**
RG Hanekom	4 462	982	514	11 461	**17 419**
SNN Cardinaal	9 685	392	–	–	**10 077**
Total	14 147	1 374	514	11 461	**27 496**

Actual remuneration outcomes

In the graph below, the actual remuneration outcomes for FY23 have been illustrated.



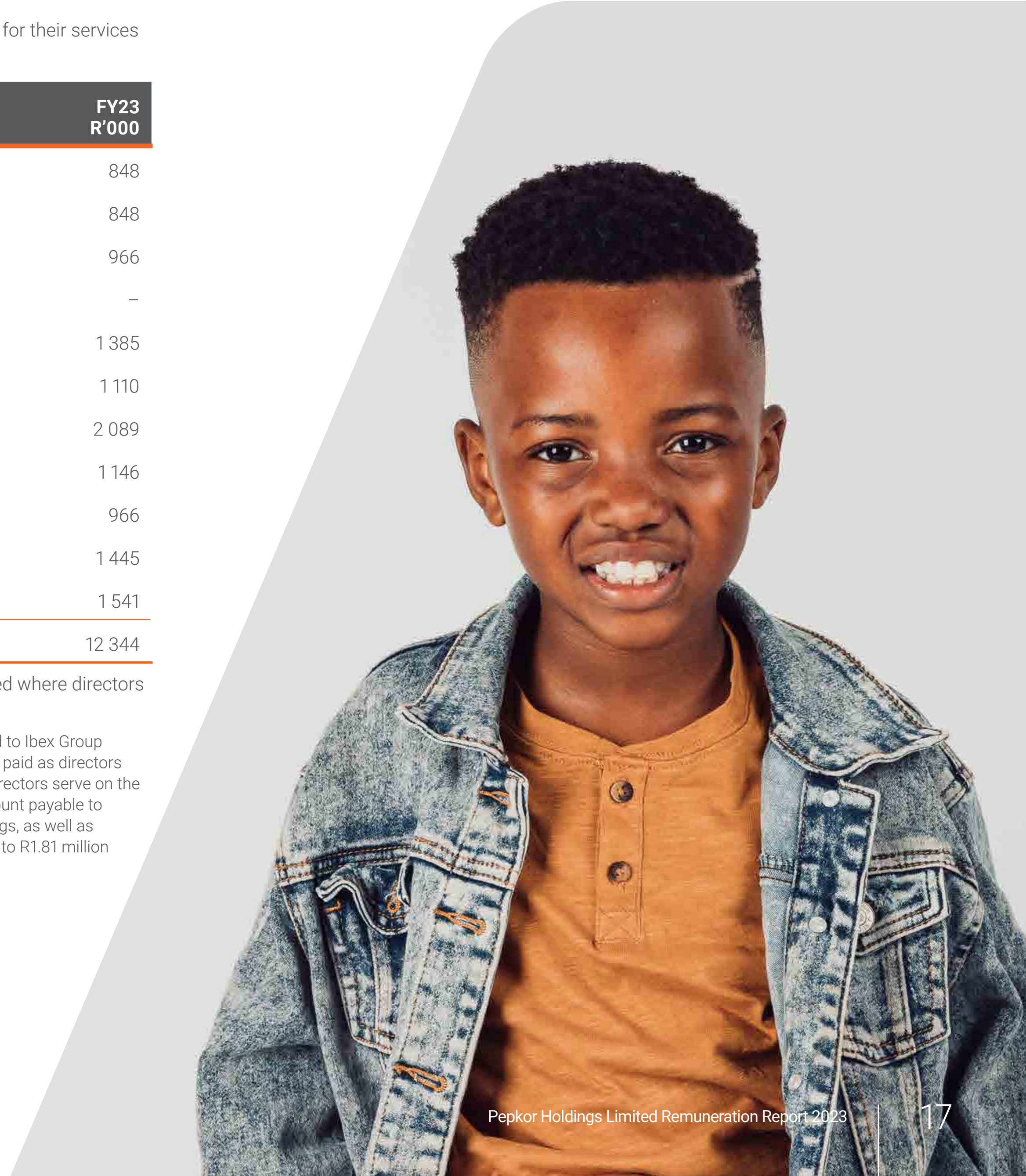
NED fees in 2023

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

	FY22 R'000	FY23 R'000
TL de Klerk*	**801**	848
P Disberry	**815**	848
LJ du Preez*	**942**	966
PJ Erasmus	**721**	–
HH Hickey	**1 255**	1 385
IM Kirk	**1 016**	1 110
WYN Luhabe	**1 996**	2 089
ZN Malinga	**1 098**	1 146
LI Mophatlane	**929**	966
SH Muller	**1 385**	1 445
F Petersen-Cook	**1 686**	1 541
Total	**12 644**	12 344

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

* Relates to remuneration received for services provided to Ibex Group (formerly Steinhoff). The fees to directors include fees paid as directors of the ultimate holding company, Ibex Group, where directors serve on the board of the company and holding company. The amount payable to Ibex Group for the attendance of Pepkor board meetings, as well as being non-executive Pepkor board members amounts to R1.81 million (2022: R1.74 million).



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